

Challenger Institute of Technology Annual Report 2012



WINNER
LARGE TRAINING PROVIDER OF THE YEAR AWARD
www.australiantrainingawards.gov.au

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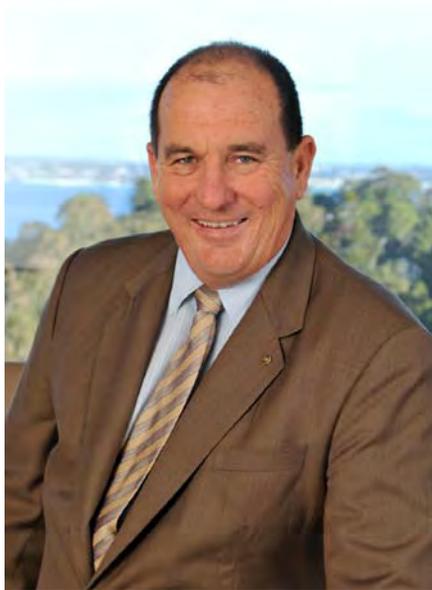
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Challenger



Challenger Institute Governing Council chair Paddi Creevey (left) and deputy chair Mike Deeks celebrate Challenger's win at 2012 Australian Training Awards with CEO Liz Harris and general managers Michael Juliff, Terry Durant, Melanie Sorensen and Jill Jamieson.

STATEMENT OF COMPLIANCE



Hon Murray Cowper MLA

MINISTER FOR TRAINING AND WORKFORCE DEVELOPMENT

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of Challenger Institute of Technology for the financial year ended 31 December 2012.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Vocational Education and Training Act 1996*.

A handwritten signature in black ink that reads "Paddi Creevey".

Paddi Creevey OAM

Chair of Governing Council
Challenger Institute of Technology

Date: 6 March 2013

A handwritten signature in black ink that reads "Liz Harris".

Liz Harris

Chief Executive Officer
Challenger Institute of Technology

Date: 6 March 2013

AGENCY OVERVIEW

About Us

Challenger Institute of Technology is Western Australia's most diverse registered training organisation, delivering publicly funded and fee-for-service training under the Australian Quality Training Framework.

Challenger Institute offers more than 450 courses at 14 locations spanning a catchment area of 6,000 square kilometres – from Fremantle to the Peel region and inland to Murdoch. Challenger is the only state training provider with responsibility for servicing both urban and regional communities.

The institute offers innovative and flexible learning in the following training areas and specialist centres:

- Australian Centre for Applied Aquaculture Research (ACAAR)
- Australian Centre for Energy and Process Training (ACEPT)
- School of Applied Engineering
- School of Building and Automotive Technology
- School of Business and Information Technology
- School of Community Services, Health, Sport and Lifestyle
- School of Foundation and Cultural Studies
- School of Hospitality and Tourism
- School of Maritime
- School of Science and the Environment



Challenger Institute is aligned to industry needs and works closely with more than 400 community and business partners to build a skilled and productive workforce and to fill labour shortages.

The institute delivers training in the workplace and offers workforce development solutions across a range of industries. The success of these services is based on fostering strong relationships. Ongoing consultation with Industry Advisory Boards actively informs the planning, design and delivery of Challenger's vocational education and training programs.

Challenger Institute aims to generate between 35 – 40 per cent of its income from commercial activities, including fee-for-service domestic training delivery and international on-shore and off-shore contracts with large global companies.

Challenger provides commercial training and research services to nine countries: Chile, East Timor, India, Sri Lanka, Indonesia, Mauritius, Papua New Guinea, Singapore and United Arab Emirates, and has partnering agreements with training institutes in China.

Our Purpose

For everyone a pathway to a better future

Our Values

Excellence through innovation and high quality outcomes

Integrity through ethical and honest behavior

Collaboration by building positive working relationships

Sustainability through environmental, social and economic responsibility

Our Strategic Priorities

Challenger Institute's Strategic Plan:

- considers our operating environment and role as a large public registered training organisation
- aligns with state and commonwealth policies and priorities
- actively supports the WA Government's blueprint for the training system, *Training WA*, and its Aboriginal workforce development strategy *Training Together – Working Together*
- is backed by good governance, quality and national accreditation frameworks, and
- invites staff and stakeholders to be involved in shaping a better future.

We are committed to good practice, shared values and continuous improvement.

We achieve our purpose through:

- the skills, knowledge, abilities and attitudes of staff
- teamwork and strong relationships
- client focused business processes
- excellent programs and services, and
- leadership demonstrated within the institute, the community and our region.

Strategic Plan 2012 – 2014

Challenger Institute's major organisational objectives are described in its *Strategic Plan 2012 – 2014*. The plan is outcomes-focused and provides an overarching framework for operational planning, performance monitoring and continuous improvement.

The *Strategic Plan 2012 – 2014* has six strategic objectives:

1. A skilled workforce providing industry-driven training to meet workforce development needs.
2. Flexible and contemporary apprenticeship and traineeship delivery.
3. Individual participation in training and expanding the community's access to relevant vocational education and training.
4. Support for regional communities in accessing training.
5. A strong enterprising culture generating commercial and international business.
6. A capable and flexible training organisation.



MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

We are pleased to present Challenger Institute of Technology's 2012 Annual Report.

2012 has been a year of unprecedented success, of which the highlight was winning the Large Training Provider of the Year Award at the prestigious Australian Training Awards. This accolade cemented Challenger Institute's reputation as a national leader in flexible, high-quality and skills-focused training. This highest award in Australian vocational education and training came on the back of our win at the Western Australian Training Awards in September, where we won the WA Large Training Provider of the Year Award.



The honours continued to roll in when Challenger became the first Western Australian training provider to win the WA tourism industry's most respected award, the Sir David Brand Award for Tourism. And our training restaurant, Quinlan's, won its fifth and third consecutive Gold Plate Award at the 2012 Gold Plate Awards, earning it a place in the Gold Plate Hall of Fame.

In our lifestyle training area there were many notable achievements this year. Our fashion students were asked to participate in various high-profile fashion events including StyleAid and the acclaimed Perth Fashion Festival, with one of our students winning the overall best fashion student award at the festival.

Our events and hospitality students were in high demand and invited to work at a number of important events. They assisted with the service at the Prime Minister's community forum in Fremantle in September and lent their skills to the popular Gourmet Escape weekend in Margaret River.

Five talented Challenger Institute students represented WA at the 2012 WorldSkills Australia Competition in Sydney. Two students, florist Erin Lamb of Yangebup, and VET in Schools commercial cookery trainee Stephanie Greenslade of Baldivis, were among the medal winners. Erin claimed a silver medal, while Stephanie earned a bronze. Challenger staff members also took part as judges. Cookery lecturer Kim Stanton adjudicated the VET in Schools hospitality





section, while business lecturer Marilyn McCutcheon served as chief judge for the business section of the competition.

In working to meet our priority to achieve increased numbers of Aboriginal students in training and employment, 615 Aboriginal and Torres Strait Islander students were enrolled in 2012, a 24 per cent increase on 2011. Of particular note, 250 Aboriginal students studied a certificate III or higher level qualification, a 32 per cent increase on 2011.

Challenger's commitment to providing Aboriginal people with a pathway to higher education and employment was acknowledged at the 10th anniversary celebrations of the Kadadjiny Mia Centre for Aboriginal Learning in August. The celebration reflected on the centre's

significant achievements, including upskilling 4,834 Aboriginal people. More than 200 Aboriginal students have completed traineeships and 145 have undertaken apprenticeships at the centre. More than 540 students have graduated with a certificate III qualification or higher. The students have gained skills in childcare, education, art, leadership, health, cultural tourism and horticulture.

We continued to maintain strong and effective partnerships both within Australia and overseas. Our partnerships with international institutions and private companies have enriched the institute and added significantly to our capability.

Challenger increased its international service delivery and reputation through the provision of off-shore commercial training and research activity to organisations in nine countries: Chile, East Timor, India, Sri Lanka, Indonesia, Mauritius, Papua New Guinea, Singapore and United Arab Emirates, and signed new partnering agreements with training institutes in China.

Our Australian Centre for Energy and Process Training (ACEPT) played host to a number of international study groups seeking knowledge about the centre's partnerships

with the resources sector. Government and industry representatives of predominantly African nations gained insight into Australia's mining governance structures and how ACEPT collaborates with industry and government to address skills shortages.

Complementing these achievements is Challenger's ongoing investment in new and upgraded facilities, such as the state-of-the-art nursing facility at our Murdoch campus, which opened in February, and the \$28.6 million Building Technology Centre in Rockingham which had the sod turned in July and is set to be the largest training facility of its kind in WA. These significant infrastructure projects will ensure the Challenger Institute experience remains world-class.

New training programs and alliances that have been developed this year include an Advanced Diploma of Perioperative Nursing with the Mount Hospital and a Working Globally program offered in collaboration with six higher education and vocational training organisations from around the world, allowing our students to gain a genuine international experience.

And in a national first, our Advanced Diploma of Engineering (Mechanical) course achieved full accreditation in April from the Engineers

Our partnerships with international institutions and private companies have enriched the institute and added significantly to our capability.

Australia Accreditation Board as a base qualification for entry to practice in the occupational category of Engineering Associate.

We continued to expand teaching and learning opportunities for our staff and to develop internal innovation strategies. We grew the capability of our workforce by providing more than 14,500 hours of internal and external professional development – an increase of 11 per cent on 2011. We also launched the Innovate program which aims to develop new or different ways of working. Through an online ‘ideas’ portal, staff are encouraged to discuss and submit suggestions for innovation or change in operations and/or training delivery. All ideas submitted are assessed by a cross-organisational panel with selected projects funded and implemented.

Students are the lifeblood of Challenger Institute and we continued to strive to improve the student experience. To support this in 2012, we:

- formed a committee to coordinate Disability Action Inclusion Plan initiatives across the institute
- expanded relationships with disability employment services to improve referral options for students with a disability transitioning into employment
- launched a new second-hand bookshop service allowing students to purchase heavily discounted text books

- developed an institute-wide Risk Management Framework to ensure a safer training environment for students and lecturers, and
- implemented a Workforce and Diversity Plan that aims to achieve an optimum workforce capable of providing a high quality service to students and clients.

In August we were gratified to learn that these and other initiatives are paying off: the Australian Quality Training Framework survey, completed by more than 3,110 students and 135 employers, revealed that 93 per cent of students were satisfied with Challenger’s training experience and 90 per cent of employers regarded the training at Challenger as an effective investment for their organisation. These excellent results demonstrate the high quality of our training across a breadth of program areas.

In the past year, Challenger has grown from strength to strength. We have demonstrated creativity, excellence and innovation in not only our training delivery, but also in our staff development and internal processes and systems. Challenger proudly continues to uphold its corporate values of excellence, integrity, collaboration and sustainability and this is reflected in our very high performance in surveys of students and employers, as well as in the number of awards we have earned.

For all of our outstanding achievements this year, we are enormously grateful for the passion and commitment of our staff, the loyalty of our partners and the contribution of our Governing Council members. We would also like to thank former Minister for Training and Workforce Development Peter Collier for his support of and enthusiasm for the training sector, and, more recently, the current Minister Murray Cowper for his efforts in the area.



Paddi Creevey

Paddi Creevey OAM
Chair of Governing Council
Challenger Institute of
Technology



Liz Harris

Liz Harris
Chief Executive Officer
Challenger Institute of
Technology

ACHIEVEMENTS BY SCHOOL

School of Applied Engineering/ACEPT

Challenger Institute began developing new technology that will allow external access to its process plant at the Australian Centre for Energy and Process Training (ACEPT). Working in conjunction with industry partners Apache and Honeywell, the *Interactive learning model: Remote access to ACEPT Process Plant* project will research and develop options for regional workforces to have external, real time, access to the simulated process plant.

Heavy fabrication apprentices were the first to take part in a new program at Challenger Institute's Henderson campus that is training new workers for Gorgon, one of the world's largest natural gas projects. The program is a collaboration between Challenger Institute and CKJV – a joint venture of global engineering giants CB&I and Kentz – and provides flexible learning opportunities for apprentices in the resources sector, working within the framework of Challenger's SMART apprenticeship model.

ACEPT's Women in Engineering program, that aims to bolster the number of women entering the resources industry, was expanded to include diploma and advanced diploma scholarships. Delivered in partnership with industry sponsor Chevron Australia, the program enables students to conduct their studies at ACEPT

and provides skills for employment in construction industries associated with WA's expanding resources industry.

Challenger Institute entered a new partnership to provide oil and gas training to Shell employees at ACEPT. As a partner in the Global Centre for FLNG Learning and Research, Challenger will deliver technical training to workers in preparation for Shell's Floating Liquefied Natural Gas (FLNG) project. Curtin University is also involved in the project by providing professional leadership, management, technical education and research specifically relevant to the FLNG industry. Shell's FLNG technology is the first of its kind to allow gas to be processed on a floating facility directly over the gas field.

An engineering course offered by Challenger Institute achieved full accreditation from the Engineers Australia Accreditation Board as a base qualification for entry to practice in the occupational category of Engineering Associate. The Advanced Diploma of Engineering (Mechanical) was acclaimed for its innovative approach to para-professional engineering education and its graduates will help counter the national skills shortage. The course helps students develop the skills and professional attributes demanded by the Stage 1 Competency Standard for Engineering Associates.





School of Building and Automotive

Work began on Challenger Institute's new state-of-the-art Building Technology Centre in Rockingham. The \$28.6million training centre is set to be the largest training facility of its kind in the state, providing pre-apprentice and apprentice training for more than 700 students in the southern metropolitan region. It will provide qualifications in a range of building and construction trades and importantly will meet an ongoing need for tradespeople for the construction work associated with WA's resource sector projects.

Challenger Institute partnered with Chevron Australia to provide training for Aboriginal students in the inaugural Gorgon Entry Skills Training Program. The students gained hands-on training and exposure to the tools, processes and tasks required to work in the resources sector and completed a range of units and construction proficiencies, including forklift operation, tool skills, elevated work platforms, fixing and securing equipment, working in confined spaces and first aid. The students graduated with a number of recognised industry tickets and units of competency from a Certificate II in Electrotechnology.

School of Business and Information Technology

Challenger Institute introduced a 12-month training program for Aboriginal trainees to become skilled in business, technology and management-related units. The inaugural program – a partnership with Chevron Australia – allows trainees to work in Chevron's Perth offices where they have the opportunity to learn from people with diverse industry experience and skills. The training involves a combination of workshops and online units, which provide interactive learning and flexibility for the participants.

School of Community Services, Health, Sport and Lifestyle

A continuing demand for nursing courses saw a state-of-the-art \$1.8million nurse training facility built at Challenger Institute's Murdoch campus. More than 200 nursing students will be trained at the facility by 2013, with this number expected to grow by 20 per cent each year. The facility has two hospital practice wards, a patient wash area and an observation room to enable monitoring of student activity and supervision of students interacting with high-tech computer simulated patients. The facility is strategically located in the developing Murdoch Health Precinct.



Remote real-time nursing training via high-speed broadband was launched at Challenger Institute in a national first. High resolution digital cameras are used to stream training sessions at Challenger's state-of-the-art nursing facility at Murdoch to its Mandurah campus and throughout the Peel region. Cameras capture skill demonstrations on high-tech clinical patient simulators at Murdoch and facilitate two-way communication between students and trainers.

Challenger Institute and the Mount Hospital partnered in an Australian-first to offer specialist tertiary training in perioperative nursing. The program is an opportunity for nurses to hone their skills in the care of patients before and after surgery and will help fill a growing demand for perioperative expertise. The course is delivered over 20 weeks and utilises online learning to support the theoretical components of the course.

School of Foundation and Cultural Studies

The award-winning Weld to Life program provided dual vocational and work preparatory qualifications to 36 young people at risk. The partnership program with the WA Police and Rockingham PCYC is helping train young offenders in the Rockingham region. It comprises a Challenger Institute Wider Opportunities for Work (WOW) qualification, with an embedded Certificate I in Engineering, and is delivered to young offenders through hands-on-training in a supported environment.

A ground-breaking course was introduced at Challenger Institute to provide Aboriginal people in the Peel region with skills in health care. The 12-week Pathways to Better Health program aims to boost the employability of Aboriginal people in a key job growth industry and improve access to health care for local residents. Eighteen graduates received a Certificate II in Leadership (Health Focus) in 2012, with the opportunity to follow a pathway towards higher studies, including in nursing.

School of Hospitality and Tourism

Challenger Institute became the first Western Australian training provider to win the tourism industry's most prestigious award. The institute took out the Sir David Brand Award for Tourism at the 40th annual WA Tourism Awards. The award is presented to the best of the WA Tourism Award gold medallists.

The School of Hospitality and Tourism also won the Tourism Education and Training category of the WA Tourism Awards for the third successive year and in 2013 will be inducted into the Hall of Fame.

Challenger Institute's training restaurant, Quinlan's, won its fifth Gold Plate Award at the 2012 Gold Plate Awards Gala Ball. The occasion also marked the third consecutive year of a Gold Plate Award win for Quinlan's, earning it a coveted place in the Gold Plate Hall of Fame.

The School of Hospitality and Tourism won its second consecutive Savour Australia Restaurant and Catering HOSTPLUS Award for Excellence (WA) – Restaurant in a Training Institute in 2012.



School of Maritime/ACAAR

Challenger Institute's Australian Centre for Applied Aquaculture Research (ACAAR) began working with international institutions in Panama, the United States and Indonesia to reverse the plight of diminishing wild tuna stocks. ACAAR is undertaking collaborative research to improve survival rates of tuna larvae to a level where commercial hatchery production can be achieved and juvenile tuna can be provided from hatcheries, to grow on farms.

The School of Maritime joined forces with two major interstate maritime training providers to raise the profile of seafarer training and support the Federal Government's shipping policy reform. The Australian Maritime College (AMC) in Tasmania, Hunter Institute of TAFE in New South Wales and Challenger Institute signed a memorandum of understanding to further strengthen and develop their cooperation in maritime education, training and research.

ACAAR partnered with the Swan River Trust and Department of Fisheries to begin work on restocking western school prawns in the Swan and Canning rivers. Collection of prawn broodstock from the Swan River began in 2012, allowing ACAAR to start the process of breeding and growing the species. The three year, \$330,000 project, managed by Recfishwest, was made possible by funds raised through recreational fishing licence fees.

Research trials into the production of yellowtail kingfish to increase the commercial competitiveness of the Australian industry began in early 2012 by ACAAR's Australian Seafood Cooperative Research Centre. The project is a partnership with the Fish Health Group of WA Fisheries, Flinders University and the Marine Fishfarmers Association.

School of Science and the Environment

The School of Science and the Environment received recognition for its turf management training when apprentice Rory Bairnsfather-Scott won the 2012 National Sports Turf Graduate Award. Presented by the Australian Golf Course Superintendents' Association for excellence in turf management, the award attracts competition from ground staff at the biggest and best stadiums and golf courses across Australia.

International Relations

A new initiative to offer students a genuine global experience and a chance to put their skills into practice overseas was launched in 2012. The Vocational Graduate Certificate in Working Globally involves six higher education and vocational training organisations from across the globe working cooperatively to deliver a six-month work placement study program. Challenger Institute, Box Hill Institute (Victoria), South West TAFE (Victoria), Adam Smith College (Scotland), Silkeborg Technical School (Denmark)

and Alfa College (The Netherlands) have partnered in the inaugural program. Eight Challenger Institute hospitality and tourism students and 18 students from the Netherlands and Denmark were the first to complete the course.

Fifteen African countries turned to Challenger's Australian Centre for Energy and Process Training (ACEPT) for insight into Australia's resources industry. The delegation of 45 visiting African national government representatives gained a deeper understanding of Australian mining governance structures, with a particular focus on community, regulatory, environment and infrastructure issues.



Enabling Legislation

Challenger Institute of Technology was established as a Statutory Authority in 1996 under section 35 of the *Vocational Education and Training Act 1996*.

Responsible Minister

The Hon. Murray Cowper MLA, Minister for Training and Workforce Development.

OPERATIONAL STRUCTURE

Campus Locations

Challenger Institute has 10 campuses, and four community-based training sites, in Perth's south-west metropolitan corridor and the Peel region.

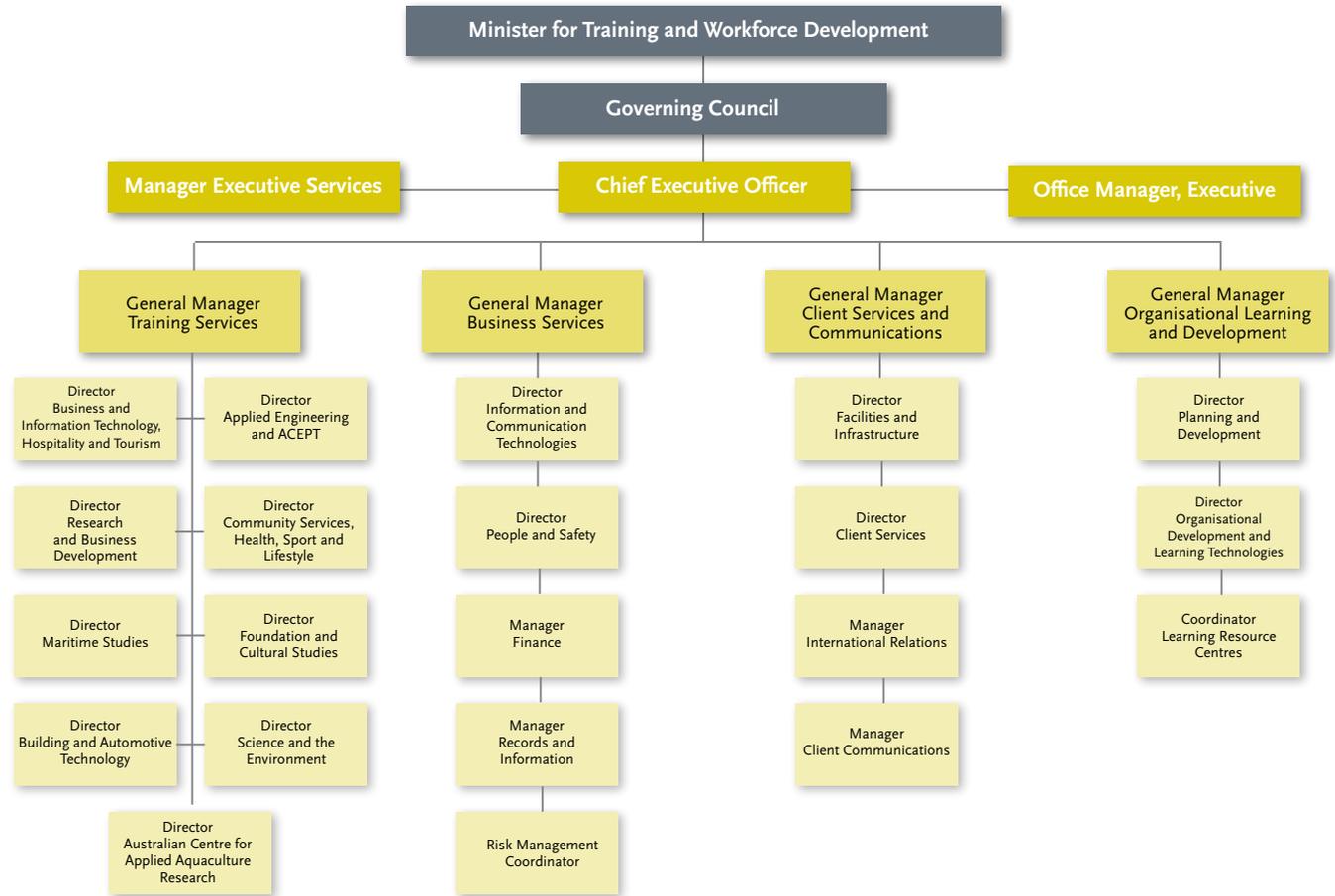


Organisational Chart

Challenger Institute of Technology is a statutory authority delivering vocational education and training.

Established in 1996 under Section 35 of the *Vocational Education and Training Act 1996*, the institute is a body corporate with functions conferred by the Minister for Training and Workforce Development and consists of a Governing Council, staff and enrolled students.

The Accountable Authority for Challenger Institute of Technology is the Governing Council. The chief executive officer is supported by an executive comprising the general managers of the organisation's four directorates. The largest of the directorates is Training Services, the institute's training delivery arm. Business Services and Client Services and Communications provide corporate and client support, with Organisational Learning and Development responsible for staff learning and development, quality and continuous improvement functions.



Executive Team

Directorates

Business Services

The Business Services directorate is led by general manager Michael Juliff and encompasses finance (including assets and supply); information and communication technologies; people and safety; records management; and risk management. The directorate provides the relevant tools, advice and frameworks to ensure Challenger Institute delivers high quality business strategy and leadership.

Client Services and Communications

The Client Services and Communications directorate is led by general manager Terry Durant and comprises marketing and public relations; student services and admissions; facilities and infrastructure; and international relations. Its aim is to support the institute through innovative services and a strategic client focus.



Left to right: general manager Client Services and Communications Terry Durant, general manager Training Services Jill Jamieson, chief executive officer Liz Harris, general manager Organisational Learning and Development Melanie Sorensen, general manager Business Services Michael Juliff.

Organisational Learning and Development

Led by general manager Melanie Sorensen, the Organisational Learning and Development directorate consists of areas that provide advice, support and assistance to staff across Challenger: learning and development; teaching and learning services; learning resource centres; planning and development; and planning and data systems.

Training Services

The Training Services directorate led by general manager Jill Jamieson comprises seven training divisions, as well as short course and business development support; apprenticeship and traineeship support; school age initiatives; and an applied research centre for the aquaculture industry. It works closely with government, industry and community partners to provide customised workforce development and relevant training services.

Governing Council



Each member of the Governing Council is appointed by the Minister for Training and Workforce Development to serve for a period of up to three years and is eligible for re-appointment. Members are appointed for their experience and expertise in education and training or industry and community affairs, and for their ability to contribute to the strategic direction of the institute.

Paddi Creevey OAM (chair)

Appointed 2002

Ms Creevey is the Mayor of Mandurah and has an extensive background in social and community health work. She is a member of the Peel Region Planning Committee, a local government representative on the Peel Development Commission Board and Regional Development Australia Peel, and chairs the Women in Local Government ministerial advisory committee. She is a member of the Federal Government's Climate Change and the Coast reference group and serves on an advisory group on higher education in regional Australia. Ms Creevey received a Medal of the Order of Australia in 2010 for her dedication to the community.

Mike Deeks (deputy chair)

Appointed 2006

Commodore Deeks served for 32 years in the Royal Australian Navy, retiring in 2005. He is vice patron of the Australian American Association of WA, a councillor of the Royal United Services Institute of WA, a governor of the Leeuwin Ocean Adventures Foundation, former president and current board member of the Submarine Institute of Australia and member of the State Training Board. Cdre Deeks is presently WA site executive for Raytheon Australia, a technology and engineering company.

Selma Allieux

Appointed 2008

Professor Allieux is dean of the University of Notre Dame's School of Nursing. Prof Allieux's area of expertise is nursing education and qualitative research. She has worked in all areas of nursing and has current nursing experience as a community health nurse. Prior to teaching at the University of Notre Dame in Fremantle, Prof Allieux was the professional standards nursing adviser for the Nurses Board of Western Australia. Prof Allieux has nursing education experience both in Australia and overseas.

Kaye Butler*Appointed 2007*

Ms Butler is human resources manager for the Australasian Strategic Business Unit of Chevron Australia. Ms Butler has worked in the resources industry for most of the past 18 years and has a strong background in organisational psychology and human resource management. She has been involved in projects on people development and organisational improvement across a number of countries, covering a broad range of issues. Ms Butler holds board positions on Palmerston Association and the Curriculum Council of WA.

Tony Evans*Appointed 2009 – June 2012*

Mr Evans is general manager and secretary of the WA Planning Commission. He has extensive financial and commercial management and board experience in the oil and gas, mining and mineral processing, government, university and not-for-profit sectors. Mr Evans has held management positions with Perth Diocesan Trustees, WA Petroleum, Chevron Corporation, Murdoch University and Iluka Resources. He is deputy chairman of the Joint Accreditation System of Australia and New Zealand and the Council of Chartered Institute of Company Secretaries Australia.

Stephen Cain*Appointed 2006*

Mr Cain is chief executive officer of the City of Cockburn. During the past 20 years he has held senior management positions in the private and government sectors. He served for 11 years as an officer in the Australian Regular Army and is a graduate of the Royal Military Institute, Duntroon. He continues to serve in the Reserve Forces and holds the rank of colonel. Mr Cain is a fellow of the Chartered Institute of Transport and Logistics and governor of the Corps of Commissionaires.

Helen Cattalini OAM*Appointed 2003*

Ms Cattalini is a former Commissioner of Multicultural and Ethnic Affairs with the Western Australian Government. She was awarded an Order of Australia Medal in 1998 for services to the community. Since 1987, she has been a director of Helen Cattalini Consultancy Services, which specialises in social research and policy and program development in the government, local government and community sectors.

Harry Kleyn*Appointed 2010*

Mr Kleyn has an extensive background in business development and entrepreneurship. He was a founding partner of Community Newspapers and founder and CEO of WA Business News. He has served on community and business organisations including as board member of the Small Business Development Corporation, president of the WA Chamber of Commerce and Industry and board member of the John Calvin School Association. He currently is on the board of the Good Samaritan Industries and the WA Association for the Blind.

Liz Harris*Appointed 2007*

Ms Harris is the chief executive officer of Challenger Institute of Technology. A WA Telstra Business Women's Award winner in 2009, Ms Harris is an accomplished business and community leader. She is a member of the Murdoch University Senate, the State Training Accreditation Council and a board member of the Australian Institute of Management. She has worked as a national director with the former Australian National Training Authority and at executive level within the TAFE system prior to being appointed the head of Challenger in 2007.

David Holland*Appointed 2003*

Mr Holland is principal strategist and director of Brighthouse urban designers and tourism development consultants. He is a specialist in environmentally sustainable accommodation developments for the tourism, resource and retirement sectors. He has considerable experience in tourism operations and has served as chairman of the Peel Region Tourism Association, president of the Caravan Industry Australia (WA), and as a member of the WA Hospitality and Tourism Industry Training Council.

Kevin Woods*Appointed 2009*

Mr Woods is the managing director of Woods Matson, a consultancy that specialises in business development. He has extensive senior management experience in secondary and tertiary education institutions, including as chief executive officer for Excel Education and Alexander Education Group and pro-vice chancellor resources at Murdoch University. He has served on the governing boards of several corporate and public sector organisations, including Murdoch Institute, MS Biotechnology and Uni Super.

Jacqui Stewart*Appointed 2011*

Jacqui has more than 20 years of experience working with business and corporations as a corporate governance, risk and compliance professional, predominantly in the financial services industry. She is one of Australia's most recognised and highly regarded certified compliance professionals and was pivotal in establishing a leading Australian independent risk and compliance consulting firm specialising in financial services.

Michael Allenby*Appointed 2011*

Mr Allenby is the principal of Swan Green Clean Consultants; client direct at Projects Osmoflo Pty Ltd; and chairman of the WA Sports Federation. A fellow of the AICD, his areas of focus are on corporate governance, best practice, training and staff development, as well as government liaison. He has served on remuneration, audit and recruitment sub-committees in a number of organisations in varying industries.

Administered Legislation

The Minister for Training and Workforce Development administers the *Vocational Education and Training Act 1996* (the Act).

Other Key Legislation Impacting on Activities

Other key legislation impacting on Challenger Institute of Technology's activities and with which the institute complies are the following:

- *Auditor General Act 2006*
- *Disability Services Act 1993*
- *Corruption and Crime Commission Act 2003*
- *Education Service Providers (Full Fee Overseas Students) Registration Act 1991*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *School Education Act 1999*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers Compensation and Injury Management Act 1981*
- *Working with Children (Criminal Record Checking) Act 2004*

PERFORMANCE MANAGEMENT FRAMEWORK

Outcome Based Management Framework

Government goals are supported at agency level by specific desired outcomes. Agencies deliver services to achieve these outcomes, which ultimately contribute to meeting the higher level government goals.

In late 2010, the State Government released *Skilling WA*, a whole of government response to workforce development issues. Embedded within *Skilling WA* is the government's 10-year plan for the training sector, *Training WA*.

The following illustrates the relationship between Challenger's outcomes and the most appropriate government goals. It includes the major goals set out in the 10-year *Training WA* plan released by the Minister for Training and Workforce Development in 2009. *Training WA* incorporates public and private registered training organisations.

Government goal	Training WA goals (training sector)	Desired outcome	Challenger (agency level) Services
<p>Outcomes Based Service Delivery</p> <p>Greater focus on achieving results in key service delivery areas for the benefit of all West Australians.</p>	<p>An increase of 17,500 working aged West Australians undertaking accredited training by 2012.</p> <p>An increase in the proportion of workplace and/or flexible training from 27% to 40% by 2012.</p>	<p>Provision of education and training services to meet community and industry training needs.</p>	<p>Training programs for nationally recognised qualifications.</p> <p>Apprenticeship and traineeship training.</p> <p>Entry and bridging courses leading into mainstream courses.</p> <p>Commercial training – customised training and short courses.</p>

Changes to Outcome Based Management Framework

There was no change to Challenger Institute's Outcome Based Management Framework in 2012.

Shared responsibilities with other agencies

Challenger receives its annual funding allocation from the State Government through a resource agreement (Delivery and Performance Agreement) with the Department of Training and Workforce Development. The institute reports to the department for outcomes under that agreement.

AGENCY PERFORMANCE

Report on Operations

Challenger purpose

For everyone a pathway to a better future

Context

This year Challenger Institute of Technology was presented with Australia's top vocational education and training accolade – the Australian Large Training Provider of the Year Award.

Challenger Institute's clients continued to report high levels of satisfaction, with 92 per cent of employers and 93 per cent of students stating they would recommend Challenger's training to others (AQTF Quality Indicators Surveys, 2012).

2012 was characterised by an operating environment of mixed economic conditions evidenced by softening demand for training in some of Challenger's client industries. The effect has been a slight contraction in total training demand, including some areas of strategic interest. The results outlined in this section were also obtained during a period when employment showed signs of improvement within the Peel region, a factor which may have influenced decisions to undertake training in 2012.

Challenger's successes in 2012 occurred in the context of a strong and longstanding commitment to organisational learning and development. It's planning and people development programs are aimed at continuous improvement and providing staff with the skills and support they need to meet the diverse and changing needs of individuals and industries.

Training effort

In 2012 Challenger Institute delivered a total of 6,436,555 training hours (SCH), a slight decrease of 1.7 per cent or 109,031 training hours (SCH) compared to 2011.

This result was largely due to weaker demand in some client industries undergoing structural changes and unfavourable demand conditions in others. It coincided with increasing global competitive pressures, productivity constraints and Western Australian industry reports of record low levels of business confidence since the Global Financial Crisis. Challenger experienced a weakened industry demand for training, most notably in horticulture, hospitality, accounting and other business services, as well as transport trades and storage.

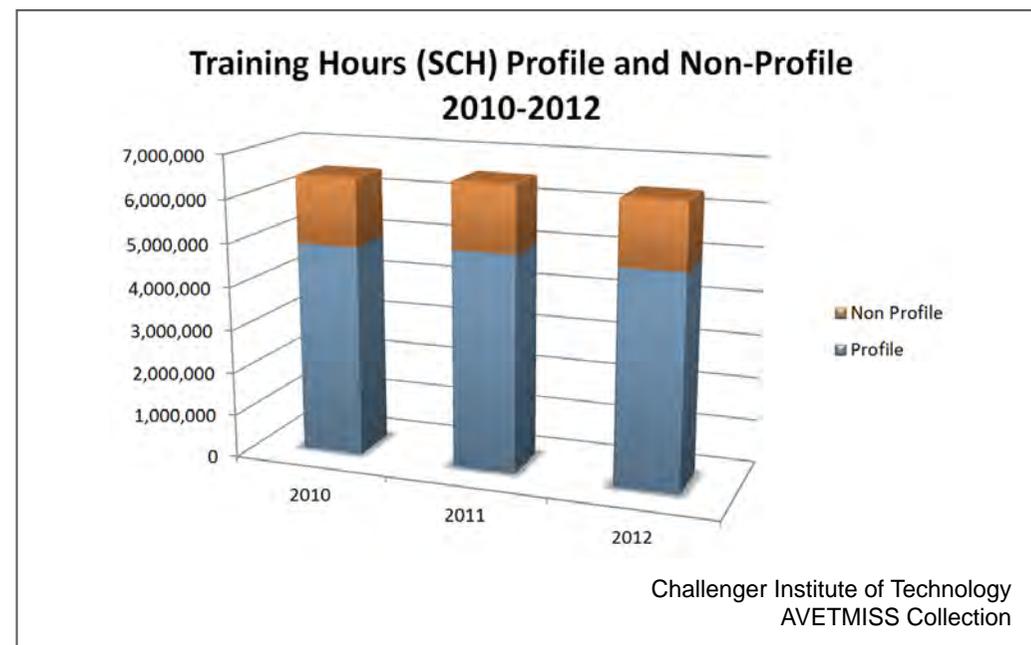
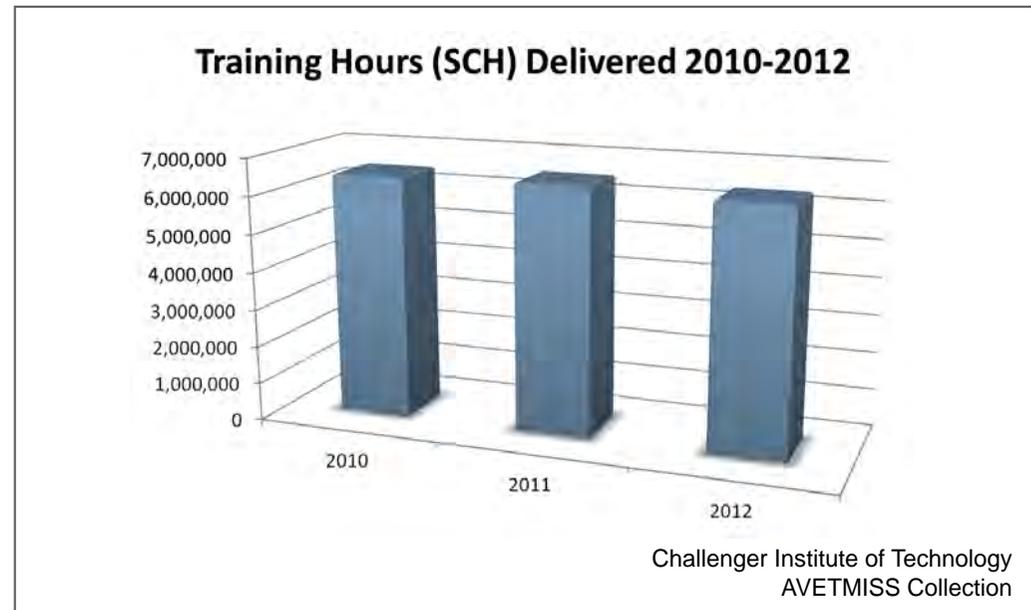
The overall result in 2012 follows four consecutive years of growth from 2008 to 2011, when total training effort increased from 5,731,041 to 6,546,396 training hours, an average annual increase of 3.6 per cent.

Total training hours provided in 2012 translated to a total of 19,285 students, with 25,359 course enrolments recorded for the year.

Challenger Institute delivers profile and non-profile funded training.

In 2012, the institute provided 4,936,112 profile training hours under its Delivery and Performance Agreement (DPA) with the Department of Training and Workforce Development. This was a reduction of 65,781 profile training hours or 1.3 per cent less than in 2011. The adjustment in State Government funding reflected reductions in client demand from some sectors.

The proportion of profile funded training in 2012 remained consistent with the previous year at 76.7 per cent, compared to non-profile (fee-for-service) training, which comprised 23.3 per cent of total training hours delivered for the year.



A skilled workforce providing industry driven training to meet workforce development needs

In accordance with state and national policies aimed at developing a modern, highly skilled and flexible workforce, Challenger Institute focuses on strategies to better meet workforce development needs, including:

- improving Recognition of Prior Learning (RPL) services
- increasing training for higher level qualifications and pathways into higher education, and
- increasing the amount of training delivered in the workplace.

Challenger Institute administers the Australian Quality Training Framework (AQTF) Learner and Employer Surveys each year to assess the extent to which students are engaging in activities likely to promote high-quality skills outcomes. Participation in the survey program is a requirement for all registered training organisations under the AQTF.

A total of 3,110 survey responses were completed by Challenger students and 135 employers across a range of industry areas and demographics in 2012.

Highlights:

- 95.3% of students and 93.9% of employers agreed the training focused on relevant skills.
- 92.4% of students agreed the training was flexible enough to meet their needs.
- 93.8% of employers said Challenger trainers were effective in their teaching.
- 93.4% of students reported trainers had an excellent knowledge of the subject content.
- 93% of students and 93.2% of employers agreed Challenger gave appropriate recognition of existing knowledge and skills.
- 92.8% of students and 90.3% of employers agreed that overall they were satisfied with the training.

Workforce development

Since 2007 Challenger Institute has successfully implemented a range of change management and organisational development strategies to build its capacity to deliver sophisticated workforce development services in the areas of:

- higher level qualifications
- apprenticeships and traineeships
- other skills in demand, and
- workplace training services.



Higher level qualifications

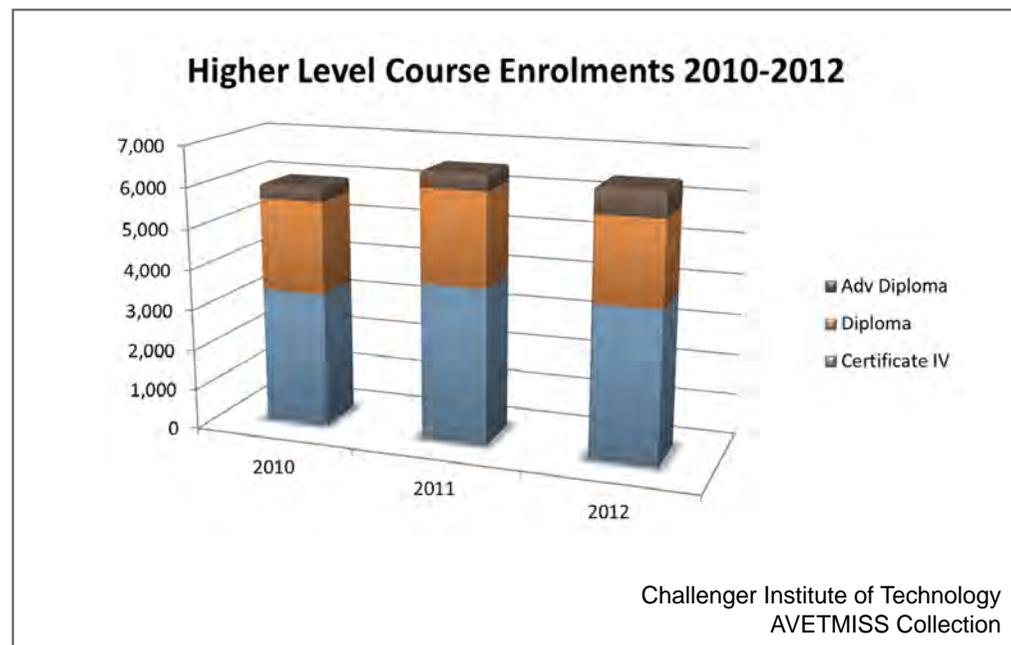
Increasing the proportion of workers with higher level qualifications is a state and national vocational education and training (VET) priority. Challenger has expanded the range and depth of qualifications it offers to meet this requirement.

In 2012 there were 6,497 course enrolments in certificate IV, diploma and advanced diploma levels, compared with 6,540 the previous year – a marginal decrease of 0.7 per cent.

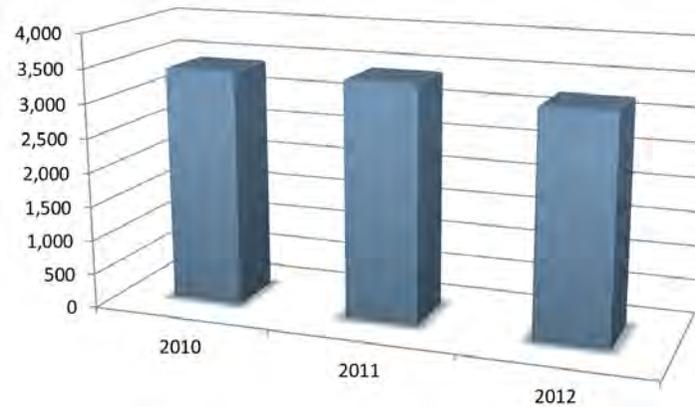
This follows the exceptional growth in higher level enrolments in 2011 of 9.4 per cent. An upturn in local area job prospects may have been a factor contributing to some individual decisions to forego further training at higher levels in 2012.

Highlights:

- Advanced Diploma of Engineering (Mechanical) fully accredited by Engineers Accreditation Board for entry to practice as engineering associate.
- Advanced Diploma of Nursing (Perioperative) delivered flexibly at Mount Hospital.
- Advanced Diploma of Nursing (Anaesthetics) delivered flexibly at St John of God Hospital Murdoch.
- Graduate Certificate in Working Globally delivered with international partners to 18 students from the Netherlands and Denmark and eight Challenger students.
- New diploma and advanced diploma qualifications in civil construction design introduced.
- New Fast Track Advanced Diploma of Management program introduced.
- Number of trainees in Certificate IV in Disability and Certificate IV in Aged Care increased to more than 50.
- In partnership with Total Recognition, Certificate IV in Leadership Development program customised to provide national recognition for skills and knowledge acquired in the defence force.
- ACEPT's Women in Engineering program expanded to include diploma and advanced diploma scholarships.



Apprentices and Trainees 2010-2012



Challenger Institute of Technology
AVETMISS Collection

Apprenticeships and traineeships

Following steady numbers since 2009, Challenger Institute recorded 3,309 apprentices and trainees in 2012, a decrease of 4.0 per cent or 137 students less than the total of 3,446 in 2011.

The change was the result of general economic conditions impacting on the longer term confidence of employers in a number of industry sectors and on their preparedness to start extended employment arrangements for apprentices and trainees.

There was reduced demand for employment based training in the areas of hospitality, horticulture, personal services, accounting and business services, and office and

clerical – with smaller reductions in other industry groups.

Despite the downturn in residential building and a state-wide decline in building and construction apprenticeships, Challenger was able to maintain a steady number of apprentices in this sector.

Highlights

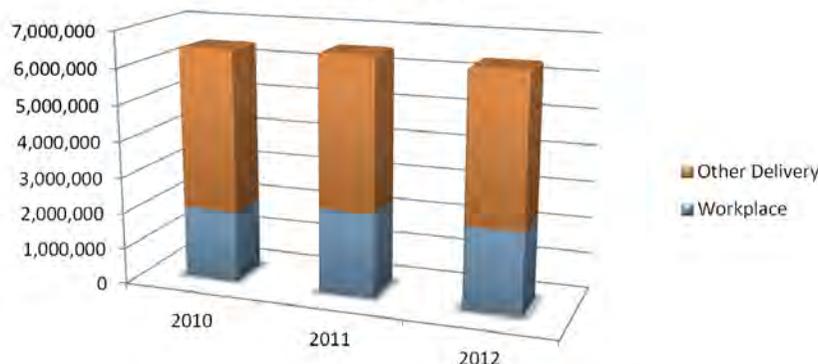
Apprenticeship and traineeship targets were exceeded in:

- Building and construction
- Education and childcare
- Health
- Finance, insurance, property
- Food trades and processing
- Engineering and drafting

- Metal and mining
- Animal care
- Process manufacturing
- Retail
- Computing



Workplace Based Training Hours (SCH) 2010-2012



Challenger Institute of Technology
AVETMISS Collection

Workplace training services

In line with the State Government’s Training WA goals, Challenger Institute places a high priority on increasing workplace training.

Following a year of strong growth in 2011, when the institute increased its workplace services by 17.8 per cent, 2012 saw 2,305,286 training hours delivered – a decrease of 2.0 per cent. This decrease was likely due to similar factors involved in the weaker demand for apprenticeships and traineeships.

Highlights:

- Company and site specific workforce development programs provided in conjunction with major employers, including Atrium Resort Hotel Mandurah, Bechtel, Australian Navy, BHP Nickel West, Chevron

- Australia, City of Cockburn, contractors to the Gorgon project, Compass Group, Departments of Communities, Environment, Finance, Fisheries and Housing, Shire of Murray, Tourism WA and Woodside.
- Australian Computer Society Foundation Scholarships awarded to five information technology (IT) students to combine their training with a paid work placement in an IT organisation.
- 90.2% of employers surveyed agreed the training provided by Challenger was an effective investment and it reflected current practice.
- 90.8% of employers surveyed agreed their employees gained the knowledge they needed from this training.
- 96.2% of employers reported that Challenger trainers had good knowledge and experience of the industry.

Other skills in demand

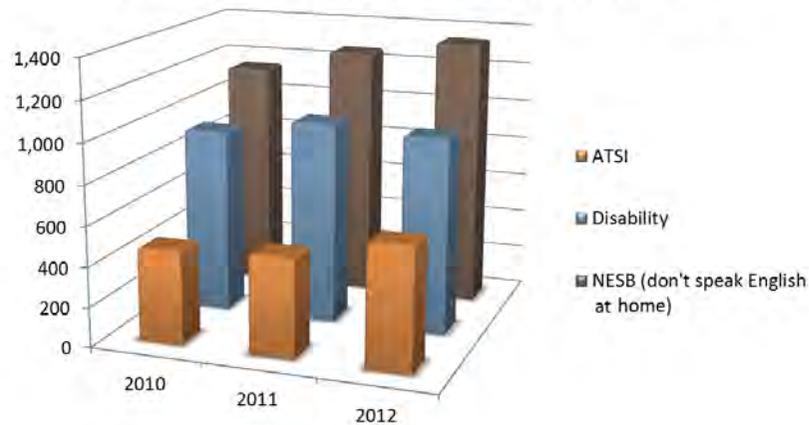
In 2012 there was strong demand for institution-based delivery in skills shortage areas as defined by the Department of Training and Workforce Development, particularly in the following groups where Challenger Institute exceeded its initial delivery targets:

- Health
- Community service
- Education and childcare
- Engineering and drafting
- Management
- Food trades and processing
- Forestry
- Farming and land care
- Building and construction

Increased demand in these groups was driven by:

- successful strategies to increase training in higher level qualifications which fall into skills shortage areas
- strong industry demand for higher level training, such as in the health industry, and
- the impact of decreased apprenticeship and traineeship employment opportunities.

Students with Special Needs 2010-2012



Challenger Institute of Technology
AVETMISS Collection

Expanding the community's access to vocational education and training and appropriate support services

Students with special needs

Challenger Institute provides specialised access and participation programs and strategies to help disadvantaged clients achieve training and employment outcomes.

In 2012 Challenger Institute's Aboriginal programs and access and participation areas provided innovative training and employment programs to boost student retention, completion and progression into higher levels of study

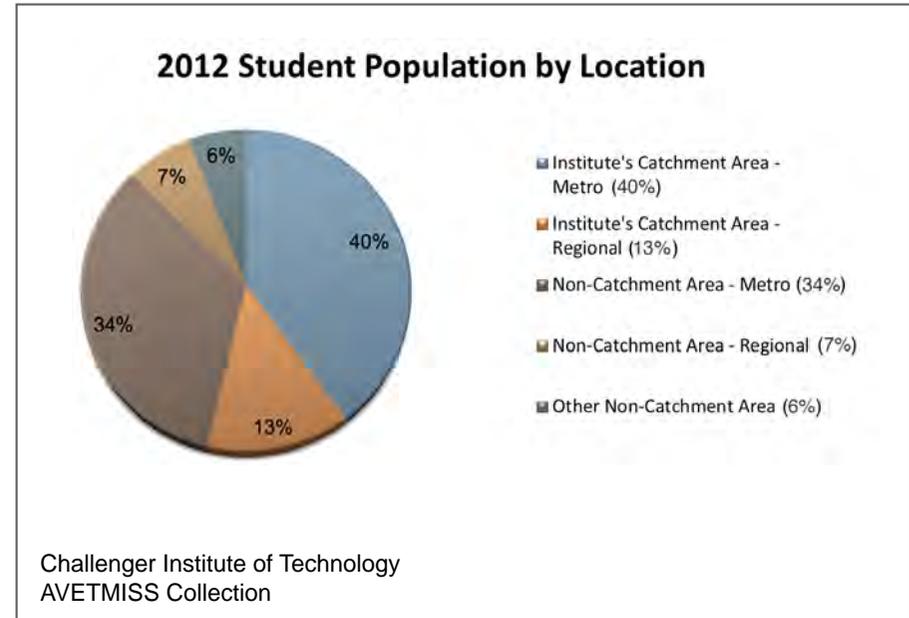
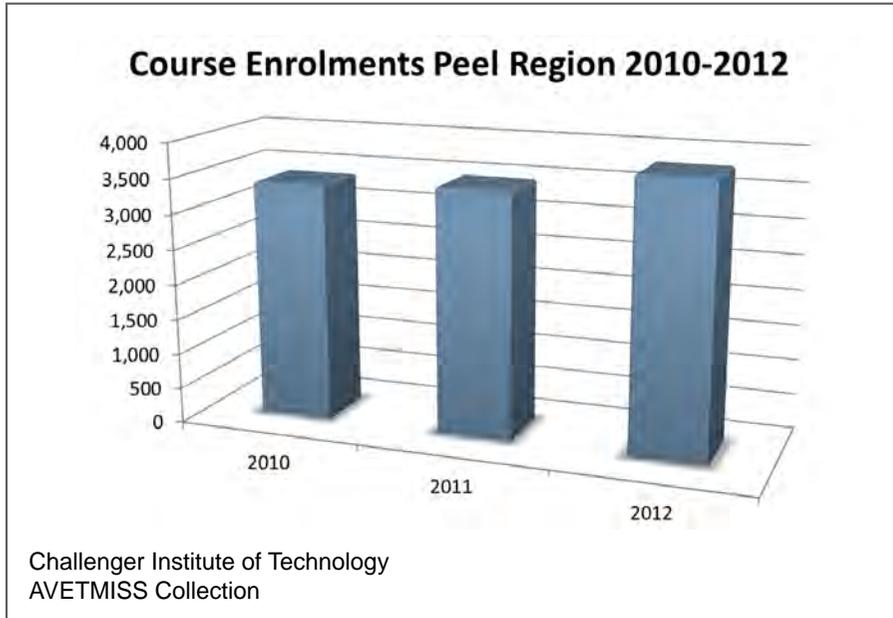
and employment. A major focus was the provision of customised bridging courses to meet the needs of target groups, such as youth at risk, people with disabilities, women returning to the workforce, adults with literacy and numeracy needs, and people needing to learn English as a second language.

The number of Aboriginal students enrolled at Challenger Institute increased by 119 or 24 per cent in 2012. The number of students with a disability fell by 27 or 5.4 per cent, while the number of students from a non-English speaking background increased by 77 or 7.6 per cent.

Highlights:

- 90.6% of students surveyed agreed that Challenger had a range of services to support learners.
- 94% of surveyed students agreed that Challenger staff respected their background and needs.
- The number of Aboriginal students enrolled in certificate III and higher increased by 31.5% from 190 in 2011 to 250 in 2012.
- Completion rate for students in foundation Aboriginal programs increased by 10% in 2012.
- 124 Aboriginal students received learning support, with an additional 155 tutorials provided compared to 2011.
- 12 Aboriginal students participated in the new Gorgon Entry Skills Training Program, a partnership between Challenger Institute and Chevron Australia.
- 10 Aboriginal trainees graduated with Certificates II or III in Business in an inaugural workplace training program delivered in partnership with Chevron Australia.





Regional

Consistent with Challenger Institute's goal of improving access to training for regional communities, course enrolments in the Peel region grew for the second consecutive year from 3,482 in 2011 to 3,709 in 2012, an increase of 6.5 per cent.

Challenger continues to collaborate with local governments, industry and community partners in a range of regional and community development projects, such as the Weld to Life program in Rockingham that won a 2011 WA Premier's Award. This re-engagement program for youth at risk continued in 2012 as a partnership between Challenger Institute, Rockingham Police and Citizens Youth Club and local employers.

In 2012, 20.5 per cent of Challenger Institute students lived in regional locations, including 13.7 per cent in the Peel region.

Highlights:

- Certificate III in Patient Care Assistance courses delivered at St John of God Hospital Murdoch and Rockingham Hospital, with 60 students completing the qualification.
- Weld to Life program provided dual vocational and work preparatory qualifications to 36 young students at risk.
- 18 One Sky Many Paths participants from regional and remote locations successfully completed a Certificate II in Leadership Development.

- 18 Aboriginal students from the Peel region completed Certificate II in Leadership (Health Focus) providing opportunities to pursue further studies and employment in health occupations.
- 3 new bricklaying pre-apprenticeship classes were provided in the Peel region.
- 40% increase in enrolments in higher level beauty therapy qualifications in Peel.
- 30% increase in community services enrolments in Peel.

Actual results versus targets

The following performance information (financial and non-financial) is the subject of the Delivery and Performance Agreement between Challenger Institute of Technology and the Department of Training and Workforce Development, on behalf of the State Government/Minister for Training and Workforce Development.

Resources are provided for the delivery of three services, which are linked to Challenger Institute's agency level outcome:

- Training programs for nationally recognised qualifications
- Apprenticeship and traineeship training
- Entry and bridging courses leading into mainstream courses

Summary of Financial Targets (further detail is provided in the Financial Statements)

	2012 Target	2012 Actual	Variation	Reason for significant variation
Total cost of services (sourced from Statement of Comprehensive Income)	\$89,444,029	\$92,584,837	\$3,140,808	Additional projects and reinvestment decisions were approved during the year.
Net cost of services (sourced from Statement of Comprehensive Income)	-\$66,363,038	-\$69,034,987	-\$2,671,949	See note above.
Total Equity (sourced from Statement of Financial Position)	\$182,340,338	\$178,037,813	-\$4,302,525	The variance is a result of revaluation increments and decrements for land and buildings controlled by the Institute. These movements are adjusted through Equity.
Net increase/(decrease) in cash held (sourced from Statement of Cash Flows)	-\$2,734,812	-\$1,388,014	\$1,346,798	The anticipated loss for the year was \$1.2M less than the target. This has resulted in higher than expected cash holdings.
Approved average full-time Equivalent (FTE) staff level	705	693	-12	

Significant Issues Impacting the Agency

Current and emerging issues and trends

The state and commonwealth reform agenda for vocational education and training (VET), including the introduction of a new funding model in Western Australia in 2014, will result in increased competition in the training market.

Economic and social trends

The current planning period will see Challenger Institute move into a more dynamic business environment characterised by:

- ongoing demand from the resources and related sectors for skills and workforce development programs driven by global demand for WA resource exports and strong business investment
- certain risks, such as a softening of resource commodity prices, which are likely to affect the workforce development plans of particular enterprises, and
- diverse impacts of the multi-speed economy including structural adjustment in sectors exposed to globalisation and technological change, with accompanying shifts in demand for e-learning and higher level qualifications.

Likely developments and forecast result on operations

The need to adapt and respond to highly variable circumstances across industries and within the VET sector itself will continue to shape Challenger Institute's response as a values-driven, learning organisation that actively promotes innovation and sustainability throughout its operations.

Challenger will continue to build its partnerships with industry with a focus on sectors with skill needs aligned to state priorities, including oil and gas, maritime and health. Priorities will include the development of Challenger's Australian Centre for Energy and Process Training (ACEPT) facility to meet evolving industry needs.

A major focus for the institute in 2013 will be strengthening the use of technology in response to the National Broadband Network (NBN). A key strategy will be to implement a remote access capability from Challenger's new Health Training Centre at Murdoch to increase training provision to regional students.

Challenger will also partner with education institutions to meet the northern Australian demand for skilled LNG workers and develop flexible remote access training programs.

Improving labour market conditions in the south west metropolitan and Peel regions during 2013 are also expected to provide opportunities to meet the strategic goals of increased participation of under-represented groups.

Changes in written law

There were no changes in written law that affected Challenger Institute during 2012.

FINANCIAL STATEMENTS

Certification of Financial Statements

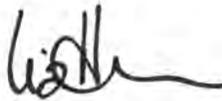
The accompanying financial statements of Challenger Institute of Technology have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ended 31 December 2012 and the financial position as at 31 December 2012.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Paddi Creevey OAM
Chair of Governing Council
Challenger Institute of Technology

Date: 6 March 2013



Liz Harris
Chief Executive Officer
(member of Governing Council)

Date: 6 March 2013



Michael Juliff
Chief Financial Officer

Date: 6 March 2013



INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

CHALLENGER INSTITUTE OF TECHNOLOGY

Report on the Financial Statements

I have audited the accounts and financial statements of the Challenger Institute of Technology.

The financial statements comprise the Statement of Financial Position as at 31 December 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Governing Council's Responsibility for the Financial Statements

The Governing Council is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Governing Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Governing Council, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Challenger Institute of Technology at 31 December 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Challenger Institute of Technology during the year ended 31 December 2012.

Controls exercised by the Challenger Institute of Technology are those policies and procedures established by the Governing Council to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Governing Council's Responsibility for Controls

The Governing Council is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Challenger Institute of Technology based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Institute complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Challenger Institute of Technology are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 31 December 2012.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Challenger Institute of Technology for the year ended 31 December 2012.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Governing Council's Responsibility for the Key Performance Indicators

The Governing Council is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Governing Council determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Governing Council's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Challenger Institute of Technology are relevant and appropriate to assist users to assess the Institute's performance and fairly represent indicated performance for the year ended 31 December 2012.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Challenger Institute of Technology for the year ended 31 December 2012 included on the Institute's website. The Institute's management are responsible for the integrity of the Institute's website. This audit does not provide assurance on the integrity of the Institute's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
13 March 2013

Challenger Institute of Technology		2012	2011
STATEMENT OF COMPREHENSIVE INCOME			
FOR YEAR ENDED 31 DECEMBER 2012		\$	\$
COST OF SERVICES			
Expenses			
Employee benefits expense	6	62,525,409	57,260,655
Supplies and services	7	20,094,224	18,140,503
Depreciation and amortisation expense	8	4,246,116	4,370,390
Grants and subsidies	9	26,909	33,511
Cost of sales	14	759,697	598,505
Other expenses	10	4,932,482	5,466,398
Total cost of services		92,584,837	85,869,962
Income			
Revenue			
Fee for service	11	11,077,750	12,390,854
Student fees and charges	12	8,041,706	7,843,693
Ancillary trading	13	842,692	784,810
Sales	14	1,013,533	726,894
Commonwealth grants and contributions	15	100,814	8,000
Interest revenue	16	1,310,365	1,110,999
Other revenue	17	1,147,872	906,061
Total revenue		23,534,732	23,771,311
Gains			
Gain on disposal of non-current assets	18	15,118	16,360
Total gains		15,118	16,360
Total income other than income from State Government		23,549,850	23,787,671
NET COST OF SERVICES		(69,034,987)	(62,082,291)
INCOME FROM STATE GOVERNMENT	19		
Service appropriation		64,189,154	62,021,464
Resources received free of charge		1,356,608	1,499,840
Total income from State Government		65,545,762	63,521,304
SURPLUS/(DEFICIT) FOR THE PERIOD		(3,489,225)	1,439,013
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		2,531,254	(10,674,897)
Total other comprehensive income		2,531,254	(10,674,897)
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE PERIOD		(957,971)	(9,235,884)

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Challenger Institute of Technology		2012	2011
STATEMENT OF FINANCIAL POSITION			
FOR YEAR ENDED 31 DECEMBER 2012		\$	\$
	Notes		
ASSETS			
Current Assets			
Cash and cash equivalents	32	12,585,885	14,836,158
Restricted cash and cash equivalents	20,32	2,199,095	1,336,835
Inventories	21	297,647	217,308
Receivables	22	1,932,521	2,884,450
Other financial assets	23	5,105,096	3,100,000
Other current assets	24	387,226	302,312
Total Current Assets		22,507,470	22,677,063
Non-Current Assets			
Property, plant and equipment	25	172,224,600	172,181,368
Total Non-Current Assets		172,224,600	172,181,368
TOTAL ASSETS		194,732,070	194,858,431
LIABILITIES			
Current Liabilities			
Payables	28	2,686,577	2,867,005
Provisions	29	10,885,423	8,045,979
Other current liabilities	30	527,842	559,462
Total Current Liabilities		14,099,842	11,472,446
Non-Current Liabilities			
Provisions	29	2,494,415	4,184,535
Total Non-Current Liabilities		2,494,415	4,184,535
TOTAL LIABILITIES		16,594,257	15,656,981
NET ASSETS		178,137,813	179,201,450
EQUITY			
Contributed equity	31	42,576,904	42,682,570
Reserves		98,419,914	95,888,660
Accumulated surplus/(deficit)		37,140,995	40,630,220
TOTAL EQUITY		178,137,813	179,201,450

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Challenger Institute of Technology		2012	2011
STATEMENT OF CASH FLOWS		\$	\$
FOR YEAR ENDED 31 DECEMBER 2012			
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation			
- Department of Training and Workforce Development		64,213,948	57,365,633
Net cash provided by State Government		64,213,948	57,365,633
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(60,800,387)	(52,241,853)
Supplies and services		(19,648,941)	(16,814,982)
Grants and subsidies		(26,909)	(33,511)
GST payments on purchases		(2,056,264)	(2,021,703)
GST payments to taxation authority		(624,133)	(574,676)
Other payments		(5,668,545)	(5,840,312)
Receipts			
Fee for service		11,670,996	12,131,186
Student fees and charges		8,077,982	7,940,160
Ancillary trading		842,692	784,810
Commonwealth grants and contributions		100,814	8,000
Interest received		1,463,902	1,036,749
GST receipts on sales		577,133	599,321
GST receipts from taxation authority		2,096,793	2,034,987
Other receipts		2,161,405	1,632,956
Net cash provided by/(used in) operating activities	32	(61,833,462)	(51,358,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(1,809,239)	(1,420,680)
Investments in other current financial assets		(2,005,096)	(13,798)
Receipts			
Proceeds from sale of non-current physical assets		45,835	49,328
Net cash provided by/(used in) investing activities		(3,768,500)	(1,385,150)
Net increase/(decrease) in cash and cash equivalents		(1,388,014)	4,621,615
Cash and cash equivalents at beginning of period		16,172,994	11,551,379
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	32	14,784,980	16,172,994

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Contributed Equity \$	Reserves \$	Accumulated Surplus (Deficit) \$	Total Equity \$
Balance at 1 January 2011	31	42,597,011	106,563,557	39,191,208	188,351,775
Surplus		-	-	1,439,012	1,439,012
Other comprehensive income		-	(10,674,897)	-	(10,674,897)
Total comprehensive income for the period		-	(10,674,897)	1,439,012	(9,235,885)
Transaction with owners in their capacity as owners:					
Capital appropriations		85,560	-	-	85,560
Total		85,560	-	-	85,560
Balance at 31 December 2011		42,682,570	95,888,660	40,630,219	179,201,450
Balance at 1 January 2012		42,682,570	95,888,660	40,630,219	179,201,450
Deficit		-	-	(3,489,224)	(3,489,224)
Other comprehensive income		-	2,531,254	-	2,531,254
Total comprehensive income for the period		-	2,531,254	(3,489,224)	(957,971)
Transaction with owners in their capacity as owners:					
Capital appropriations		30,830	-	-	30,830
Distribution to owners		(136,496)	-	-	(136,496)
Total		(105,666)	-	-	(105,666)
Balance at 31 December 2012		42,576,904	98,419,914	37,140,995	178,137,813

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Year Ended 31 December 2012

1. Australian Accounting Standards

(a) General

The Institute's financial statements for the year ended 31 December 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Institute has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

(b) Early adoption of standards

The Institute cannot early adopt an Australian Accounting Standard unless specifically permitted by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements'. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Institute for the annual reporting period ended 31 December 2012.

2. Summary of significant accounting policies

(a) General statement

The Institute is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land and buildings which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars (\$).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Institute's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Institute and entities listed at note 40 'Related bodies', if any.

(d) Contributed equity

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 31 'Equity'.

(e) Income***Revenue recognition***

Revenue is recognised and measured at the fair value of consideration received or receivable.

The majority of operating revenue of the Institute represents revenue earned from student fees and charges, fee for service, ancillary services, trading activities and Commonwealth grants and contributions.

The following specific recognition criteria must also be met before revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Institute obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Institute obtains control over the funds. The Institute obtains control of the funds at the time the funds are deposited into the Institute's bank account.

Service appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Institute gains control of the appropriated funds. The Institute gains control of appropriated funds at the time those funds are deposited to the bank account.

State funds

The funds received from the Department of Training and Workforce Development in respect of the delivery of services forming part of the Delivery Performance Agreement are included in State funds, disclosed under 'Income from State Government'. They are the result of training successfully tendered for under competitive tendering arrangements. This revenue is recognised at nominal value in the period in which the Institute meets the terms of the Agreement. See note 19 'Income from State Government'.

Gains

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Property, plant and equipment**Capitalisation/expensing of assets**

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Where applicable in accordance with TI 1101, the capitalisation threshold has been applied to the aggregate value of a group or network of assets where the cost of individual item may be below the threshold but collectively the cost of the items in the group or network exceeds the threshold. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses.

All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life.

Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets. Refer to note 25 'Property, plant and equipment' for further information on revaluations.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 25 'Property, plant and equipment'.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method using rates which are reviewed annually.

Estimated useful lives for each class of depreciable asset are:

Buildings	40 years
Leasehold buildings	2 to 10 years
Motor vehicles, caravans and trailers	4 to 13 years
Plant, furniture and general equipment	4 to 23 years
Computing, communications and software ^(a)	1 to 15 years
Marine craft	8 to 19 years

^(a) Software that is integral to the operation of related hardware.

Works of art controlled by the Institute are classified as property, plant and equipment. These are anticipated to have indefinite useful lives. Their service potential has not, in any material sense, been consumed during the reporting period and so no depreciation has been recognised.

Land is not depreciated.

(g) Intangible assets***Capitalisation/Expensing of assets***

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Institute have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Software (a)	3 to 4 years
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(a) Software that is not integral to the operation of any related hardware.

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Development costs

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

Computer software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

(h) Impairment of assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Institute is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the assets' future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

See note 27 'Impairment of assets' for the outcome of impairment reviews and testing. See note 2(o) 'Receivables' and note 22 'Receivables' for impairment of receivables.

(i) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

(j) Leases

The Institute has entered into operating lease arrangements for buildings and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(k) Financial instruments

In addition to cash and bank overdraft, the Institute has two categories of financial instruments:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial assets

- Cash and cash equivalents (including restricted cash and cash equivalents)
- Receivables
- Amounts receivable for services
- Term deposits

Financial liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include restricted cash and cash equivalents. These are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(m) Accrued salaries

Accrued salaries (see note 28 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Institute considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see note 20 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of ten financial years to largely meet the additional cash outlay in each eleventh year when 27 pay periods occur instead of the normal 26. No interest is received on this account.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being measured on a first in first out basis.

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

See note 21 'Inventories'.

(o) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Institute will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 2(k) 'Financial instruments' and note 22 'Receivables'.

(p) Payables

Payables are recognised when the Institute becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days. See note 2(k) 'Financial instruments' and note 28 'Payables'.

(q) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. See note 29 'Provisions'.

(i) Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

The liability for annual leave that is expected to be settled within twelve months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Annual leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Institute does not have an unconditional right to the defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

The liability for long service leave expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Institute does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Institute has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Deferred Leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members since 1995.

The GSS is a defined benefit scheme for the purposes of employees and whole of government reporting. However, it is a defined contribution plan for Institute purposes because the concurrent contributions (defined contributions) made by the Institute to GESB extinguishes the Institute's obligations to the related superannuation liability.

The Institute has no liabilities under the Pension schemes or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Institute to the GESB.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees were able to choose their preferred superannuation fund. The Institute makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish the Institute's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share. See also note 2(r) 'Superannuation expense'.

(ii) Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Institute's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. (See note 10 'Other expenses' and note 29 'Provisions'.)

(r) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS), the GESB Super Scheme (GESBS) and other superannuation funds.

(s) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income at fair value. Where the resource received represents a service that the Institute would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(t) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Institute evaluates these judgements regularly.

Operating Lease Commitments

The Institute has entered into a commercial lease and has determined that the lessor retains substantially all the significant risks and rewards incidental to ownership of the property. Accordingly, the lease has been classified as an operating lease.

4. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions in calculating the Institute's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

The following are sources of estimation uncertainty that have a significant risk of material impact:

- Estimated useful life and residual values of key assets
- Estimated depreciated replacement cost
- Annual land and building valuations.

5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Institute has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 January 2012 that impacted on the Institute.

AASB 1048: Interpretation of Standards	This Standard identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. There is no financial impact.
AASB 1054: Australian Additional Disclosures	This Standard, in conjunction with AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, removes disclosure requirements from the other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
AASB 2010-6: Amendment to Australian Accounting Standards – Disclosure on Transfer of Financial Assets [AASB 1 & 7]	This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.
AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]	This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
AASB 2011-5: Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, 128 & 131]	This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

Voluntary changes in accounting policy

There have been no voluntary changes in accounting policy.

Future impact of Australian Accounting Standards not yet operative

The Institute cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Institute has not applied early any of the following Australian Accounting Standards that may impact the Institute. Where applicable, the Institute plans to apply these Australian Accounting Standards from their application date.

AASB	Title	Operative for reporting periods beginning on / after
AASB 9	<p><i>Financial Instruments</i> This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory date of this Standard was amended to 1 January 2015. The Institute has not yet determined the application or the potential impact of the Standard for agencies.</p>	1 Jan 2015
AASB 10	<p><i>Consolidated Financial Statements</i> This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 11	<p><i>Joint Arrangements</i> This Standard supersedes AASB 131 Interests in Joint Ventures, introducing a number of changes to accounting treatments. The Standard was issued in Aug 2011. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 12	<p><i>Disclosure of Interests in Other Entities</i> This Standard supersedes disclosure requirements under AASB 127 Consolidated and Separate Financial Statements and AASB 131 Interests in Joint Ventures. The Standard was issued in Aug 2011. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 13	<p><i>Fair Value Measurement</i> This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The Authority has liaised with the Western Australian Land Information Authority (Valuation Services) to ensure that sufficient information will be provided to meet the disclosure requirements of this Standard. There is no financial impact.</p>	1 Jan 2013
AASB 119	<p><i>Employee Benefits</i> This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements. The Institute will assess employee leave patterns to determine whether annual leave is short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.</p>	1 Jan 2013

AASB 127	<p><i>Separate Financial Statements</i> This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements, introducing a number of changes to accounting treatments. The Standard was issued in Aug 2011. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 128	<p><i>Investments In Associates and Joint Ventures</i> This Standard supersedes AASB 128 Investments in Associates, introducing a number of changes to accounting treatments. The Standard was issued in Aug 2011. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i> This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p>	1 July 2013
AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i> [modified by AASB 2010-7.]</p>	1 Jan 2013
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7,8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121,123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141,1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]</i> This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p>	1 July 2013
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101,102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137,139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i> This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-2	<p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i> This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.</p>	1 July 2013

AASB 2011-6	<p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i></p> <p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 Jul 2013
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. The institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>	1 Jan 2013
AASB 2011-9	<p><i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i></p> <p>This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jul 2012
AASB 2011-10	<p><i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]</i></p> <p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is limited financial impact.</p>	1 Jan 2013
AASB 2011-11	<p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p>	1 Jul 2013
AASB 2012-1	<p><i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3,7,13, 140 & 141]</i></p> <p>This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.</p>	1 Jul 2013

AASB 2012-2	<p><i>Amendments to Australian Accounting Standards – Disclosures– Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]</i></p> <p>This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.</p> <p>The Standard was issued in June 2012. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2012-3	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>The Standard was issued in June 2012. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
AASB 2012-5	<p><i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]</i></p> <p>This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process.</p> <p>The Standard was issued in June 2012. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2012-6	<p><i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]</i></p> <p>This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015.</p> <p>The Standard was issued in September 2012. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2012-7	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]</i></p> <p>This Standard adds or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements.</p> <p>The Standard was issued in September 2012. The Institute has not yet determined the application or the potential impact of the Standard.</p>	1 Jul 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

2012
\$

2011
\$

6 Employee benefits expense

Wages and salaries (a)	57,216,945	52,479,618
Superannuation - defined contribution plans (b)	5,308,464	4,781,037
	62,525,409	57,260,655

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation.

(b) Defined contribution plans include West State, and Gold State and GESB and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance, are included at note 10 'Other expenses'.

Employment on-costs liability is included at note 29 'Provisions'.

7 Supplies and services

Consumables and minor equipment	3,824,727	4,121,155
Communication expenses	634,007	565,117
Utilities expenses	2,144,426	1,703,973
Consultancies and contracted services	7,406,161	6,475,372
Minor works	2,622,410	2,291,996
Repairs and maintenance	442,831	295,515
Operating lease and hire charges	1,087,631	1,080,136
Travel and passenger transport	226,106	182,955
Advertising and public relations	641,638	585,427
Supplies and services - other	1,064,287	838,857
	20,094,224	18,140,503

8 Depreciation expense

Buildings	2,132,758	2,285,432
Leasehold improvements - buildings	672,198	672,198
Motor vehicles, caravans and trailers	42,717	55,885
Plant, furniture and general equipment	1,163,268	1,082,860
Computers and communication network	221,787	237,051
Marine craft	13,388	36,964
	4,246,116	4,370,390

9 Recurrent Grants and subsidies

Payments to non-TAFE providers for VET service delivery	14,815	16,086
Other	12,094	17,425
	26,909	33,511

10 Other expenses

Building maintenance	1,217,999	1,051,953
Doubtful debts expense	156,319	65,115
Employment on-costs	3,427,615	3,907,894
Student prizes and awards	109,569	45,221
Other (a)	20,980	396,215
	4,932,482	5,466,398

(a) Includes a refund in 2011 to the Department of Training and Workforce Development

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
11 Fee for service		
Fee for service - general	7,062,249	6,729,054
Fee for service - Department of Training and Workforce Development	329,420	437,174
Fee for service - Government (other than Department of Training and Workforce Development)	83,598	154,173
Adult community education fees	-	519,915
International student fees	3,602,483	4,550,538
	11,077,750	12,390,854
12 Student fees and charges		
Tuition and Enrolment fees	4,656,753	4,281,777
Resource fees	3,368,152	3,465,032
Other Institute fees	16,801	96,884
	8,041,706	7,843,693
13 Ancillary trading		
Live works (not a trading activity)	819,599	760,382
Other ancillary revenue	23,093	24,428
	842,692	784,810
14 Trading profit/(loss)		
(a) Bookshop:		
Sales	693,027	726,895
Cost of sales:		
Opening inventory	(219,030)	(231,500)
Purchases	(620,232)	(586,035)
	(839,262)	(817,535)
	-	-
Closing inventory	298,876	219,030
Cost of goods sold	(540,385)	(598,505)
Trading profit/(loss) - Bookshop	152,642	128,390
(b) Cafeteria (non-training related)		
Sales	320,506	-
Purchases	(219,312)	-
Trading profit/(loss) - Cafeteria	101,194	-
See note 2(n) 'Inventories' and note 21 'Inventories'.		
15 Commonwealth grants and contributions		
Commonwealth specific purpose grants and contributions	100,814	8,000
	100,814	8,000
Includes grants received from the Department of Industry, Innovation, Science, Research & Tertiary Education and DEEWR Apprentice incentive grants.		
16 Interest revenue		
Interest revenue (from bank deposits)	1,310,365	1,110,999
	1,310,365	1,110,999

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
17 Other revenue		
Rental and facilities fees	147,749	101,296
Other direct grants and subsidy revenue	20,621	50,000
Sponsorship and donations revenue	51,882	67,585
Recoups of expenditure from external organisations	223,886	249,312
Revenue from the provision of Shared Services	545,948	293,281
Proceeds from disposal of custodial assets	43,324	38,961
Miscellaneous revenue	114,462	105,626
	1,147,872	906,061
18 Net gain/(loss) on disposal of non-current assets		
<u>Proceeds from disposal of non-current assets</u>		
Motor vehicles, caravans and trailers	43,727	38,818
Plant, furniture and general equipment	2,026	2,095
Computers and communication network	82	34,433
Total proceeds from disposal of non-current assets	45,835	75,346
<u>Costs of disposal of non-current assets</u>		
Motor vehicles, caravans and trailers	(8,284)	(29,362)
Plant, furniture and general equipment	(8,749)	(24,999)
Computers and communication network	(13,684)	(4,625)
Total cost of disposal of non-current assets	(30,717)	(58,986)
	15,118	16,360
Net gain/(loss)		
See note 2(i) 'Non-current assets (or disposal groups) classified as held for sale' and note 24 'Property, plant and equipment'.		
19 Income from State Government		
<u>Appropriation received during the year</u>		
<u>Service appropriation (a) (State funds received from Department of Training and Workforce Development):</u>		
Delivery and Performance Agreement (DPA)	63,632,831	61,916,708
DPA Refund for under delivery	(24,795)	(125,205)
Other recurrent funds	581,118	229,961
Total State funds	64,189,154	62,021,464
<u>Resources received free of charge(c) :</u>		
<u>Determined on the basis of the following estimates provided by agencies :</u>		
Department of Training and Workforce Development		
- Corporate systems support	971,371	947,726
- Marketing and publications	142,751	145,024
- Human resources, and industrial relations support	39,546	33,172
- Other	202,940	56,573
	1,356,608	1,182,495
Other Government - Department of Education (2011)	-	317,345
Total resources received free of charge	1,356,608	1,499,840
	65,545,762	63,521,304
Total income from State Government		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

2012
\$

2011
\$

23	Other financial assets		
	<u>Current</u>		
	Short term cash investments (3-4 months)	5,105,096	3,100,000
		5,105,096	3,100,000
24	Other assets		
	<u>Current</u>		
	Prepayments	366,799	302,312
	Other current assets (a)	20,427	-
	Total current	387,226	302,312
	(a) Amounts due on sale of non-current assets		
25	Property, plant and equipment		
	<u>Land</u>		
	At fair value (a)	72,060,000	72,060,000
		72,060,000	72,060,000
	<u>Buildings</u>		
	At fair value (a)	85,455,000	85,193,000
	Accumulated depreciation	-	-
		85,455,000	85,193,000
	<u>Buildings under construction</u>		
	Construction costs	2,281,708	1,157,423
		2,281,708	1,157,423
	<u>Leasehold improvements</u>		
	At cost	9,181,188	9,181,189
	Accumulated depreciation	(5,484,100)	(4,811,903)
		3,697,088	4,369,286
	<u>Motor vehicles, caravans and trailers</u>		
	At cost	424,059	535,365
	Accumulated depreciation	(346,799)	(408,513)
		77,260	126,852
	<u>Plant, furniture and general equipment</u>		
	At cost	14,888,303	14,259,070
	Accumulated depreciation	(6,653,484)	(5,514,384)
		8,234,819	8,744,686
	<u>Computer equipment, communication network</u>		
	At cost	1,957,298	1,846,529
	Accumulated depreciation	(1,579,187)	(1,370,409)
		378,111	476,120
	<u>Marine craft</u>		
	At cost	902,543	902,543
	Accumulated depreciation	(861,929)	(848,542)
		40,614	54,001
		172,224,600	172,181,368

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(a) Land and buildings were revalued as at 1 July 2012 by the Western Australian Land Information Authority (Valuation Services).

The valuations were performed during the year ended 31 December 2012 and recognised at 31 December 2012. In undertaking the revaluation, fair value was determined by reference to market values for land: \$72,060,000 (2011: \$72,060,000) and buildings: \$85,455,000 (2011: \$85,193,000). For the remaining balance, fair value of land and buildings was determined on the basis of depreciated replacement cost. See note 2(f) 'Property, plant and equipment'.

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below.

	Land \$	Buildings \$	Buildings under construction \$	Leasehold improvements \$	Motor vehicles, caravans and trailers \$	Plant, furniture and general equipment \$	Computer equipment, communication network \$	Marine craft \$	Total \$
2012									
Carrying amount at start of year	72,060,000	85,193,000	1,157,423	4,369,286	126,852	8,744,686	476,120	54,001	172,181,368
Additions	-	-	1,124,285	-	-	658,085	123,778	-	1,906,148
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	(136,496)	-	-	(6,874)	(4,684)	-	-	(148,054)
Revaluation increments/(decrements)	-	2,531,254	-	-	-	-	-	-	2,531,254
Depreciation	-	(2,132,758)	-	(672,198)	(42,717)	(1,163,268)	(221,787)	(13,388)	(4,246,116)
Carrying amount at end of period	72,060,000	85,455,000	2,281,708	3,697,088	77,261	8,234,819	378,111	40,614	172,224,601
2011									
Carrying amount at start of year	78,660,000	91,540,000	1,289,398	5,041,484	164,048	8,411,364	551,864	90,965	185,749,123
Additions	-	-	1,185,222	-	43,948	173,910	132,685	-	1,535,766
Transfers	-	13,328	(1,317,198)	-	-	1,275,247	28,623	-	-
Disposals	-	-	-	-	(25,260)	(32,974)	-	-	(58,234)
Revaluation increments/(decrements)	(6,600,000)	(4,074,897)	-	-	-	-	-	-	(10,674,897)
Depreciation	-	(2,285,431)	-	(672,198)	(55,885)	(1,082,861)	(237,051)	(36,964)	(4,370,390)
Carrying amount at end of period	72,060,000	85,193,000	1,157,423	4,369,286	126,852	8,744,686	476,120	54,001	172,181,368

(a) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. Where an previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

2012
\$

2011
\$

26 Intangible assets

Computer software

At cost

Accumulated amortisation

144,909

(144,909)

-

144,909

(144,909)

-

27 Impairment of assets

There were no indications of impairment to property, plant and equipment or intangible assets at 31 December 2012.

The Institute held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets as at 31 December 2012 have either been classified as assets held for sale or written off.

28 Payables

Current

Trade payables

GST payable

Accrued expenses

Accrued salaries and related costs

Paid parental leave payable

Total current

See also note 2(p) 'Payables' and note 37 'Financial Instruments'.

73,915

11,414

1,034,841

1,566,407

-

2,686,577

1,675

58,414

1,732,956

1,068,537

5,423

2,867,005

29 Provisions

Current

Employee benefits provision

Annual leave (a)

Long service leave (b)

Deferred Salary Scheme (c)

Other provisions

Employment on-costs (d)

Total current

Non-current

Employee benefits provision

Long service leave (b)

Other provisions

Employment on-costs (d)

Total non-current

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months

after the end of the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of the end of the reporting period

More than 12 months after the end of the reporting period

4,004,474

5,963,042

286,024

10,253,540

631,883

10,885,423

2,345,912

148,503

2,494,415

3,643,980

3,556,101

393,326

7,593,407

452,572

8,045,979

3,937,300

247,234

4,184,535

3,312,463

692,011

4,004,474

3,146,164

497,816

3,643,980

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	\$	\$

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of the end of the reporting period	2,014,729	830,626
More than 12 months after the end of the reporting period	6,294,225	6,662,775
	8,308,954	7,493,401

(c) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	250,157	285,513
More than 12 months after the end of the reporting period	35,867	107,813
	286,024	393,326

(d) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance.

The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 10 'Other expenses'.

Movements in other provisions

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

Employment on-cost provision

Carrying amount at start of period	699,806	694,074
Additional provisions recognised	349,709	136,903
Payments/other sacrifices of economic benefits	(269,129)	(131,171)
Carrying amount at end of period	780,386	699,806

30 Other liabilitiesCurrent

Income received in advance (a)	150,300	122,323
Money/deposits held in trust	62,645	54,044
Accrued payroll and Fringe Benefits Tax payable	314,897	383,095
Total current	527,842	559,462

(a) Income received in advance comprises:

Fee for service	-	20,301
Student fees and charges	150,300	102,022
	150,300	122,323

31 Equity

The Government holds the equity interest in the Institute on behalf of the community. Equity represents the residual interest in the net assets of the Institute. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

Contributed equity

Balance at start of period	42,682,570	42,597,011
<u>Contributions by owners</u>		
Capital appropriation (a)	30,830	85,560
Total contributions by owners	30,830	85,560

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

2012
\$

2011
\$

Distributions to owners (b)

Net assets transferred to Government

(136,496)

-

- Return of land and buildings to the Department of Education

Total distributions to owners

(136,496)

-

Balance at end of period

42,576,904

42,682,570

(a) Capital appropriations - Treasurer's instruction TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' designates Capital Appropriations as contributions by owners in accordance with AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

(b) Distribution to owners

TI 955 requires non-reciprocal transfers of net assets to Government to be accounted for as distribution to owners in accordance with AASB Interpretation 1038.

Reserves

Asset revaluation surplus

Balance at start of period

95,888,660

106,563,557

Net revaluation increments/(decrements):

Land

-

(6,600,000)

Buildings

2,531,254

(4,074,897)

Balance at end of period

98,419,914

95,888,660

Accumulated surplus/(deficit)

Balance at start of period

40,630,219

39,191,207

Result for the period

(3,489,224)

1,439,013

Balance at end of period

37,140,995

40,630,220

Total Equity at end of period

178,137,813

179,201,450

32 Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year, as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand

14,823

14,552

Cash at bank

3,759,582

613,086

Short term deposits (term deposits 1-3 months)

8,811,480

14,208,520

12,585,885

14,836,158

Restricted cash and cash equivalents (refer to note 20 'Restricted cash and cash equivalents')

2,199,095

1,336,835

14,784,980

16,172,994

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services

(69,034,986)

(62,082,291)

Non-cash items:

Depreciation and amortisation expense (note 8 'Depreciation and amortisation expense')

4,246,116

4,370,390

Doubtful debts expense (note 10 'Other expenses')

26,912

57,110

Superannuation expense (became a cash payment in 2012)

-

4,781,037

Resources received free of charge (note 19 'Income from State Government')

1,356,608

1,499,840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

35 Events occurring after the reporting period

No events have occurred after balance date that would require disclosure or an adjustment to the financial statements as at 31 Dec 2012.

36 Explanatory statement

Significant variations between estimates and actual results for 2012 and between actual results for 2011 and 2012 are shown below.

Significant variations are considered to be those greater than 5% and \$500,000.

Significant variances between estimated and actual result for the financial year 2012

	2012 Estimate	2012 Actual	Variance
	\$	\$	\$
Supplies and services	18,787,133	20,094,224	1,307,091
Fee for service revenue	11,942,351	11,077,750	(864,601)
Interest revenue	815,426	1,310,365	494,939
State funds	60,390,727	64,189,154	3,798,427

Supplies and services

The variance in supplies and services is a result of unbudgeted minor works, repairs and maintenance costs as well as investment in new systems not originally included in the Estimates. Utility costs were also higher than expected.

Fee for service revenue

A reduction in international student revenue is the reason for the negative variance in fee for service revenue.

Interest revenue

Interest revenue is greater than expected due to higher cash holdings during the year and better rates on investments than anticipated.

State funds

Additional funding was received during the year to cover changes in profile purchased as well as additional funding for increases in salary rates for lecturers and administrative staff.

Significant variances between actual results for 2011 and 2012

	2012	2011	Variance
	\$	\$	\$
Income			
Fee for Service	11,077,750	12,390,854	(1,313,104)
Expense			
Employee expenses	62,525,409	57,260,655	5,264,754
Supplies and services	20,094,224	18,140,503	1,953,721

Fee for Service

The most significant drop in Fee for Service revenue is in the area of International Student fees which have reduced as a result of changes to visa requirements for visiting students.

Employee expenses

Apart from an average 4% increase in salary rates which accounts for approx \$2.2m, leave provisions increased \$1.1m and associated superannuation costs \$0.5m.

Additional resources were employed during the year to manage specific one-off projects.

Supplies and services

The increase is attributed to increase utility charges, additional expenditure on minor capital works and one-off costs associated with the implementation of new systems.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

37 Financial instruments**(a) Financial risk management objectives and policies**

Financial instruments held by the Institute are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Institute has limited exposure to financial risks.

The Institute's overall risk management program focuses on managing the risk identified below:

Credit risk

Credit risk arises when there is the possibility of the Institute's receivables defaulting on their contractual obligations resulting in financial loss to the Institute.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 37(c) 'Financial instruments disclosures' and note 22 'Receivables'.

Credit risk associated with the Institute's financial assets is minimal because the Institute trades only with recognised, creditworthy third parties.

The Institute has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

In addition, receivable balances are monitored on an ongoing basis with the result that the Institute's exposure to bad debt is minimal.

At the end of the reporting period there are no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Institute is unable to meet its financial obligations as they fall due.

The Institute is exposed to liquidity risk through its trading in the normal course of business.

The Institute has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Institute's income or the value of its holdings of financial instruments.

The Institute does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are :

	2012 \$	2011 \$
<u>Financial Assets</u>		
Cash and cash equivalent	12,585,885	14,836,158
Restricted cash and cash equivalent	2,199,095	1,336,835
Receivables (a)	1,758,296	2,669,696
Other financial assets	5,105,096	3,100,000
<u>Financial Liabilities</u>		
Payables	2,686,577	2,867,005

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(c) Financial instrument disclosures

Credit risk

The following table discloses the Institute's maximum exposure to credit risk and the ageing analysis of financial assets. The Institute's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Institute.

The Institute does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount	Not past due and not impaired	<u>Past due but not impaired</u>				Impaired Financial Assets
			Up to 1 month	1-3 months	3 - 12 months	More than 1 year	
	\$	\$	\$	\$	\$	\$	\$
<i>Financial Assets</i>							
2012							
Cash and cash equivalents	12,585,885	12,585,885	-	-	-	-	-
Restricted cash and cash equivalents	2,199,095	2,199,095	-	-	-	-	-
Receivables (a)	1,812,032	672,220	-	885,380	151,077	103,355	-
Other financial assets	5,105,096	5,105,096	-	-	-	-	-
	21,702,108	20,562,296	-	885,380	151,077	103,355	-
2011							
Cash and cash equivalents	14,836,158	14,836,158	-	-	-	-	-
Restricted cash and cash equivalents	1,336,835	1,336,835	-	-	-	-	-
Receivables (a)	2,669,696	499,701	-	1,543,646	399,855	226,494	-
Other financial assets	3,100,000	3,100,000	-	-	-	-	-
	21,942,689	19,772,694	-	1,543,646	399,855	226,494	-

(a) The amount of receivables excludes the GST receivables from the ATO (statutory receivable).

Liquidity risk and interest rate exposure

The following table details the Institute's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities.

The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Interest rate exposure				Maturity dates			
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	Up to 1 month	1-3 months	" 3 months- 1 year "	More than 1 year
		\$	\$	\$	\$	\$	\$	\$	\$
2012									
<u>Financial Assets</u>									
Cash and cash equivalent	4.70%	12,585,885	-	12,585,885	-	12,615,134	-	-	-
Restricted cash and cash equivalents	4.70%	2,199,095	-	2,199,095	-	2,199,095	-	-	-
Receivables (a)		1,812,032	-	-	1,812,032	-	-	-	-
Other financial assets	4.70%	5,105,096	-	5,105,096	-	-	-	5,185,483	-
		21,702,108	-	19,890,076	1,812,032	14,814,229	-	5,185,483	-
<u>Financial Liabilities</u>									
Payables		2,686,577	-	-	2,686,577	2,686,577	-	-	-
		2,686,577	-	-	2,686,577	2,686,577	-	-	-

(a) The amount of receivables excludes the GST receivables from the ATO (statutory receivable).

	Weighted Average Effective Interest Rate %	Interest rate exposure				Maturity dates			
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	Up to 1 month	1-3 months	" 3 months- 1 year "	More than 1 year
		\$	\$	\$	\$	\$	\$	\$	\$
2011									
<u>Financial Assets</u>									
Cash and cash equivalents	5.0%	14,836,158	-	14,836,158	-	14,836,158	-	-	-
Restricted cash and cash equivalents	5.0%	1,336,835	-	1,336,835	-	1,336,835	-	-	-
Receivables (a)		2,884,450	-	-	2,884,450	-	-	-	-
Other financial assets	5.0%	3,100,000	-	3,100,000	-	-	-	3,100,000	-
		22,157,443	-	19,272,993	2,884,450	16,172,993	-	3,100,000	-
<u>Financial Liabilities</u>									
Payables		2,867,005	-	-	2,867,005	2,867,005	-	-	-
		2,867,005	-	-	2,867,005	2,867,005	-	-	-

(a) The amount of receivables excludes the GST receivables from the ATO (statutory receivable).

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Institute's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Carrying amount \$	- 100 Basis Points		+ 100 Basis Points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
2012					
<u>Financial Assets</u>					
Cash and cash equivalent	12,585,885	(125,859)	(125,859)	125,859	125,859
Restricted cash and cash equivalent	2,199,095	(21,991)	(21,991)	21,991	21,991
Other financial instruments	5,105,096	(51,051)	(51,051)	51,051	51,051
Total Increase/(Decrease)		(198,901)	(198,901)	198,901	198,901
2011					
<u>Financial Assets</u>					
Cash and cash equivalent	14,836,158	(148,362)	(148,362)	148,362	148,362
Restricted cash and cash equivalent	1,336,835	(13,368)	(13,368)	13,368	13,368
Other financial instruments	3,100,000	(31,000)	(31,000)	31,000	31,000
Total Increase/(Decrease)		(192,730)	(192,730)	192,730	192,730

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

38 Remuneration of members of the Accountable Authority and senior officers

Remuneration of members of the Accountable Authority

The number of members of the Accountable Authority whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

	2012	2011
\$0 – \$10,000	13	13
\$210,001 – \$220,000	1	
\$240,001 – \$250,000		1
	\$	\$
Cash remuneration received in relation to 2012	242,955	242,888
Annual leave and long service leave accruals	(6,559)	15,495
The total remuneration of the members of the Accountable Authority:	236,396	258,383

Total remuneration includes the superannuation expense incurred by the Authority in respect of members of the Accountable Authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Remuneration of senior officers

The number of senior officers other than senior officers reported as members of the Accountable Authority whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

	2012	2011
\$110,001 – \$120,000		1
\$ 140,001 – \$150,000		1
\$150,001 – \$160,000	2	
\$ 160,001 – \$170,000	1	1
\$ 170,001 – \$180,000		1
\$ 180,001 – \$190,000	1	
	\$	\$
Cash remuneration received in relation to 2012	653,828	619,077
Annual leave and long service leave accruals	11,351	(15,722)
The total remuneration of senior officers:	665,179	603,355

The total remuneration includes the superannuation expense incurred by the Institute in respect of senior officers other than senior officers reported as members of the Institute.

No senior officers are members of the Pension Scheme.

39 Remuneration of auditor

Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:

	2012	2011
	\$	\$
Auditing the accounts, financial statements and performance indicators	124,000	117,000

40 Related bodies

The Institute has no related bodies.

41 Affiliated bodies

The Institute has no affiliated bodies.

42 Supplementary financial information

(a) Write-Offs

Public property

Bad debts

Inventory

(b) Losses through theft, defaults and other causes

Amount recovered

	2012	2011
	\$	\$
Public property	-	8,481
Bad debts	129,407	24,787
Inventory	30,277	24,652
	159,684	57,920
Amount recovered	11,661	24,466
	11,661	24,466

43 Schedule of income and expenditure by service

The Institute provides only one service [as defined by Treasurer's Instruction 1101 (9)] and that is Vocational Education and Training Delivery.

KEY PERFORMANCE INDICATORS

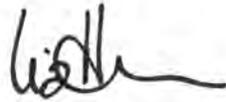
Certification of Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of Challenger Institute of Technology, and fairly represent the performance of Challenger Institute of Technology for the financial year ended 31 December 2012.



Paddi Creevey OAM
Chair of Governing Council
Challenger Institute of Technology

Date: 6 March 2013



Liz Harris
Chief Executive Officer
Challenger Institute of Technology

Date: 6 March 2013

Desired Outcome

Challenger's agency level desired outcome is the provision of vocational education and training services to meet community and industry training needs.

The institute's purpose is 'For everyone a pathway to a better future'.

Key Effectiveness Performance Indicators

To gauge our performance against our desired outcome and purpose the institute measures its success against two independently run student satisfaction surveys – the WA Student Satisfaction Survey and the National Centre for Vocational Education Research (NCVER) Student Outcomes Survey. They have been used for three of Challenger's Key Effectiveness Performance Indicators reported below.

The more recent Australian Quality Training Framework (AQTF) survey is also used by Challenger Institute to measure performance and is used by all registered training organisations (RTOs) in Australia. This data is also used by the Training Accreditation Council (TAC) to measure performance, however it is not currently part of the key performance indicators used for the annual reporting process.

1. 2012 Student Satisfaction Survey

The 2012 Student Satisfaction Survey was administered on behalf of the Department of Training and Workforce Development by Patterson Research Group (formerly Patterson Market Research). This survey is carried out on an annual basis with its key focus being to attain an understanding of students' training requirements and to measure the quality of training and services delivered by Challenger. Full-time and part-time students enrolled in a course and/or qualifications at a State Training Provider Institute were asked to participate in the survey. To obtain optimal response rates data collection included an online survey, mass market mail out and telephone interviews.

To obtain an overall student satisfaction rating (our key performance indicator) students were asked 'Overall, how satisfied were you with your course?' Responses were on a five-point scale where one is 'very satisfied' to five being 'very dissatisfied', including a 'neither satisfied nor dissatisfied' option. The rating is based on the total number of 'satisfied' and 'very satisfied' respondents from the institute.

Table 1: Overall Student Satisfaction Rating

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target	2012 Actual	Variation 2012 actual vs target
Challenger	84%	85%	83.4%	84.9%	84%	85.3%	86.6%	WA average	86.5%	0.2
Western Australia	85%	86%	86.8%	85.4%	85.6%	86.7%	88.4%	N.A.	86.3%	

NOTES:

- Source:** Department of Training and Workforce Development (Patterson Research Group) Student Satisfaction Survey.
- Derivation:** The usable population for Challenger was determined at N=8,393 students. In total, n=1,459 unique and valid responses were collected from Challenger students, equating to a response rate of 17.4% (ie n=1,459/N=8,393). The Confidence Interval for the survey is $\pm 1.6\%$ with a 95% level of confidence. The Standard Error is calculated at 0.8%.

2. NCVER student outcomes survey

The Student Outcomes Survey is conducted by the Social Research Centre on behalf of NCVER. The survey focuses on students' outcomes and satisfaction with vocational education and training. This encompasses personal and training characteristics, employment outcomes, further study activity, satisfaction with the training, whether they achieved their main reason for undertaking the training, and how relevant it was to their current employment.

Surveys were sent to a sample of Challenger graduates who had successfully completed a qualification in the previous reporting year. This is stratified by study location, field of education, gender and age.

2.1 GRADUATE ACHIEVEMENT RATING

The following effectiveness key performance indicator measures the extent to which Challenger graduates have fully or partly achieved their main reason for undertaking their training (course/qualification).

Table 2: Graduate Achievement Rating (Main Reason for Training)

	2006	2007	2008	2009	2010	2011	2012
Challenger	n.a.	83.5%	n.a.	84.5%	n.a.	87.1%	n.a.
Western Australia	n.a.	86.9%	n.a.	87.8 %	n.a.	87.5%	n.a.
Australia	n.a.	86.7%	n.a.	86.4%	n.a.	85.7%	n.a.

NOTES:

- a. **Source:** Student Outcomes Survey, NCVER.
- b. **Explanatory Note:** The institute is unable to provide statistically valid institute level data for 2006, 2008, 2010 and 2012 as it is not available. Commencing from 2005 statistically reliable institute level data has been available from NCVER. This is available biennially.

2.2 GRADUATE DESTINATION RATING

The Graduate Destination Rating is an indicator of the institute's provision of relevant quality training that improves student employability.

Table 3.1 Graduate Destination Rating (Employed)

	2006	2007	2008	2009	2010	2011	2012
Challenger	n.a.	79.6%	n.a.	78.0%	n.a.	77.9%	n.a.
Western Australia	n.a.	83%	n.a.	78.9%	n.a.	80.4%	n.a.
Australia	n.a.	81%	n.a.	77.8%	n.a.	77.4%	n.a.

Table 3.2: Graduate Destination Rating (Unemployed)

	2006	2007	2008	2009	2010	2011	2012
Challenger	n.a.	5.7%	n.a.	9.3%	n.a.	11.0%	n.a.
Western Australia	n.a.	6.2%	n.a.	10.1%	n.a.	10.0%	n.a.
Australia	n.a.	8.7%	n.a.	11.3%	n.a.	12.7%	n.a.

Table 3.3: Graduate Destination Rating (Not in Labour Force)

	2006	2007	2008	2009	2010	2011	2012
Challenger	n.a.	14.6%	n.a.	12.3%	n.a.	10.6%	n.a.
Western Australia	n.a.	10.6%	n.a.	10.7%	n.a.	9.2%	n.a.
Australia	n.a.	9.9%	n.a.	10.4%	n.a.	9.6%	n.a.

NOTES:

- a. **Source:** Student Outcomes Survey, NCVER.
- b. **Explanatory Note:** The institute is unable to provide statistically valid institute level data for 2006, 2008, 2010 and 2012 as it is not available. Commencing from 2005 statistically reliable institute level data has been available from NCVER. This is available on a biennial basis.

3. Achievement of institute profile

This performance indicator reports the effectiveness of the institute in meeting Delivery and Performance Agreement targets through which Challenger is resourced to deliver courses under government purchased funding guidelines. This purchased delivery took into consideration the needs of the local community, individuals and the training plans of industry.

Table 4 shows the percentage of student curriculum hours (SCH) achieved for activities as contracted with the Department of Training and Workforce Development for vocational education and training delivery through the Delivery and Performance Agreement.

Profile achievement = $\frac{\text{Actual Delivery and Performance Agreement SCH Achieved}}{\text{Target SCH contained within the Delivery and performance Agreement (first agreement)}}$

Table 4: Profile Achievement

2008	2009	2010	2011	2012
109.85%	116.10%	105.88%	103.41%	99.20%

NOTES:

- a. **Source:** Challenger Institute Delivery and Performance Agreement (DPA), and the College Management Information System (CMIS)
- b. **Derivation:** DPA data represents the actual achievement of SCH in respective years.
- c. **Variation:** Actual profile delivery for 2012 was approximately 0.8% less than the initial planned target for the year (first agreement). Table 5 below refers. The variation is largely the result of structural changes in some client industries and unfavourable demand conditions in others. In accordance with normal profile planning and delivery processes of review and adjustment during the year, Challenger negotiated with the Department for Training and Workforce Development changes to initial planned targets for some industry group categories. As a result total actual delivery more closely reflects the subsequent final adjusted target for the year.

Table 5: Profile Analysis for Challenger

	2010	2011	2012			
	Actual Profile (SCH)	Actual Profile (SCH)	Initial Planned Profile (SCH)	Actual Profile (SCH)	Variation Planned vs Actual (SCH)	Variation Planned vs Actual %
Total - Challenger Institute	4,888,062	5,002,379	4,975,880	4,936,112	-39,768	-0.8%

NOTES:

- a. **Source:** Challenger Institute Delivery and Performance Agreement 2012 and the College Management Information System (CMIS).
- b. **Derivation:** DPA data represents the actual achievement of SCH in respective years. 'Planned' data is obtained from the DPA, and 'actual' SCH from the College Management Information System (CMIS).

Key Efficiency Performance Indicators

4. Overall cost per SCH

The overall cost per SCH demonstrates the efficiency with which Challenger manages its resources to enable the provision of vocational education and training programs.

$$\frac{\text{Overall Cost} = 2012 \text{ Actual Costs} = \text{Total Cost of Services}}{\text{Total SCH}}$$

Table 6: Cost per SCH

2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target	2012 Actual#	Variation 2012 Actual vs Target#
\$14.81	\$14.16	\$12.74	\$13.06	\$13.12	\$14.09	\$14.38	\$0.29

NOTES:

- Source:** Financial statements and the College Management Information System.
- Derivation:** The total delivery cost per SCH is calculated by dividing the total cost of services measured on an accrual basis by the total SCH delivered. The total SCH is the total number of enrolments multiplied by the hourly duration of these modules as registered in the College Management Information System in accordance with the Australian Vocational Education and Training Management Information Statistical Standard. Delivery from all funding sources is included. The total cost of services figure is obtained from the annual Financial Statements.
- Variation:** The total cost of services was higher than estimated as a result of additional salary and operating costs against approved projects and re-investment initiatives not included in the original section 40 estimates (targets). The higher cost of services resulted in a slightly higher cost per SCH (2.1% increase).

Glossary of terms used in the Key Performance Indicators

Delivery and Performance Agreement (DPA)

A resource agreement under the *Vocational and Training Act 1996*, between the Department of Training and Workforce Development representing the Minister for Training and Workforce Development and Challenger Institute of Technology Governing Council for the delivery of vocational education and training for the agreed calendar year.

Student Curriculum Hours (SCH)

The nominal hours assigned to a program of study by the curriculum or, in the absence of an endorsed curriculum, by common agreement with the Department of Training and Workforce Development's Statistical Unit.

DISCLOSURES AND LEGAL COMPLIANCE

Ministerial Directives

No Ministerial directives were received during the financial year.

Other Financial Disclosures

Pricing Policies of Services Provided

Fees and charges levied by the Institute were in accordance with the requirements of the following:

- *Vocational Education and Training Act, 1996*
- *Vocational Education and Training Regulations, 1996*
- Policy Guidelines for Publicly Funded Registered Training Organisations (RTO)

Capital Works

Capital projects incomplete

Rockingham Building Trades Project

This project proceeded through the design development and documentation phase and was issued to tender during March 2012. The tender was awarded to builder Esselmont-Cockram in June and construction began on site during July 2012. Completion is scheduled for December 2013.

Project Budget – \$28.6M

Peel Health and Community Services Training Centre

This project has been funded through the State Government Royalties for Regions program, and architects were appointed in June 2012. A project definition plan was completed in August and design development began, with documentation scheduled to be completed for tendering in July 2013. Construction is scheduled to commence in November 2013 and completion is expected in late 2014/early 2015.

Project Budget – \$6.0M

Capital Works

Capital projects completed

Murdoch Nursing Facility

This project to convert a former rural studies building into a nursing training centre at the Murdoch campus reached completion in January 2012 and operation began in February 2012 with the relocation of staff and students from Challenger Institute's Heathcote campus.

Project Expenditure – \$1.8M

Employment and Industrial Relations

Employment and Industrial Relations	2012	2011
Average full-time equivalent including casual staff	709	672
Average headcount	884	867

Staff Development

Challenger Institute has a commitment to the professional development of its employees. Our strategies are to build a highly skilled, professional and adaptable workforce with the ability to respond to workforce development needs, as well as the needs of the community and individuals. In 2012, Challenger provided 14,510 hours of in-house and external training for staff.

Workers Compensation

Twelve claims for workers compensation were lodged in 2012, of which four were lost time injuries. This is a 14 per cent reduction in claims compared to 2011.

Contracts with Senior Officers

No senior officers or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with Challenger Institute and senior officers.

Other Legal Requirements

Compliance with Public Sector Management Act 1994, Section 31(1)

Challenger Institute has complied with regard to public sector standards, the West Australian Public Sector Code of Ethics and Challenger Institute's code of conduct. The institute has put in place procedures designed to ensure such compliance and conducted appropriate internal assessments and reviews of the relevant policies. The applications made for breach of standards reviews and the corresponding outcomes for the reporting period are:

NUMBER LODGED	1
Number of breaches found, including details of multiple breaches per application	0
Number still under review	0

Expenditure on Advertising, Market Research, Polling and Direct Mail

In compliance with section 175ZE of the *Electoral Act 1907*, Challenger Institute of Technology is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

EXPENDITURE ON ADVERTISING, MARKET RESEARCH, POLLING AND DIRECT MAIL	\$
COST OF SERVICES	
Expenditure with Advertising Agencies	
Adcorp Austalia	37,446.29
Expenditure with Market Research Agencies	-
Expenditure with Polling Agencies	-
Expenditure with Direct Mail Agencies	
PMP Print Pty Limited	17,473.72
Expenditure with Media Advertising Agencies	
Media Decisions	313,984.79
Facebook	2,764.57
Google	11,200.00
Branch Media	1,230.26
Thomas Reuters	203.40
Total Expenditure	384,303.03

GOVERNMENT POLICY REQUIREMENTS

Disability Access and Inclusion Plan Outcomes

Challenger Institute is committed to providing optimum access and service to people with disabilities. The institute implemented the following initiatives:

- The formation of a Disability Access and Inclusion Plan (DAIP) committee.
- An update of the staff induction to include information about the DAIP.
- Relationship building with disability employment services was expanded to provide improved referral options for students transitioning into employment.
- An iPad/tablet pilot project to determine the usefulness of educational apps in a vocational training environment.
- Provision of professional development opportunities for staff with a focus on disability.
- Update of intranet resources available to assist lecturing staff in the management of disability in the classroom.
- Introduction of reduced/flexible study loads by various program areas in conjunction with Student Support Services to assist students with a disability who may be experiencing difficulties by allowing for the completion of single units consecutively or small clusters of units concurrently.

Compliance with Public Sector Standards and Ethical Codes

In accordance with S31(1) of the *Public Sector Management Act 1994*, Challenger Institute implemented the following measures to ensure compliance with public sector standards, the WA Code of Ethics and its own agency code of conduct:

- Misconduct and Complaints Management Framework in place and revised where necessary.
- Challenger code of conduct and code of ethics aligned with WA Public Sector Conduct Guide and were made available on the institute's intranet.
- 99.7% of managers/supervisors completed accountable and ethical decision making training.
- 100% compliance with Corruption and Crime Commission requirements for investigations.

Recordkeeping Plan

Challenger Institute has an approved recordkeeping plan as prescribed by the *State Records Act 2000*. As prescribed by the State Records Commission Principles and Standards 2002 (Standard 2, Principle 6) Challenger is required to report on:

The efficiency and effectiveness of the record keeping system

In November 2011, a records management audit was conducted by business consultants 2020 Global. The audit assessed the level of compliance with the State Records Office's requirements for a record keeping plan to be established and operational. The results of the audit were positive and recommendations have been addressed: a portable barcode reader has been purchased; campus audits are conducted throughout the year; and 400 TRIM licences have been purchased from the Department of Education.

Record Keeping Training Program

Challenger Institute implemented an online record keeping awareness training course for staff in 2008. All staff have now been enrolled in this course, with a 93 per cent completion rate. A monthly TRIM training course is also available for staff.

The efficiency and effectiveness of the record keeping training program

The online record keeping training program is easily accessible to staff online and the pace of the course can be determined by the candidate. Most candidates complete the course in one sitting (about 30 minutes) with almost 100 per cent completing the assessment correctly.

The organisation's induction program

The online record keeping training program has been integrated into Challenger Institute's staff induction program.

Commitment to occupational safety and health and injury management

Challenger Institute is committed to achieving a workplace with zero injuries by providing and maintaining a healthy and safe working environment for all staff, clients and visitors. The institute's management has regular consultation with staff to ensure policies operate effectively, safety and health issues are regularly reviewed and adequate resources are allocated. A new injury management position was created and filled. This enabled the review of open workers compensation claims, resulting in the finalisation of several claims and intense management of long-term claims

Formal mechanism for consultation with employees

Safety and health committees have been established at six campuses to provide consultation and cooperation between managers and staff. Each works actively with the common aim of improving safety and health standards in the workplace. The committees comprise management representatives and site safety and health representatives. An overriding Safety Leadership Steering Committee oversees the implementation and review of the OSH Management Plan as well as its development, implementation and review against the institute's strategic direction.

Compliance with injury management requirements

Challenger Institute provides injury management and rehabilitation support to all workers who sustain a work related injury or illness, with a focus on safety and early return to work through compliance with the *Workers Compensation and Injury Management Act 1981*. The aim is to provide effective injury management and occupation rehabilitation for injured employees to return them to meaningful and productive work as soon as possible.

Assessment of the occupational safety and health management system

Challenger Institute continued to make improvements to its OSH management system. Two internal and two external audits have been conducted in the past five years:

- 2008** – OSH AS/NZS 4801: 2001 Gap Analysis by SAI Global
- 2009** – internal WorkSafe Plan assessment
- 2010** – internal WorkSafe Plan assessment
- 2011** – external WorkSafe Plan audit by Switched Onto Safety, resulting in a Gold Certification

Annual performance for 2011 – 2012 against the following targets

Indicator	Target 2011 – 12	Actual 2011 – 12	Comparison to previous year
Number of fatalities	Zero (0)	0	Unchanged
Lost time injury/disease (LTI/D) incidence rate	Zero (0) or 10% reduction on previous three years	0.44	14% reduction
Lost time injury severity rate	Zero (0) or 10% improvement on previous three years	0	Unchanged
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks	Greater than or equal to 80%	100%	Unchanged
Percentage of managers trained in occupational safety, health and injury management responsibilities	Greater than or equal to 80%	9%	86% reduction

Occupational safety and health initiatives

Occupational safety and health included:

- Regular update of the intranet with legislative changes, meeting minutes and alerts.
- Review of 2010–2012 OSH Management Plan and development of 2013–2015 OSH Management Plan.
- Creation and filling of injury management position.
- Identified OSH training and opportunities including senior first aid, ergonomic assessments, emergency evacuation (warden training) and management training.
- Review of an electronic safety management system.

SECTION 40 ESTIMATES FOR 2013

In accordance with Treasurer's Instructions 953 the annual estimates for the current financial year (i.e. 2013) are hereby included in the Annual Report. These estimates do not form part of the financial statement and are not subject to audit.

STATEMENT OF COMPREHENSIVE POSITION	2013 Estimate \$	STATEMENT OF FINANCIAL POSITION	2013 Estimate \$
COST OF SERVICES		ASSETS	
Expenses		Current Assets	
Employee benefits expense	63,240,258	Cash and cash equivalents	12,677,511
Supplies and services	19,840,517	Restricted cash and cash equivalents	2,000,000
Depreciation and amortisation expense	4,742,668	Inventories	240,000
Grants and subsidies	50,000	Receivables	2,600,000
Cost of sales	528,701	Other current assets	4,400,000
Other expenses	5,800,000	Total Current Assets	21,917,511
Total Cost of Services	94,202,144	Non-Current Assets	
Income		Property, plant and equipment	169,126,522
Fee for service	12,496,982	Total Non-Current Assets	169,126,522
Student charges and fees	8,620,746	TOTAL ASSETS	191,044,033
Ancillary trading	900,000	LIABILITIES	
Sales	664,530	Current Liabilities	
Interest revenue	1,100,000	Payables	2,850,000
Other revenue	1,000,000	Provisions	8,250,000
Total income other than income from State Government	24,782,258	Other current liabilities	600,000
NET COST OF SERVICES	(69,419,886)	Total Current Liabilities	11,700,000
INCOME FROM STATE GOVERNMENT		Non-Current Liabilities	
State funds	64,016,213	Provisions	4,550,000
Resources received free of charge	1,250,000	Total Non-Current Liabilities	4,550,000
Royalties for regions	327,000	TOTAL LIABILITIES	16,250,000
Total income from State Government	65,593,213	NET ASSETS	174,794,033
DEFICIT FOR THE PERIOD	(3,826,673)	EQUITY	
		Contributed Equity	42,682,571
		Reserves	95,888,660
		Accumulated surplus/(deficiency)	36,222,802
		TOTAL EQUITY	174,794,033

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