

VAGO

Victorian Auditor-General's Office

Results of 2021 Audits: Technical and Further Education Institutes

July 2022

Independent assurance report to Parliament
2022-23: 1



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Independent assurance report to Parliament

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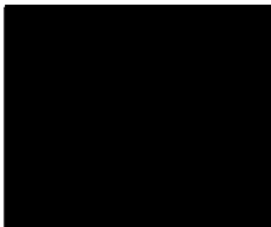
The Hon Nazih Elasmr MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Results of 2021 Audits: Technical and Further Education Institutes*.

Yours faithfully



Andrew Greaves
Auditor-General
8 July 2022

1.

Audit outcomes

We provided clear audit opinions for all financial reports and performance statements across the technical and further education sector. Parliament and the community can use these reports with confidence.

Financial reports and performance statements are reliable

Number of clear audit opinions

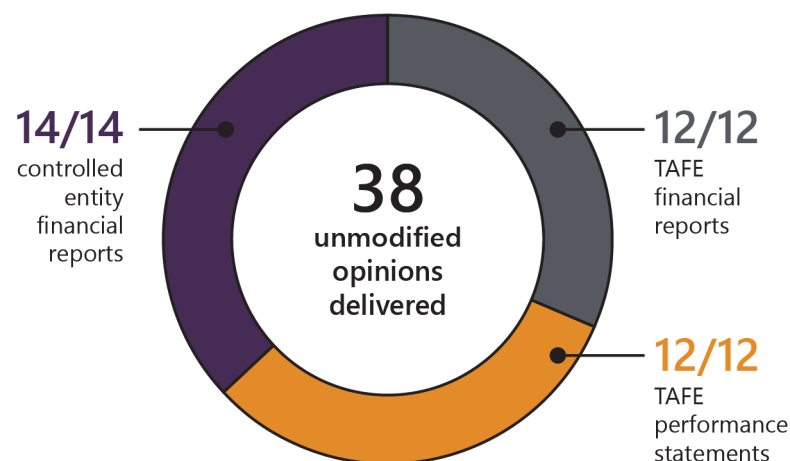
A 'clear' or 'unmodified' audit opinion means that we have reviewed an entity's financial report and performance statement and believe they are reliable, accurate and comply with relevant reporting requirements.

We provided clear audit opinions on the financial reports and performance statements of all 12 Technical and Further Education institutes (TAFEs), and on the financial reports of their 14 controlled entities (listed in Appendix E).

Controlled entity

An entity over which another party has the power to govern decision making in relation to financial and operating policies.

FIGURE 1A: Audit opinions delivered for the 2021 period



Source: VAGO.

Victoria's TAFE institutes

Bendigo Kangan Institute, Box Hill Institute, Chisholm Institute, Gordon Institute of TAFE, Goulburn Ovens Institute of TAFE, Holmesglen Institute, Melbourne Polytechnic, South West Institute of TAFE, Sunraysia Institute of TAFE, TAFE Gippsland, William Angliss Institute of TAFE, and Wodonga Institute of TAFE. Refer to Appendix B: Sector context for a geographical representation of the sector.

Reporting timeliness

Under the *Financial Management Act 1994*, TAFEs need to provide certified financial reports to VAGO within 8 weeks of balance date. The *Audit Act 1994* requires us to provide the entity with an audit opinion within 4 weeks of receiving their certified financial reports.

In 2021, all 12 TAFEs met the statutory timeframe, compared to 11 in 2020. The TAFEs took a median 11 weeks to certify their financial reports, compared to 10.8 weeks in 2020.

Errors in financial reporting

The nature, number and size of errors in financial reports submitted for auditing are direct measures of their quality. Entities must correct material errors before we can issue a clear audit opinion.

This year we found more errors during our audits. We found:

- 7 financial errors compared to 5 in 2020
- 20 classification and disclosure differences, down from 23 in 2020.

Of the errors in the draft financial reports, the following were the most significant ...

The TAFE ...

one related to Holmesglen Institute's accounting for the revaluation of its land and resulted in a \$15.9m increase in value

adjusted the error and we issued a clear opinion

Chisholm Institute was responsible for one financial error and 9 classification and disclosure differences

adjusted all errors and differences and we issued a clear opinion.

Errors in performance statements

We did not identify any significant quality issues through our audits of performance statements for the sector, indicating performance reporting is mature across the sector.

2. Financial analysis

The disruption of the pandemic along with rising costs continued to affect the financial performance of the sector, resulting in an overall net deficit result. Underlying growth in employee costs, an issue that existed before the pandemic, also continues to impact the sector.

TAFEs must focus on managing these costs and increasing alternative sources of revenue to ensure their long-term financial sustainability.

The sector's net result declined because expenditure growth outstripped increased revenue/income

Financial performance snapshot

TAFEs collectively recorded a net deficit of \$12.1 million in 2021, compared to a net surplus of \$16.8 million in 2020.

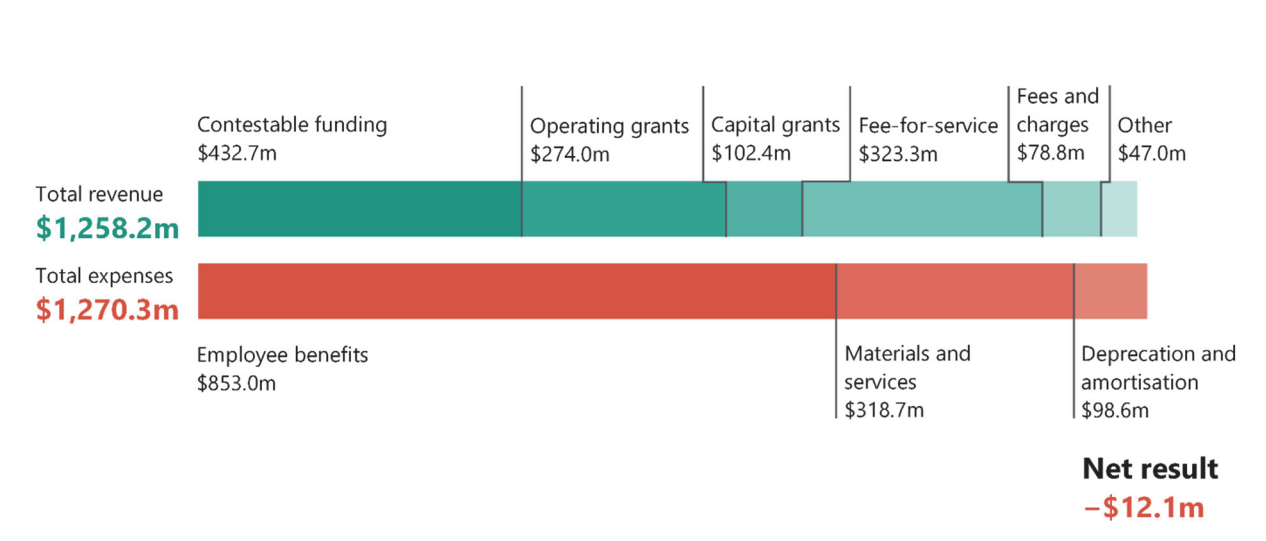
The sector reported ...	Representing ...	From ...
\$1,258.2m in revenue/income	a 1.4 per cent increase	\$1,240.8m in 2020
\$1,270.3m in expenses	a 3.8 per cent increase	\$1,224.0m in 2020.

Net result

Figure 2A shows the net result for 2021, with a breakdown of the revenue and expense streams.

For a comparison with 2020, please see Appendix B: Sector context.

FIGURE 2A: **Financial performance snapshot for 2021**



Source: VAGO.

TAFEs received more government funding in 2021

Changes in revenue

As shown above in Figure 2A, total revenue for the sector increased in 2021 because TAFEs received more government funding.

In 2021, TAFE's income/revenue from ...	Totalled ...	Due ...
government contributions	\$809.1m, an increase of \$29.9m on 2020	to reduced contestable funding
		to increased operating grants
		to increased capital grants
fee-for-service and fees and charges	\$402.0m, a decrease of \$11.1m on 2020	mostly to the impact of COVID-19 border closures, which reduced international fee-for-service revenue.
other sources	\$47.0m, a decrease of \$1.5m on 2020.	

Government contributions

In 2021, the government increased capital grants to TAFEs by \$47.2 million to help fund their capital works program.

Operating grants to TAFEs also increased by \$18.2 million, partly because of increased funding to:

- help TAFEs with their transition to online and remote learning
- provide support to retain staff
- maintain government funding for student placements at pre-pandemic levels.

Government subsidies, also known as contestable funding, decreased by \$35.5 million due to reductions in business continuity grants.

COVID-19 led to decreases in student contact hours and reductions in training delivery. In 2020, the TAFEs used business continuity grants specifically to fund the resulting shortfalls in minimum training activity. The government again provided business continuity grants in 2021, but at lower amounts. In 2021, other State Government operating grants helped offset the reduction in business continuity grants.

Contestable funding is a government subsidy the Victorian Government provides to TAFEs for domestic students who are studying courses eligible for a government grant.

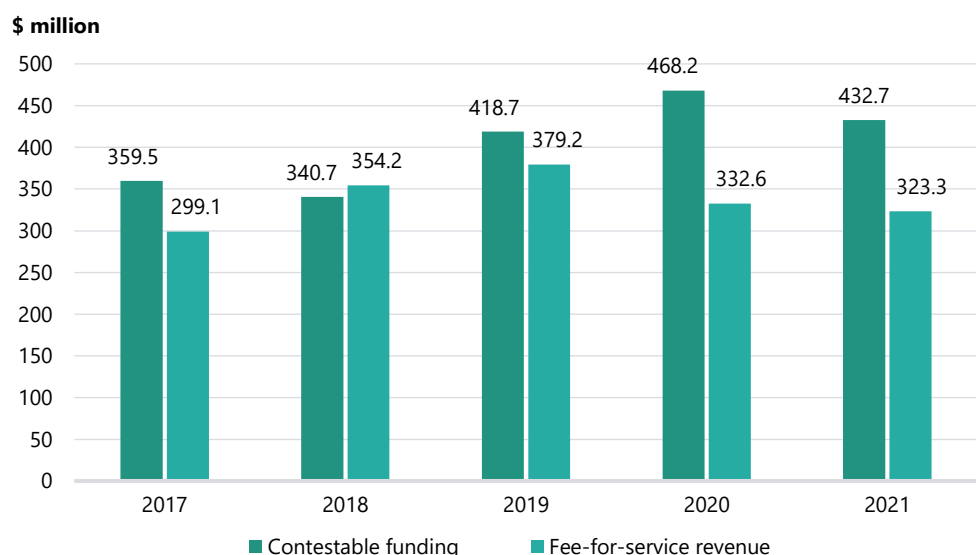
Fee-for-service revenue

The sector generated \$323.3 million in fee-for-service revenue in 2021, a \$9.3 million decrease from \$332.6 million in 2020.

COVID-19 continues to impede the delivery of fee-for-service courses. Border closures in place for most of 2021 reduced fee-for-service revenue from international onshore students by \$22.5 million.

TAFEs increased fee-for-service revenue from other sources by \$13.1 million in 2021. Figure 2B shows the continued declining trend of fee-for-service revenue since 2019.

FIGURE 2B: **Contestable funding and fee for service revenue**



Source: VAGO.

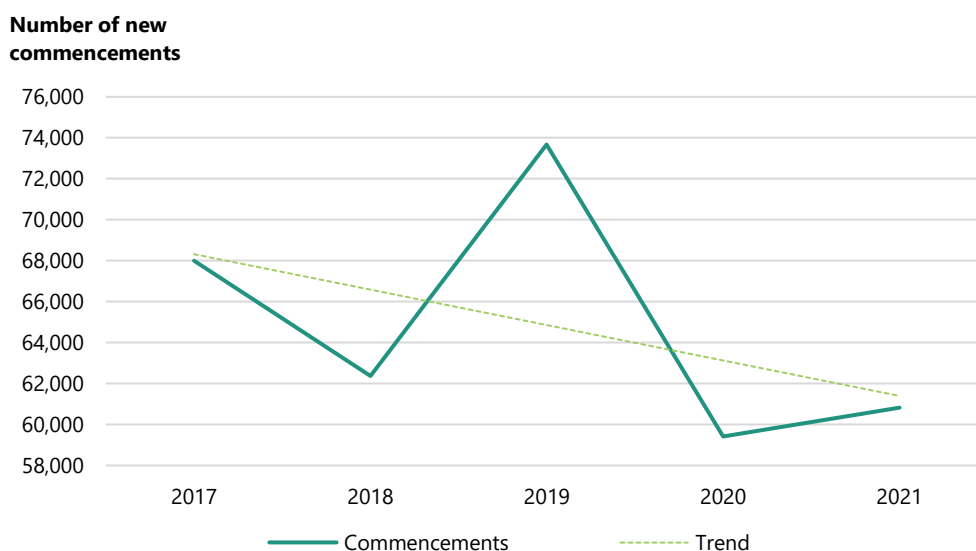
Government-funded commencements

Figure 2C shows the number of government-funded student commencements in Victorian TAFEs.

The decline in 2018 (and then sharp increase in 2019) occurred due to students deferring enrolment so they could access the Free TAFE program, which started in 2019.

Government-funded commencements rapidly declined in 2020 due to the restrictions imposed on TAFEs for in-person course delivery because of the COVID-19 pandemic. In 2021, commencements remain lower than pre-pandemic levels.

FIGURE 2C: Number of government funded commencements for the years ended 31 December 2017 to 2021



Source: VAGO.

Free TAFE covers tuition costs for eligible students studying priority courses determined by the government.

The sector's expenses increased, driven mostly by employee costs

Changes in expenses

TAFEs incurred \$1,270.3 million of expenses in 2021, compared to \$1,224.0 million in 2020. Sector expenses have increased in each of the past 5 years except for 2020, where TAFEs constrained their discretionary spending in response to the impacts of COVID-19.

Employee costs continue to be the sector's most significant expense given the nature of services they provide. These increased by 5.6 per cent compared to 2020 and have risen significantly each year since 2017.

The Victorian Government continues to support TAFEs to retain staff numbers at pre-pandemic levels.

Spending on ...	Totalled ...	Due to ...
employee expenses	\$853.0m, an increase of \$45.2m from \$807.8m in 2020	salary increases under teaching enterprise bargaining agreements and a minor increase in overall staff employed in the sector
materials and services	\$318.7m, a reduction of \$1.1m from \$317.6m in 2020	TAFEs maintaining cost-saving measures introduced in 2020, relating to discretionary spending.
depreciation and amortisation	\$98.6m, consistent with 2020.	

Most TAFEs did not meet their efficiency and effectiveness targets

Key performance indicators

The TAFEs' performance statements include key performance indicators (KPIs), with their targets set yearly by TAFE boards.

Two of the KPIs measure a TAFE's efficiency and effectiveness:

- employment costs as a percentage of training revenue
- training revenue per full-time equivalent (FTE) training member.

Training revenue vs. employee expenses

The combination of higher employment costs and higher teaching FTEs relative to training revenue resulted in less efficient and effective operations—and more expensive training delivery.

As shown in Figure 2D, most TAFEs did not meet their efficiency and effectiveness targets. While training revenue declined in 2021 despite continued government support, employee expenses increased because:

- TAFEs maintained staff numbers at pre-pandemic levels in accordance with government requirements
- there were some incremental pay increases.

On average, employee expenses have increased by 6.9 per cent each year since 2017. Operating and contestable funding has increased by an average 4.1 per cent each year since 2017.

To remain financially sustainable, TAFEs need to manage costs and increase their fee-for-service revenue, or seek ways to generate other revenue.

FIGURE 2D: **2021 efficiency and effectiveness indicator results by TAFE**

	<i>Employment costs as a proportion of training revenue</i>		<i>Training revenue per teaching FTE</i>	
	Target	Actual	Target	Actual
Bendigo Kangan Institute	108.4%	105.3%	\$273,097	\$266,339
Box Hill Institute	91.0%	98.2%	\$233,000	\$213,600
Chisholm Institute	84.2%	84.8%	\$211,902	\$211,414
Gordon Institute of TAFE	112.0%	109.5%	\$165,832	\$176,912
Goulburn Ovens Institute of TAFE	108.8%	146.2%	\$200,803	\$137,703
Holmesglen Institute	<80%	98.1%	>\$195,000	\$195,933
Melbourne Polytechnic	113.5%	104.8%	\$177,000	\$199,000
South West Institute of TAFE	129.4%	137.6%	\$167,436	\$175,608
Sunraysia Institute of TAFE	135.3%	147.8%	\$156,957	\$136,710
TAFE Gippsland	100.0%	129.0%	\$202,165	\$159,605
William Angliss Institute of TAFE	<102%	112.6%	>\$218,000	\$182,272
Wodonga Institute of TAFE	99.8%	102.2%	\$203,159	\$167,459

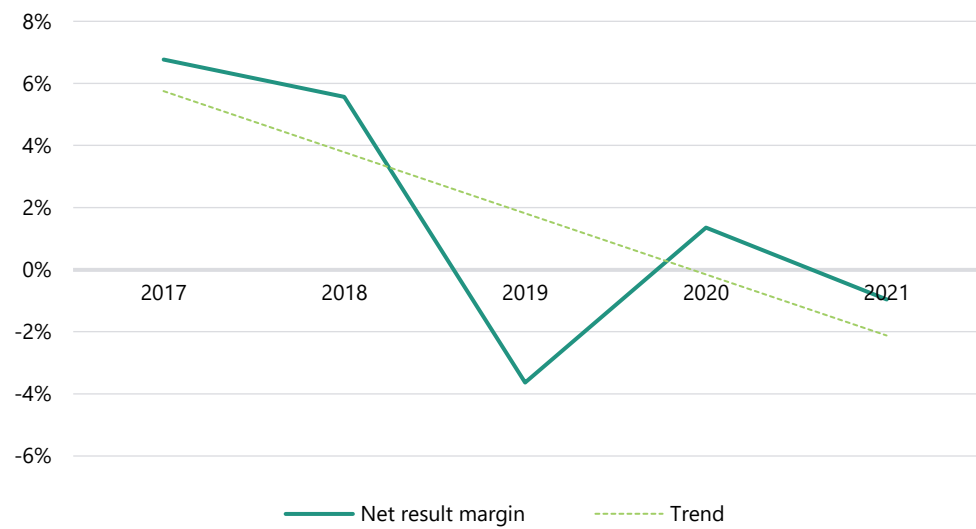
Source: VAGO.

Net result margin

The net result is revenue/income minus expenses. A positive net result margin is a surplus, and the larger the percentage, the stronger the result. A negative result is a deficit. As shown in Figure 2E, the sector's net result margin decreased in 2021 to -0.96 per cent compared to 1.35 per cent in 2020.

Seven TAFEs incurred a deficit in 2021. In particular, Bendigo Kangan Institute's net result declined by \$42.0 million compared to 2020, mostly because government contributions decreased by \$11.9 million and employee expenses increased by \$15.4 million.

FIGURE 2E: **Sector net result margin**



Source: VAGO.

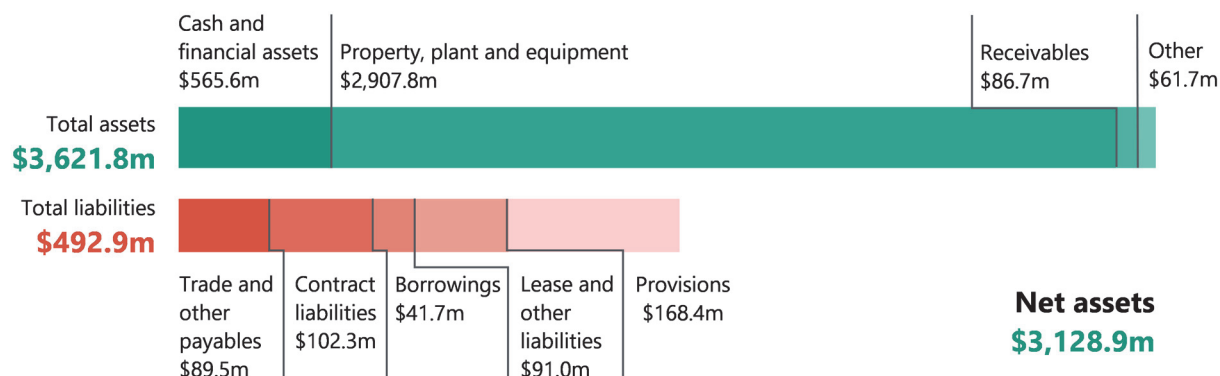
The sector's financial position remained sound despite the uncertain environment caused by the pandemic

Financial position snapshot

The TAFE sector's net assets increased to \$3,128.9 million in 2021, compared to \$2,948.5 million in 2020.

The sector reported ...	Representing ...	From ...
\$3,621.8m in assets	a 6.4 per cent increase	\$3,402.6m in 2020
\$492.9m in liabilities	a 8.6 per cent increase	\$454.0m in 2020.

FIGURE 2F: **Financial position snapshot as of 31 December 2021**



Source: VAGO.

Increased asset values

The value of the TAFEs' total assets increased because the value of their land, buildings and equipment grew by \$283.9 million in 2021.

Increases were mainly driven by ...

- a \$158.5m increase in the value of land and buildings as a result of asset revaluations
- an additional \$63.9m due to completion of capital projects
- a \$46.6m increase in the value of construction in progress.

While the increases were offset by ...

- a \$48.3m decrease in cash held by TAFEs
- a \$16.8m decrease in receivables.

Overall liquidity ratio

The sector's overall financial position is strong, reflected by its large portfolio of land, buildings and equipment assets which TAFEs use to deliver their services. However, because these assets are not liquid, TAFEs cannot rely on them to meet short-term debts.

The liquidity ratio is a better indication of whether TAFEs are likely to be able to service their debt obligations in the immediate future.

While the sector's average liquidity ratio decreased for 2021, the ratio remains positive at 1.90. This shows that the sector holds almost twice the cash and liquid assets compared to its short-term liabilities, meaning there was no immediate concern at balance date about the sector meeting short-term debt obligations. This is partly because of the continued financial support the government provided to TAFEs during 2021.

Going concern

Financial reports are prepared on a going-concern basis. This means that an entity is expected to be able to pay its debts when they fall due and continue to operate without any intention or need to liquidate or otherwise cease its operations.

To mitigate the risk of a TAFE being unable to pay its debts when they fall due, the Department of Education and Training (DET) may issue it with a letter of comfort. This provides an undertaking that DET will supply adequate cashflow for a set period, should the need arise.

The government's 2022 budget allocations were approved on the basis that TAFEs should be able to achieve balanced budgets. However, below-forecast student enrolments in early 2022 impacted the sector. This prompted the government to make more funding available and issue:

- 3 letters of comfort for adequate cashflow support, should the need arise (compared to 8 letters in 2020)
 - one conditional letter of comfort to TAFE Gippsland relating to a loan liability.
-

Funding model

The *Heads of Agreement for Skills Reform* signed in August 2020 was a step towards negotiating a new national skills agreement. A key priority of the new skills agreement was a proposed new funding model intended to:

- more accurately reflect the cost of training delivery
- provide more consistent student pricing
- support growth in enrolments.

A new funding model for the Victorian TAFE sector is being implemented and will position the sector to support Victoria's economic and social recovery from COVID-19 as well as improve the sector's financial sustainability.

The 2022–23 Budget announcement of \$83.1 million (in addition to \$108.0 million announced in December 2021) will support TAFEs through a range of activities.

3.

Internal controls

TAFEs' internal controls are adequate to prepare reliable financial reports and performance statements, but their information technology controls require improvement.

Snapshot

The *Financial Management Act 1994* requires TAFEs to develop effective internal control systems to maintain proper accounts and records. We assess if these internal controls, which include people, systems, and processes, are adequate for preparing reliable financial reports and performance statements.

We report significant internal control issues to an entity's management and its audit committee, as required under the Australian Auditing Standards.

Overall, TAFEs' internal controls remain adequate for reliable reporting, but there are areas for improvement.

Raising internal control issues

When we alert TAFE's management and audit committees to internal control issues, this includes:

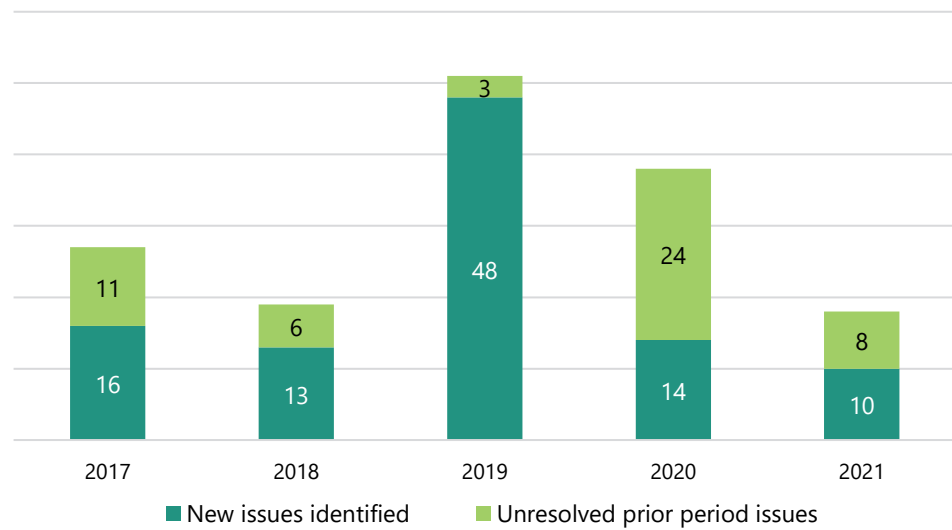
- raising new issues
 - giving updates on issues we raised in a prior period that remain unresolved.
-

Fewer internal control issues in 2021

Trends in control issues

As shown in figure 3A, the number of new issues has decreased since 2019. The number of prior period unresolved issues has fluctuated over the course of the last 5 years however, has decreased since 2020.

FIGURE 3A: **Number of internal control issues (new and unresolved from prior period)**



Note: We have excluded low-risk issues as these are considered minor issues or opportunities to improve.

Source: VAGO.

Issues found in 2021

As with last year, we found common IT issues across the sector, including these high and moderate risk items:

In 2021 we identified ...	Which we ...	Recommending that ...
2 new issues related to business continuity and disaster recovery (IT controls)	rated as high risk	management take corrective action within one month
one new issue related to Essential Eight compliance (IT controls)		
7 other new issues, 5 of which relate to IT controls	rated as moderate risk	management take corrective action within 3 to 6 months.
8 unresolved prior-period issues, 6 of which related to IT controls		

TAFEs can strengthen their internal control environments and financial reporting by promptly resolving these issues.

IT controls remain a key area of weakness in the sector

Increased reliance on IT controls

The pandemic has made TAFEs even more reliant on IT controls to ensure the security of their systems. This is largely because some manual processing cannot be done remotely.

This reliance has also grown with the move to remote course delivery, a trend we expect will continue as TAFEs revisit their delivery models to increase market reach.

Effective IT controls are important because they reduce the risk of unauthorised access and changes to systems, including cyber-attacks. They are a prerequisite for the smooth day-to-day operations of entities and reliable financial reporting.

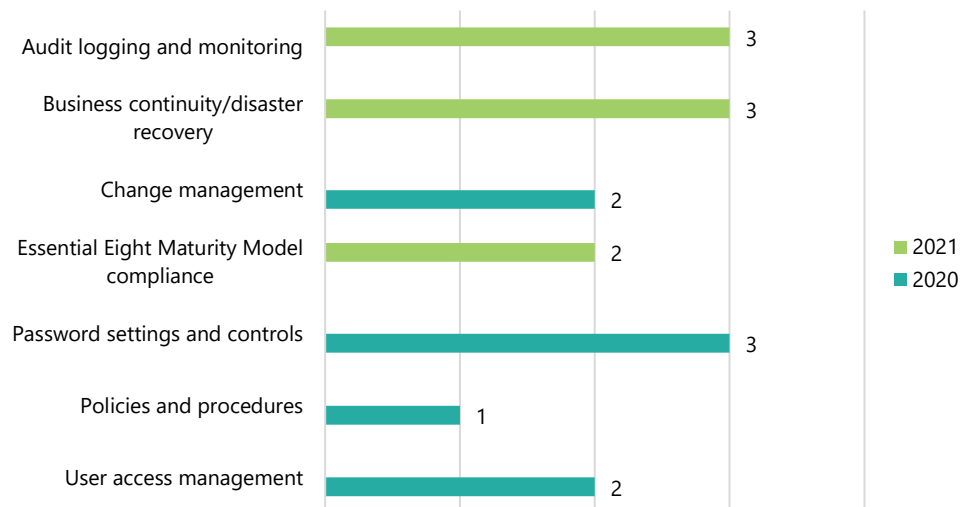
Increase in IT control weaknesses

In 2021, we found 3 new types of IT control weaknesses related to:

- audit logging and monitoring
- business continuity and disaster recovery
- compliance with the Essential Eight Maturity Model.

Figure 3B summarises the number of IT control weaknesses by type across the last 2 reporting periods.

FIGURE 3B: **Number of IT control weaknesses by type**



Source: VAGO.

Logging/monitoring weaknesses

Audit logs and monitoring controls record who is accessing and making changes in IT systems. Coupled with effective user-access management and authentication controls, they reduce the risk of fraud, errors and data loss.

We found that 3 TAFES are not reviewing user activities for some IT applications. This increases the risk of unauthorised access, data manipulation and information theft going undetected.

Planning weaknesses

Effective business continuity planning—or disaster recovery planning—helps an entity respond quickly to a crisis and minimise disruption to their operations.

We found that 3 TAFEs need to enhance their testing of business continuity and disaster recovery plans so they can respond or adapt to unexpected disruptive events and minimise negative impacts.

Cyber security weaknesses

To minimise the risk of cyber threats, organisations are encouraged to comply with the Essential Eight mitigation strategies.

We found that 2 TAFEs are yet to achieve Maturity Level Two in the Essential Eight Maturity Model, meaning they are only partly aligned with cyber threat mitigation strategies. This makes them more vulnerable to cyber-attacks, which have the potential to compromise key systems and data.

TAFES should work towards achieving a level of maturity that aligns with Essential Eight mitigation strategies.

The Essential Eight Maturity Model

This model supports the implementation of 8 key strategies to minimise the risk of cyber threats, known as the Essential Eight. The model has 3 levels of maturity, from the ability to recover data/system availability to preventing attacks.

Recommendation

To all TAFES

We recommend that:

All TAFES	prioritise and respond more promptly to address the internal control issues we raise with them and that their audit committees monitor the timely resolution of these issues.
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APPENDIX A

Submissions and comments

We have consulted with DET and Victoria's 12 TAFEs and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Department of Education and Training	19
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Department of
Education and Training

Office of the Secretary

2 Treasury Place
East Melbourne Victoria 3002
Telephone: 03 9637 2000
DX210083

BRI22101517

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

[REDACTED]

Dear Auditor-General

Thank you for your letter of 17 June 2022 inviting the Department of Education and Training (the Department) to provide submissions or comments on the proposed audit report *Results of 2021 Audits: Technical & Further Education Institutes* (the Report).

The Department welcomes the Report. I note your conclusion that the financial and performance reports of the TAFE sector are reliable, and that Parliament and the community can use them with confidence.

I accept the Report's recommendation and the Department will support TAFEs to implement appropriate actions.

If your team would like to discuss this matter further, please contact Dr Xavier Csar, Chief Executive Officer, Office of TAFE Coordination and Delivery, Department of Education and Training, on [REDACTED] or by email: [REDACTED].

Yours sincerely

[REDACTED]

Jenny Atta
Secretary
24 /06 / 2022

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address



APPENDIX B

Sector context

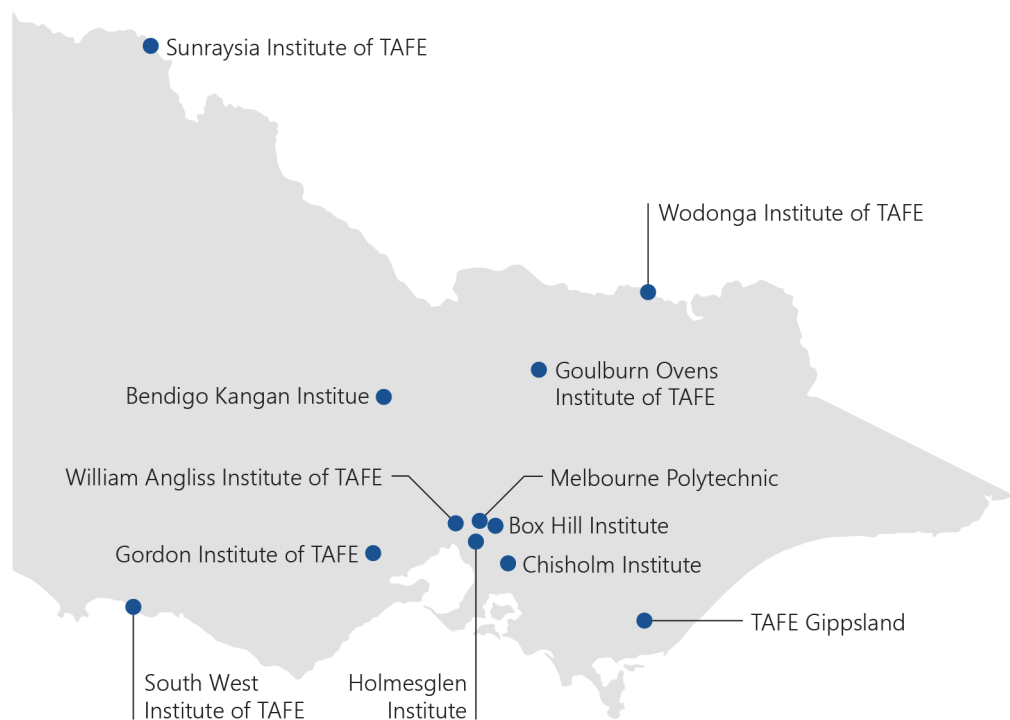
The sector at a glance

Victoria's TAFE sector is made up of 12 TAFE institutes and the 14 entities they control. They operate 69 campuses across Victoria.

TAFEs deliver vocational education and training (VET) courses to equip students with practical skills for a variety of careers. They also provide pathways to university courses.

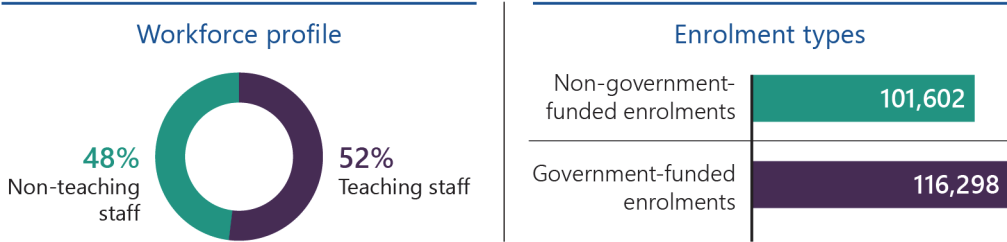
Location of TAFE institutes

FIGURE B1: **Location of Victoria's TAFE institutes (2021)**



Source: VAGO.

FIGURE B2: **Profile of TAFE workforce and student enrolments (2021)**



Source: VAGO

Private sector VET

In Victoria, private registered training organisations also deliver VET courses. We have not included them in this report because we are not required to audit them under the *Education and Training Reform Act 2006* and the *Audit Act 1994*.

The TAFE sector’s financial model

Sector revenue and expense streams

The TAFE sector gets most of its revenue from delivering courses. This revenue comes from government funding and from full fee-paying students.

Government funding

The Victorian Government funds TAFEs in 3 ways:

- **government subsidies** (also known as contestable funding) for domestic students studying courses eligible for a government grant
- **operating grants** to help TAFEs meet day-to-day costs or other specific needs
- **capital grants** for the construction of new buildings and to maintain existing infrastructure.

Full fee-paying students

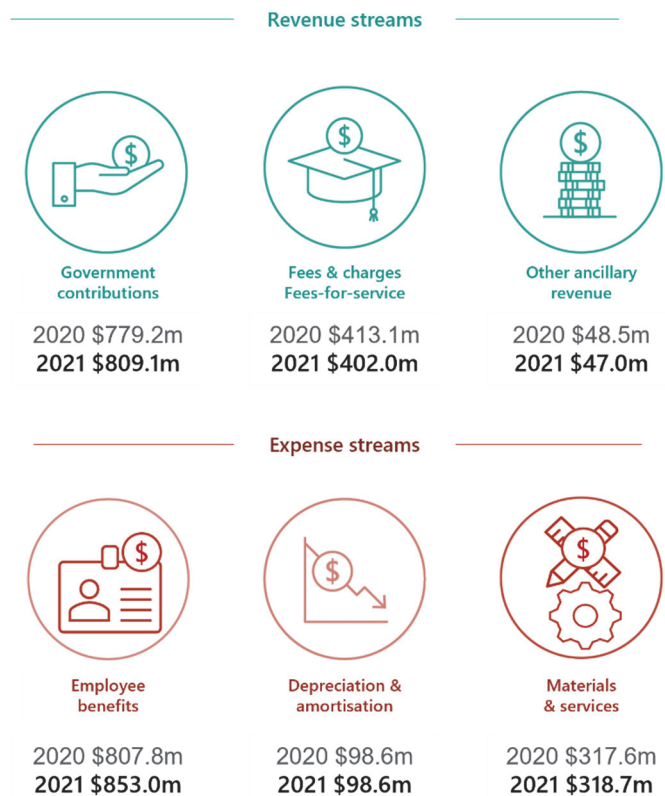
Both private domestic students and international students pay full fees.

Because private domestic students are not entitled to government subsidies, they fund their courses themselves or with a Commonwealth VET student loan. In this case, the Australian Government pays the course fees to the TAFE and the student repays the government through the tax system when they earn above a minimum income threshold.

Revenue and expense streams (2020/21)

Figure B3 shows the key revenue and expense streams, comparing 2021 with the previous year.

FIGURE B3: **Key revenue and expense streams showing 2020 and 2021**



Source: VAGO.

Legislative and financial reporting framework

Applicable Acts

The *Education and Training Reform Act 2006* establishes and governs TAFE institutes. This Act outlines the requirements for establishing a TAFE board and its governance responsibilities.

The Act requires each TAFE to prepare an annual statement of corporate intent containing the KPIs that are included in the TAFE's performance statement. It also defines the functions and powers of TAFEs.

As public bodies, TAFEs must comply with the *Financial Management Act 1994*, including complying with any general or specific direction the Assistant Treasurer gives when preparing financial reports.

TAFEs are also subject to the *Public Administration Act 2004*, which provides a framework for governance in the public sector.

Purpose and aims of TAFEs

TAFEs exist to perform functions for the public benefit. They aim to facilitate student learning and to collaborate as part of a strong network of public training providers.

Management and oversight of TAFEs

Each TAFE has a board, which is accountable to the Minister for Training and Skills and the Minister for Higher Education.

The Department of Education and Training (DET) manages the sector on behalf of these 2 ministers. This includes:

- overseeing governance of the sector and individual TAFEs
 - overseeing of the breadth, depth and appropriateness of the training TAFEs deliver
 - funding the training TAFEs deliver through a subsidy for each hour of training.
-

APPENDIX C

Our audit approach

Our methodology

We conduct our financial audits of the TAFE sector in accordance with the *Audit Act 1994* and the Australian Auditing Standards. As part of an audit, we:

- identify and assess risks of material misstatement (whether due to error or fraud) in financial reports and performance statements
- design and perform audit procedures to respond to those risks
- obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

We also:

- investigate internal controls relevant to the audit so we can design appropriate audit procedures for the circumstances
 - evaluate whether the entity's accounting policies are appropriate
 - evaluate whether the accounting estimates and related disclosures included in the financial report are reasonable
 - decide if it is appropriate to use the going concern basis of accounting
 - evaluate the overall presentation, structure and content of the financial report and performance statement, including its disclosures
 - assess whether the financial report and performance statement represents the underlying transactions and events in a way that achieves fair presentation.
-

Our independence

The Auditor-General is an independent officer of the Parliament of Victoria and is:

- appointed under legislation to examine, on behalf of Parliament and taxpayers, how the public sector manages resources
 - not subject to control or direction of either Parliament or the government.
-

Our ethical obligations

The Auditor-General and staff of VAGO must meet the ethical requirements of the:

- Australian Auditing Standards
 - Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants*
 - *Code of Conduct for Victorian Public Sector Employees of Special Bodies*
 - *Public Administration Act 2004*.
-

How we report

In this report, we summarise the outcomes of our audits on the financial reports and performance statements of the TAFE sector for the year ended 31 December 2021.

We also report on key matters arising from our audits and analyse the TAFE sector's financial performance.

Our costs

This report and its supporting dashboard cost \$130,000 and were funded by parliamentary appropriation.

APPENDIX D

Acronyms and abbreviations

Acronyms

DET	Department of Education and Training
FTE	full-time equivalent
KPI	key performance indicator
TAFE	Technical and Further Education Institute
VAGO	Victorian Auditor-General's Office
VET	vocational education and training

Abbreviations

COVID-19	The coronavirus disease 2019 pandemic
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APPENDIX E

Audit opinions

Figure E1 lists the entities included in this report. It details the type of audit opinion for their financial reports and performance statements, and the date it was issued to each entity.

FIGURE E1: **Audit opinions issued for the TAFE sector for the year ended 31 December 2021**

Entity	Financial report		Performance statement	
	Clear audit opinion issued	Audit opinion signed date	Clear audit opinion issued	Audit opinion signed date
Bendigo Kangan Institute	✓	24 March 2022	✓	24 March 2022
Box Hill Institute	✓	31 March 2022	✓	31 March 2022
Box Hill Enterprises Ltd	✓	31 March 2022	N/A	N/A
Chisholm Institute	✓	18 March 2022	✓	18 March 2022
Caroline Chisholm Education Foundation	✓	8 March 2022	N/A	N/A
TAFE Online Pty Ltd	✓	8 March 2022	N/A	N/A
Gordon Institute of TAFE	✓	22 March 2022	✓	22 March 2022
Gotec Limited	✓	22 March 2022	N/A	N/A
Goulburn Ovens Institute of TAFE	✓	28 March 2022	✓	28 March 2022
Holmesglen Institute	✓	20 March 2022	✓	20 March 2022
Glenuc Pty Ltd	✓	15 March 2022	N/A	N/A
Holmesglen Foundation	✓	16 March 2022	N/A	N/A
Holmesglen Int Training Services Pty Ltd	✓	15 March 2022	N/A	N/A
Melbourne Polytechnic	✓	1 April 2022	✓	1 April 2022
South West Institute of TAFE	✓	24 March 2022	✓	24 March 2022
Sunraysia Institute of TAFE	✓	25 March 2022	✓	25 March 2022
TAFE Kids Inc.	✓	25 March 2022	N/A	N/A
TAFE Gippsland	✓	28 March 2022	✓	28 March 2022
William Angliss Institute of TAFE	✓	25 March 2022	✓	25 March 2022
Angliss Consulting Pty Ltd	✓	16 March 2022	N/A	N/A
Angliss Multimedia Pty Ltd	✓	16 March 2022	N/A	N/A
Angliss (Shanghai) Education Tech. Co Ltd	✓	26 April 2022	N/A	N/A
Angliss Solutions Pty Ltd	✓	16 March 2022	N/A	N/A
William Angliss Institute Foundation Ltd	✓	16 March 2022	N/A	N/A

Entity	Financial report		Performance statement	
	Clear audit opinion issued	Audit opinion signed date	Clear audit opinion issued	Audit opinion signed date
William Angliss Institute Pte Ltd	✓	10 May 2022	N/A	N/A
Wodonga Institute of TAFE	✓	30 March 2022	✓	30 March 2022

Note: N/A = not applicable.

Source: VAGO.

APPENDIX F

Control issues risk ratings

Figure F1 shows the risk ratings applied to issues raised in management letters. It also details what they represent and the expected timeline for the issue to be resolved.

FIGURE F1: **Risk definitions applied to issues reported in audit management letters**

Rating	Definition	Management action required
High	<p>The issue represents:</p> <ul style="list-style-type: none"> a material misstatement in the financial report that has occurred, or an issue that could potentially result in a modified audit opinion if not addressed as a matter of urgency by the entity, or a control weakness which could cause or is causing a major disruption of the process or the entity's ability to achieve process objectives in relation to financial reporting and comply with relevant legislation. 	<p>Requires executive management to correct the misstatement in the financial report, or address the issue, as a matter of urgency to avoid a modified audit opinion.</p> <p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> a misstatement in the financial report that is not material and has occurred, or that may occur, the impact of which has the possibility to be material, or a control weakness that could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation. 	<p>Requires management intervention with a detailed action plan implemented within 3 to 6 months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> a misstatement in the financial report that is likely to occur but is not expected to be material, or a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation, or an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within 6 to 12 months.</p>

Source: VAGO.

APPENDIX G

Financial sustainability indicators

Figure G1 shows the financial indicators used to assess the financial sustainability risks of TAFE institutes. These indicators should be considered collectively and are more useful when assessed over time as part of a trend analysis.

Our analysis of financial sustainability risk in this report reflects on the position of each TAFE institute.

Refer to the data dashboard on our website (www.audit.vic.gov.au/report/results-2021-audits-TAFEs) for our individual TAFE financial sustainability data and analysis

FIGURE G1: **Financial sustainability indicators, formulas and descriptions**

Indicator	Formula	Description
Net result margin (%)	Net result/total revenue	<p>A positive result indicates a surplus, and the larger the percentage, the stronger the result.</p> <p>A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.</p> <p>The net result and total revenue are obtained from the comprehensive operating statement.</p>
Liquidity (ratio)	Current assets/current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means that there are more cash and liquid assets than short-term liabilities.</p>
Capital replacement (ratio)	Cash outflows for property, plant and equipment/depreciation	<p>This compares the rate of spending on property, plant and equipment with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciating rate.</p> <p>This is a long-term indicator because capital expenditure can be deferred in the short term if there are insufficient funds available from operations and borrowings is not an option. Cash outflows for infrastructure are taken from the cashflow statement. Depreciation is taken from the comprehensive operating statement.</p>
Internal financing (%)	Net operating cashflow/net capital expenditure	<p>This measures the ability of an entity to finance capital works from generated cashflow.</p> <p>The higher the percentage, the greater the ability for the entity to finance capital works from its own funds.</p> <p>Net operating cashflows and net capital expenditure are obtained from the cashflow statement.</p> <p>Note: The internal financing ratio cannot be less than zero. Where a calculation has produced a negative result, this has been rounded up to zero per cent.</p>

Source: VAGO.

Auditor-General's reports tabled during 2022–23

Report title

<i>Results of 2021 Audits: Technical and Further Education Institutes</i> (2022–23: 1)	July 2022
<i>Results of 2021 Audits: Universities</i> (2022–23: 2)	July 2022

All reports are available for download in PDF and HTML format on our website
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Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne Vic 3000
AUSTRALIA

Phone +61 3 8601 7000
Email enquiries@audit.vic.gov.au