




Slide 1



This presentation provides an overview of the Victorian Auditor-General's report Results of 2018 Audits: Technical and Further Education Institutes.

Overview

-  Results of our financial audits of the technical and further education (TAFE) entities and our observations for the year ended 31 December 2018
-  Review internal control framework
-  Analyse financial outcomes, sustainability risks, and efficiency and effectiveness of operations

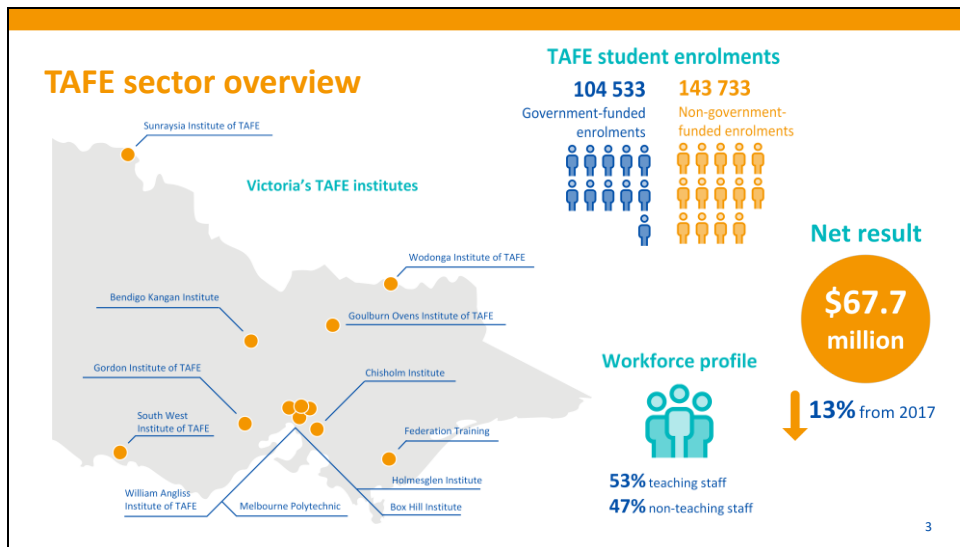
2

This report outlines the results and observations of our financial audits of the technical and further education (TAFE) sector for the year ended 31st December 2018.

We looked at the sector's internal control frameworks and analysed its sustainability risks.

This included reviewing financial outcomes, student enrolments, and the efficiency and effectiveness of TAFE sector operations.

Slide 3



The TAFE sector includes 12 technical institutes and their 15 controlled entities.

The sector delivers vocational education and training (VET) courses throughout Victoria.

The sector's total net result in 2018 was \$67.7 million, a decrease of 13 per cent from 2017.

In 2018, almost 250 000 students were enrolled in TAFEs.

53 per cent of its workforce was directly involved in teaching students.



We issued clear audit opinions for all 12 TAFEs and their 15 controlled entities.

Overall, the sector produced good-quality financial reports, and presented relatively accurate and timely draft financial statements for audit.



With regards to the audit of TAFE performance reports, we issued clear opinions for all 12 TAFEs.

Prior to 2018, TAFEs were required by the Department of Education and Training to include four mandatory indicators in their performance reports, plus any added by each TAFE. This led to a significant variation in the number of indicators reported between TAFEs, making comparisons of results and performance difficult.

Starting from 2018, TAFEs only reported on the four mandatory indicators in their performance reports.



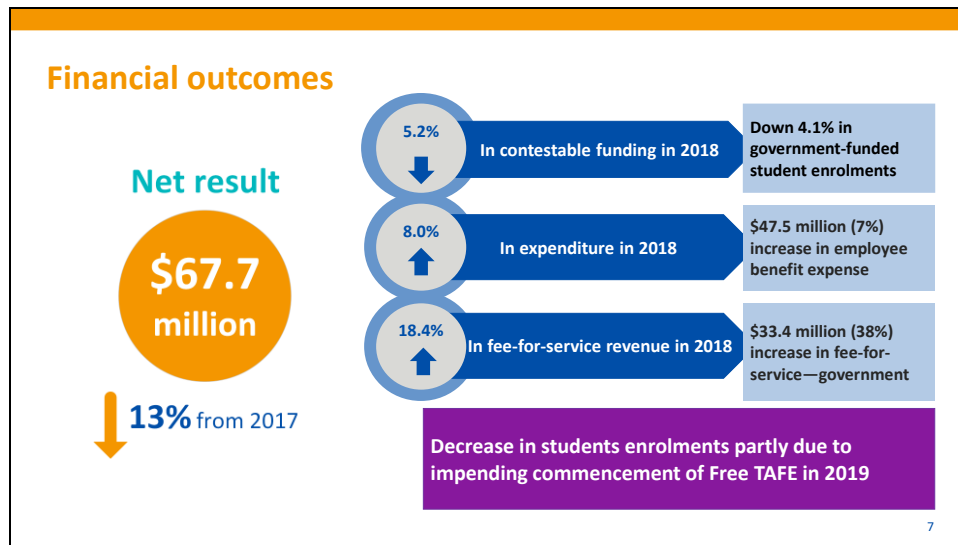
As part of our financial audits, we assess whether the TAFEs had appropriate controls in place to manage the risks that their financial reports would not be materially complete and accurate.

Overall, we found that the internal controls at TAFEs were well-designed and operating as management intended.

Compared to prior years, there was a low number of new internal control issues raised across the sector.

We raised 13 new high or medium-risk issues during 2018. Six issues raised in previous years remain unresolved.

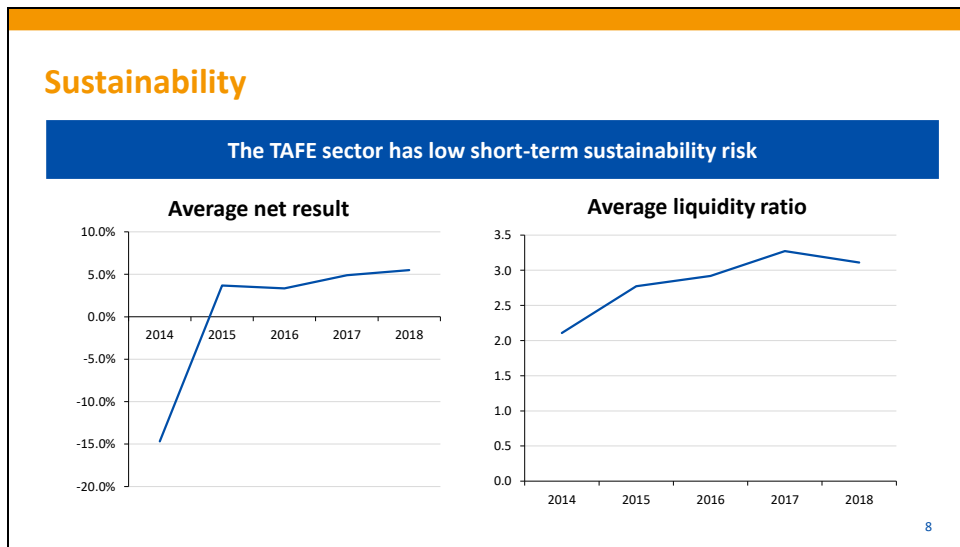
The one high-risk issue, raised at William Angliss Institute of TAFE, related to non-compliance with the Victorian Training Guarantee contract.



The sector generated a net surplus of \$67.7 million for the year, a \$9.8 million, or 13 per cent, decrease from the prior year. This decline was due to an \$85.8 million increase in expenditure, caused mainly by a \$47.5 million increase in employee benefit expenses.

Contestable revenue decreased by \$18.9 million, or 5.2 per cent, from 2017. This was due to lower student contact hours and lower enrolments compared to the prior year. This decline was offset by increases in government operating funding and increases in fee-for-service revenue.

Fee-for-service revenue increased by \$55 million, or 18 per cent, during 2018, surpassing contestable funding for the first time. TAFEs are diversifying their revenue streams and relying less on state government funding.



We focused on two key indicators to assess the short-term financial health of the TAFE sector: net result ratio, which measures the annual surplus or deficit achieved by an entity as a percentage of total revenue generated; and liquidity ratio, which measures current assets as a percentage of current liabilities at the end of a fiscal period.

Overall, the sector's short-term financial sustainability risks are low.

Efficiency and effectiveness of operations

The infographic is titled "Efficiency and effectiveness of operations". It features two main sections. On the left, a blue box with a gear and people icon is labeled "Key performance indicators". Below this, a light blue box lists two bullet points: "employment costs as a percentage of training revenue" and "training revenue per full-time equivalent teaching member". On the right, a dark blue box with a target icon is labeled "Most TAFES did not achieve their 2018 targets". A small number "9" is in the bottom right corner of the slide frame.

Key performance indicators

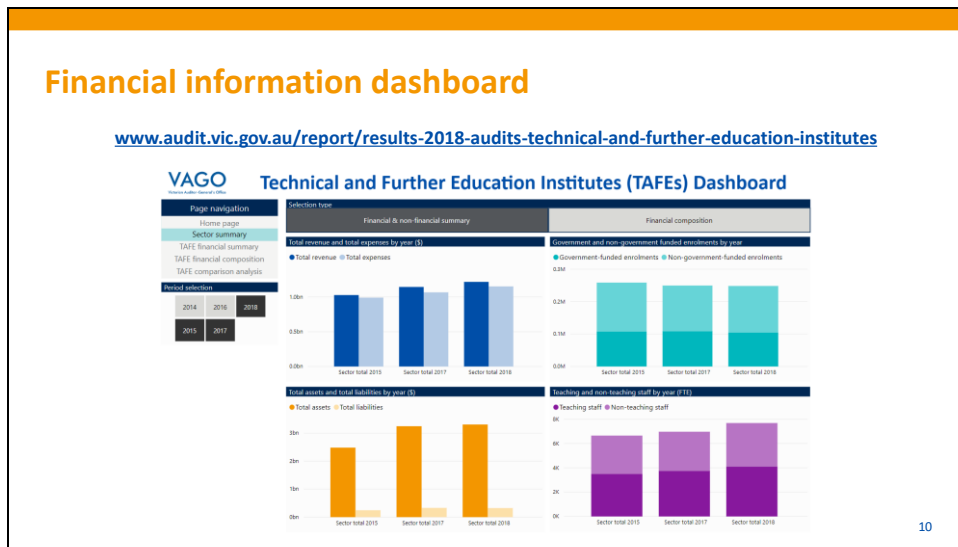
- employment costs as a percentage of training revenue
- training revenue per full-time equivalent teaching member

Most TAFES did not achieve their 2018 targets

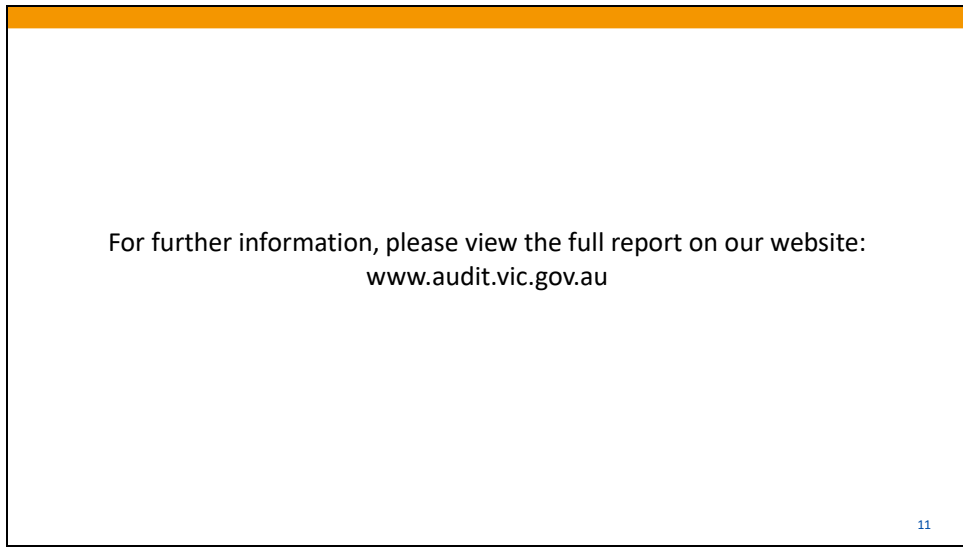
9

TAFES measure and report on their efficiency and effectiveness through two key performance indicators: employment costs as a percentage of training revenue; and training revenue per full-time equivalent teaching member.

Most TAFES did not achieve their 2018 targets, showing they did not operate as efficiently or effectively as originally planned.



This year we have created a TAFE sector public data dashboard. This interactive visualisation tool summarises and allows comparisons of the financial statement data for all Victorian TAFEs. You can find the dashboard on our website.



For further information, please view the full report on our website: www.audit.vic.gov.au