

# Results of 2020 Audits: Technical and Further Education Institutes

June 2021

Victorian Auditor-General's Report  
2020–21:23

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# Results of 2020 Audits: Technical and Further Education Institutes

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# VAGO

Victorian Auditor-General's Office

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 2020 Audits: Technical and Further Education Institutes*.

Yours faithfully



Andrew Greaves  
*Auditor-General*

24 June 2021

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.



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# Report snapshot

The technical and further education (TAFE) sector faced financial pressure caused by the coronavirus (COVID-19) pandemic, and increased government support was needed to offset the impact of it. We issued clear audit opinions across the sector, which provides confidence in the reliability of financial and performance reports.

## Results of audits

We provided clear audit opinions across the sector, which means the financial and performance reports of TAFEs and their controlled entities are reliable and Parliament and the community can use them with confidence.

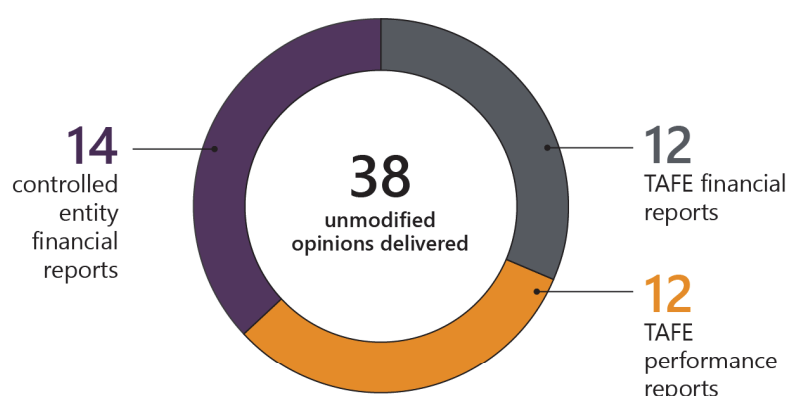
## Financial performance

Eight TAFEs received letters of comfort from the Department of Education and Training, which enables them to prepare their financial reports on a going-concern basis.

## Key audit matters

We continue to find weaknesses in information technology (IT) controls at some TAFEs. A number of prior-year IT issues also remain unresolved. These need to be addressed as a priority.

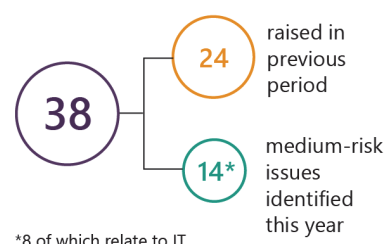
### Number of clear audit opinions 2020



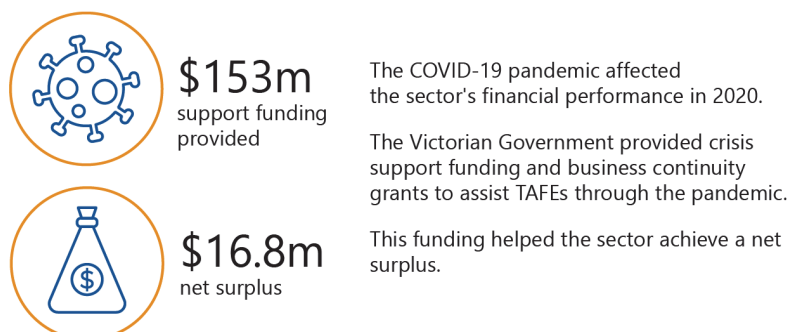
### Number and value of errors identified 2020



### New and unresolved prior-period issues 2020



### Financial sustainability 2020



## Recommendation

**We recommend that all technical and further education institutes:**

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1. prioritise and expedite resolution of prior-period internal control issues (see Section 2.4).
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## Submissions and comments received

We consulted with the Department of Education and Training (DET) and the entities named in this report, and we considered their views when reaching our conclusions.

As required by the *Audit Act 1994*, we gave a draft copy of this report to those agencies and asked for their submissions or comments. We also provided a copy of the report to the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF).

The following is a summary of agency responses. The full responses are included in Appendix A:

DET has noted our report and the key finding that the sector's financial and performance reports are reliable. It also supports our recommendation.

South West Institute of TAFE notes our report and has continued working towards addressing the unresolved high-risk issues noted.

# 1.

## Audit context

The Victorian TAFE sector consists of 12 TAFE institutes and their 14 controlled entities. Collectively, the 12 TAFE institutes operate 69 campuses across Victoria.

TAFE institutes are established and governed under the *Education and Training Reform Act 2006*. TAFEs are also public bodies under the *Financial Management Act 1994* (FMA).

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

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**This chapter provides background information about:**

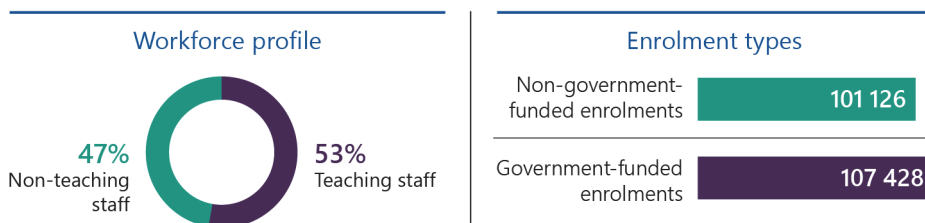
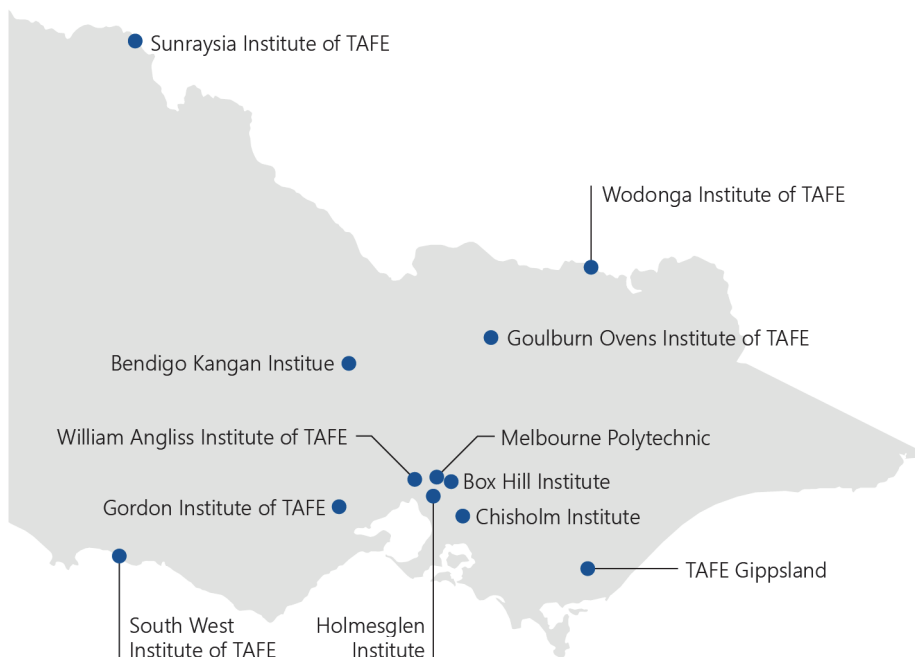
- The TAFE sector
  - The sector's legislative framework
  - Our audit approach
-



## 1.1 TAFE sector at a glance

The Victorian TAFE sector consists of 12 TAFE institutes and their 14 controlled entities. Collectively, the 12 TAFE institutes operate 69 campuses across Victoria. Figure 1A provides an overview of the TAFE sector in Victoria.

FIGURE 1A: The TAFE sector in 2020



Source: VAGO.

The TAFE sector delivers VET to equip students with practical and educational skills for a variety of careers and provide pathways to university courses.

In Victoria, private registered training organisations (RTO) also provide VET courses to students. Private RTOs are private-sector organisations and are not included in this report because we are not required to audit them under the *Education and Training Reform Act 2006* or the *Audit Act 1994*.

## Financial context

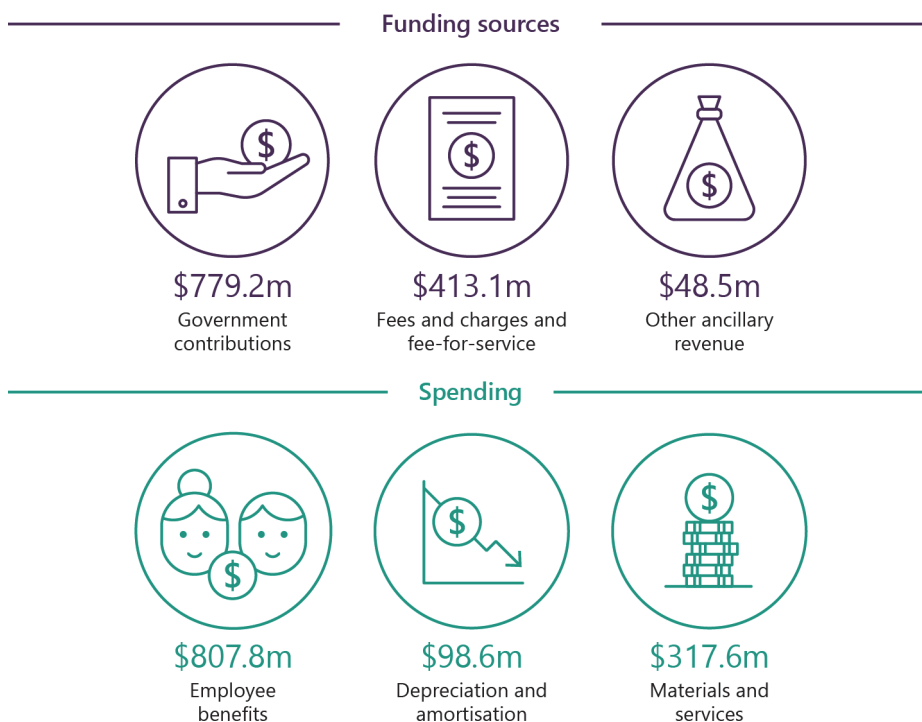
The main student revenue stream for TAFEs is from delivering training courses. The TAFE sector has two broad student revenue categories—revenue generated by government subsidies and revenue from full-fee paying students.

Government contributions to the TAFE sector consist of government subsidies, operating grants and capital grants. Government subsidies are funds that are provided by the Victorian Government to TAFEs for domestic students who are studying courses eligible for a government grant (also known as contestable funding). Operating grants are provided to TAFEs to help them meet day to day or other specific costs. Capital grants are provided for the construction of new buildings and also for the continued maintenance of existing buildings.

Full-fee paying students consist of private domestic students and international students. Private domestic students are students who are not entitled to a government subsidy and as such, may self-fund their course or choose to access a Commonwealth VET student loan. In this case, the Australian Government pays course fees to the TAFE and the student repays the Australian Government through the Australian taxation system when they earn above a minimum threshold.

Figure 1B shows the sources of funding received by TAFEs in 2020 and what they spent this on.

FIGURE 1B: **The TAFE sector's funding sources and spending in 2020**

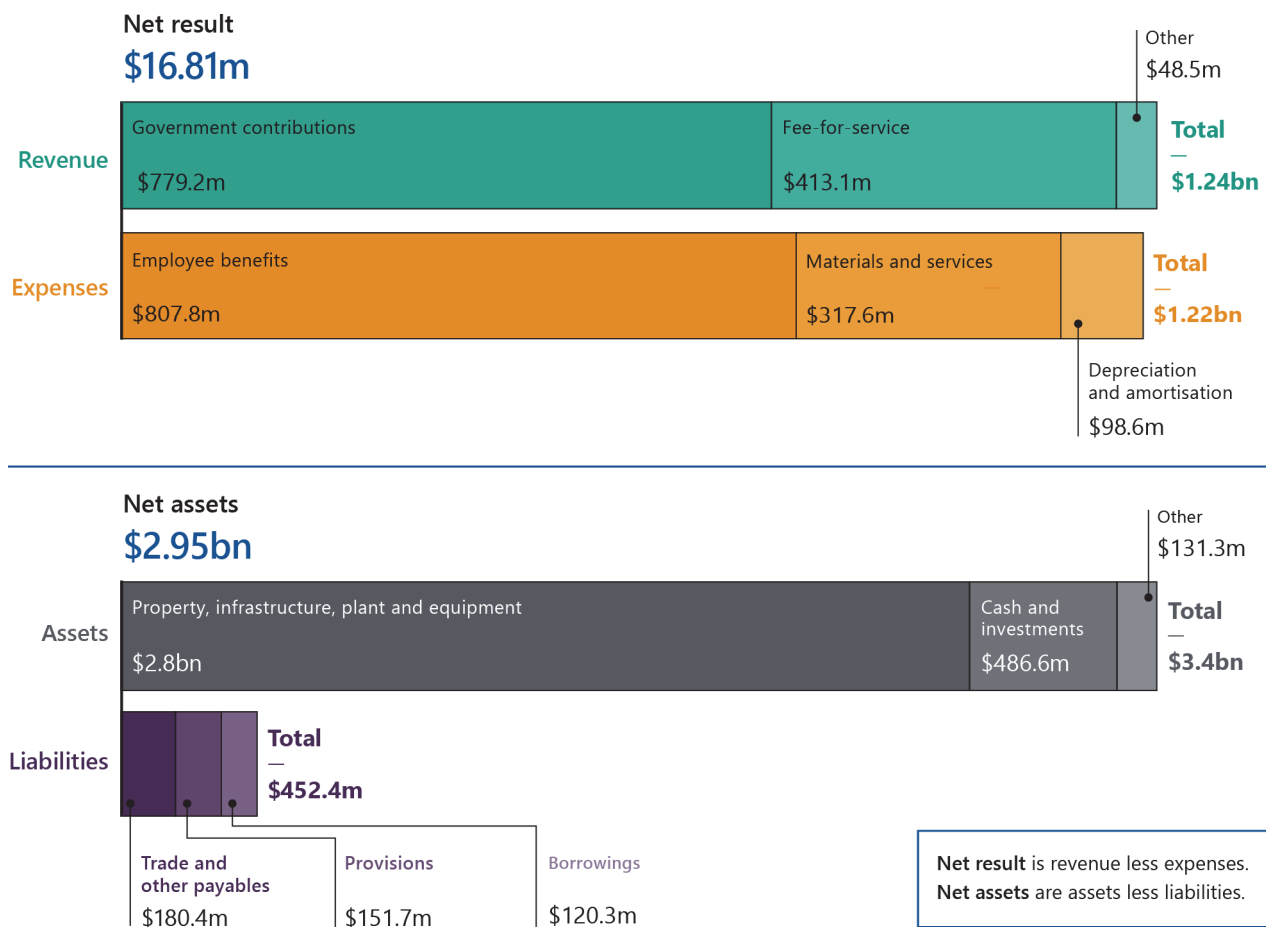


Note: Government contributions include \$464 million of contestable funding.

Source: VAGO.

Figure 1C summarises the sector's net financial performance and position for 2020.

FIGURE 1C: The TAFE sector's net financial performance and position for 2020



Source: VAGO.

## 1.2 Legislative framework

TAFE institutes are established and governed under the *Education and Training Reform Act 2006*. This Act:

- outlines the requirements for establishing a TAFE board and its governance responsibilities
- defines the functions and powers of TAFEs.

TAFEs aim to:

- perform functions for the public benefit
- facilitate student learning
- collaborate as part of a strong network of public training providers.

TAFEs are public bodies under the FMA. They are required to comply with the FMA and any general or specific direction given by the Assistant Treasurer. They are also subject to the *Public Administration Act 2004*, which provides a framework for

governance in the public sector. Each TAFE board is accountable to the Minister for Training and Skills and the Minister for Higher Education.

DET oversees the sector on behalf of the Minister for Training and Skills and the Minister for Higher Education. This includes overseeing the governance, breadth, depth and appropriateness of the training delivery provided by TAFEs. DET funds the delivery of this training through a subsidy for each training hour delivered.

## 1.3 Our audit approach

### Our method

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

- identify and assess the risks of material misstatement of the financial report (whether due to fraud or error)
- design and perform audit procedures responsive to those risks
- obtain an understanding of internal controls relevant to the audit to design audit procedures that are appropriate
- obtain audit evidence that is sufficient and appropriate to provide a basis for an opinion
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures
- conclude on the appropriateness of using the going-concern basis of accounting
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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**Going concern** means that an entity is expected to be able to pay its debts when they fall due and continue in operation without any intention or necessity to liquidate or otherwise cease operating.

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### Our independence

The Auditor-General is:

- an independent officer of the Parliament of Victoria
- appointed under legislation to examine, on behalf of Parliament and taxpayers, the management of resources within the public sector
- not subject to the control or direction of either Parliament or the government.

The Auditor-General and staff of VAGO are required to meet the ethical requirements of:

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

### Our costs

The cost of preparing this report and the supporting website dashboard was \$145 000, which is funded by parliamentary appropriation.

# 2.

## Results of audits

### Conclusion

We provided clear audit opinions for all financial reports and performance reports across the TAFE sector.

The financial and performance reports of the TAFE sector are reliable. Parliament and the community can use them with confidence.

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#### This chapter discusses:

- Audit opinions
  - Timeliness of reporting
  - Quality of financial and performance reports
  - Internal control observations
-

## 2.1 Audit opinions

A clear audit opinion adds credibility to a financial report and performance report by providing reasonable assurance that the reported information is reliable, accurate and complies with relevant legislation.

Figure 2A outlines the number of clear audit opinions we issued across the TAFE sector's 2020 financial reports and performance reports. As the figure indicates, the sector's financial and performance reports overall were accurate and reliable.

FIGURE 2A: **Number of clear audit opinions issued for 2020**



Source: VAGO.

### Financial reports

A financial report outlines an entity's financial performance and position. TAFEs and their controlled entities prepare their financial reports in compliance with the Australian Accounting Standards and applicable legislation. We issued clear audit opinions on the financial reports of all 12 TAFEs and their 14 controlled entities this year.

### Performance reports

Each year, TAFEs are required under a ministerial instruction to report against four mandatory key performance indicators (KPI) in their performance reports:

- training revenue diversity
- employment costs as a proportion of training revenue
- training revenue per teaching full-time equivalent (FTE)
- operating margin percentage.

They must establish targets, report on actual results for each KPI and disclose the prior year's results. Descriptions of the four KPIs and the formulas used to calculate them are provided in Appendix F. The appendix also includes a summary of the targets and actual results for each TAFE.

We issued clear audit opinions on the performance reports of all 12 TAFEs, which is consistent with the prior year. Our audit is limited to an opinion on whether the actual results reported are fairly presented and comply with the ministerial instruction. We do not express an opinion on the relevance or appropriateness of the reported performance indicators.



The two KPIs in TAFEs' performance reports that measure the efficiency and effectiveness of TAFE operations are analysed in Chapter 3.

## 2.2 Timelines of financial reports

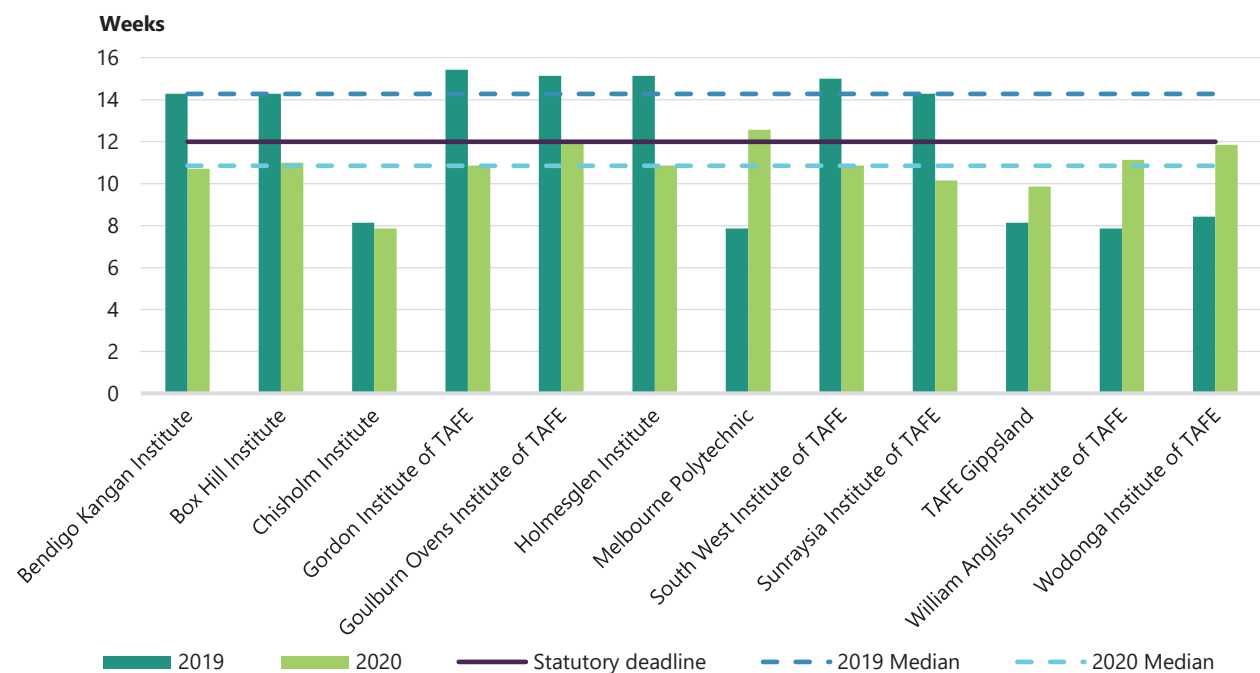
The sooner after year end that audited financial reports and performance reports are published, the more relevant and useful they are to their users. Under the FMA, TAFEs must certify their financial reports and performance reports within 12 weeks of the end of the financial year.

In 2020, TAFEs took a median of 10.8 weeks to certify their financial reports, compared to 14.2 weeks in 2019. Only Melbourne Polytechnic missed the FMA deadline.

For the 2019 reporting cycle, seven TAFEs (Bendigo Kangan Institute, Gordon Institute of TAFE, Goulburn Ovens Institute of TAFE, Holmesglen Institute, South West Institute of TAFE and Sunraysia Institute of TAFE) did not meet the FMA deadline. This was because of the evolving impact of the coronavirus (COVID-19) pandemic and the need for TAFEs to assess and disclose its impact as a subsequent event. These challenges were not present for the 2020 reporting cycle.

Figure 2B shows the time taken after year end for each TAFE to certify its financial report.

FIGURE 2B: **Timeliness of reporting by TAFEs**



Source: VAGO.

## 2.3 Quality of financial reporting

High-quality financial reports and performance reports reliably represent an entity's financial performance and position and should not contain material errors. The nature, frequency and size of any error affects a financial report or performance report's quality.

We communicate material errors that we identify in a draft financial report or performance report to the reporting entity. These errors must be corrected before we can issue a clear audit opinion.

We identified:

- five financial errors in the reports of three TAFEs totalling \$1.6 million
- 23 classification or disclosure errors at five TAFEs.

The value of the errors identified were not material.

This is an improvement from the 31 errors identified in 2019 and demonstrates the sector's continued focus on improving its quality assurance procedures for financial reporting processes.

We also identified three errors in draft performance reports. These errors were due to incorrect formulas being used to calculate the indicators.

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**Material errors** are significant misstatements or omissions of information in a financial report or performance report that may influence a user's decision-making.

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## 2.4 Internal controls over financial reporting

Effective internal controls help TAFEs to cost-effectively meet their objectives. Good financial reporting controls are also a prerequisite for delivering sound, accurate and timely financial reports.

In our financial audits, we consider the internal controls relevant to financial reporting and assess whether TAFEs have managed the risk that their reports will not be complete or accurate. Poor internal controls increase the risk of fraud or error and also increase audit risks and costs.

Overall, TAFEs' internal controls remain adequate for reliable financial reporting. We identified fewer new control issues in 2020 compared to 2019. However, we found instances where important control activities could be improved.

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**Internal controls** include an entity's:

- control environment
  - risk-assessment process
  - information systems
  - control activities
  - control monitoring.
- 

### New issues

We reported 14 medium-rated control issues in 2020, compared to six high and 42 medium-rated issues in 2019. Appendix D contains the risk rating definitions we use in our audit reporting to management and our expected timelines for issues to be resolved.

Figure 2C summarises the issues we identified this year categorised by rating and issue type.

FIGURE 2C: **Internal control issues identified at TAFEs during 2020 audits**

Issue area	High	Medium	Total
Information technology (IT) controls	–	8	8
Revenue/receivables	–	1	1
Expenditure/payables	–	2	2
Financial reporting	–	3	3
<b>Total</b>	–	<b>14</b>	<b>14</b>

*Note:* We reported 10 low-rated internal control issues in 2020. As these issues are minor and/or may present opportunities to improve existing processes, they have been excluded from this figure.

*Source:* VAGO.

Eight of the 14 medium-rated control issues we identified relate to IT weaknesses. While the number of new issues reported in 2020 is lower, control weaknesses over IT systems remains the key area that requires attention from management. These deficiencies were identified at Gordon Institute of TAFE, Goulburn Ovens Institute of TAFE and South West Institute of TAFE and make up 57 per cent of total medium-rated findings (compared to 66 per cent in 2019).

The issues involve:

- password settings and controls that do not align with industry better practice
- user-access management processes and procedures that require improvement
- weakness in change-management procedures.

Effective user-access management and authentication controls reduce the likelihood of unauthorised access to an entity's systems and underlying data and decrease the risk of fraud or errors.

As TAFEs depend on IT systems for some or all of their financial reporting, it is important that they rectify these issues to ensure accurate processing and availability of information and to safeguard the integrity of systems and information from unauthorised access or changes.

We also identified control breakdowns relating to revenue, expenditure and financial reporting that increases the risk of fraud or error, including:

- supplier masterfile changes being reviewed by personnel with the ability to make changes within the system
- balance sheet reconciliations not being reviewed
- staff with key finance system access rights being able to both approve and review journals.

## Unresolved prior-period issues

We monitor internal control issues raised in prior-year management letters to see if they have been resolved.

During 2020, the sector resolved 24 (50 per cent) of the 48 high and medium-rated internal control issues from prior years. Five unresolved high and 19 medium-rated issues remained at 31 December 2020 (compared to three medium-rated issues remaining at 31 December 2019). Two thirds of these unresolved issues relate to IT controls.

Collectively, three TAFEs are responsible for the five unresolved high-rated issues (Goulburn Ovens Institute of TAFE, South West Institute of TAFE and Sunraysia Institute of TAFE) and seven of the unresolved medium-rated issues.

While these TAFEs have started remediation work, they need to respond to the issues reported in our management letters more promptly to strengthen the effectiveness of their internal control environments.

Figure 2D summarises the status of the unresolved high-risk issues.

FIGURE 2D: **Unresolved high-risk issues from prior years**

TAFE	Year raised	Status and description of issue
Goulburn Ovens Institute of TAFE	2019	Control deficiencies were identified in managing user access. The TAFE has implemented a user-access procedure to reflect the process for performing a user-access review. However, a review of user access has not been performed to validate the appropriateness of access assigned to users for each system.
South West Institute of TAFE	2019	The TAFE undertook an internal audit of its network and internal general controls. Many of the recommendations that impact change management, logical security, security administration and computer operations remain outstanding.
Sunraysia Institute of TAFE	2019	Control weaknesses were identified with regards to change management and user access. The TAFE has updated its change-management procedure. However, the change-management policy remains out of date. Furthermore, there is no formal change register.
	2019	Control deficiencies were identified in managing user access. The TAFE has not yet established a formal policy and procedure for reviewing user access and assigning roles. An internal audit of IT system users was conducted during the year and the recommendations from this review are being addressed.
	2019	Documented requirements and procedures relating to information security incident management are not enforced. The TAFE has an active project in progress to address the issues.

Source: VAGO.

# 3.

## Financial results and performance

### Conclusion

In 2020, the sector generated \$1.24 billion of revenue (compared to \$1.21 billion in 2019) and outlaid \$1.22 billion (compared to \$1.22 billion in 2019) to produce a net surplus of \$16.8 million (compared to a \$43.8 million deficit in 2019).

The COVID-19 pandemic affected the sector's financial performance in 2020. Increased government support was required to help TAFEs manage the impacts of COVID-19 during the year.

The sector is financially sustainable in the short term based on its historical performance and reserves.

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#### This chapter discusses:

- The sector's financial performance and position
  - Key performance targets measured by TAFEs
  - Going concern
  - Skills for Victoria's Growing Economy review
-

### 3.1 Financial performance

In 2020, the sector generated a net surplus of \$16.8 million, which is an improvement from the prior year when the sector generated a deficit of \$43.8 million. Of the 12 TAFEs, six generated a net surplus, compared to four in 2019.

To interpret this year's results, it is important to first understand the impact of COVID-19 on the sector.

As the pandemic evolved, TAFEs faced changes to their daily operations. Face-to-face learning was largely suspended—many courses transitioned to online learning and staff worked remotely where possible. Where courses were unable to be transitioned, reduced class sizes were required. The above measures resulted in:

- delays in some students being able to complete their courses
- difficulties for students to obtain practical placement positions as part of their studies
- reduction in enrolments and training revenue (as reported by TAFEs)
- student withdrawals.

Each TAFE made adequate disclosures in their financial reports regarding the impacts of COVID-19. These disclosures included operational impacts along with the impact on the financial performance and position of the entity. Common disclosures included:

- transfer to remote learning and restrictions on campus attendance
- enactment of business continuity plans and scenario planning for finances and training delivery
- reduction in enrolments and training revenue
- the Victorian Government providing crisis and business continuity funding
- increased expenditure relating to additional teachers required due to smaller class sizes
- increased security, cleaning costs and purchases of protective equipment
- increased course development costs due to the transition to remote learning
- less annual and long-service leave being taken by staff
- estimation uncertainty relating to the fair value of property, plant and equipment.

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**Fair value** is the price that would be received if an asset was sold or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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#### Revenue

In 2020, the sector's revenue increased by \$34.5 million to \$1 240.8 million (or 2.9 per cent).

The 12 TAFEs received \$463.7 million from the Victorian Government in contestable funding in 2020, which is \$45.0 million more than 2019.

The COVID-19 pandemic resulted in a decrease in student contact hours and reductions in training delivery by TAFEs. To assist the sector, the government adjusted funding arrangements during the year. From April to December 2020, each TAFE received minimum monthly payments for government-funded training activity. If the minimum training activity was not achieved, business continuity grant payments funded the shortfall.



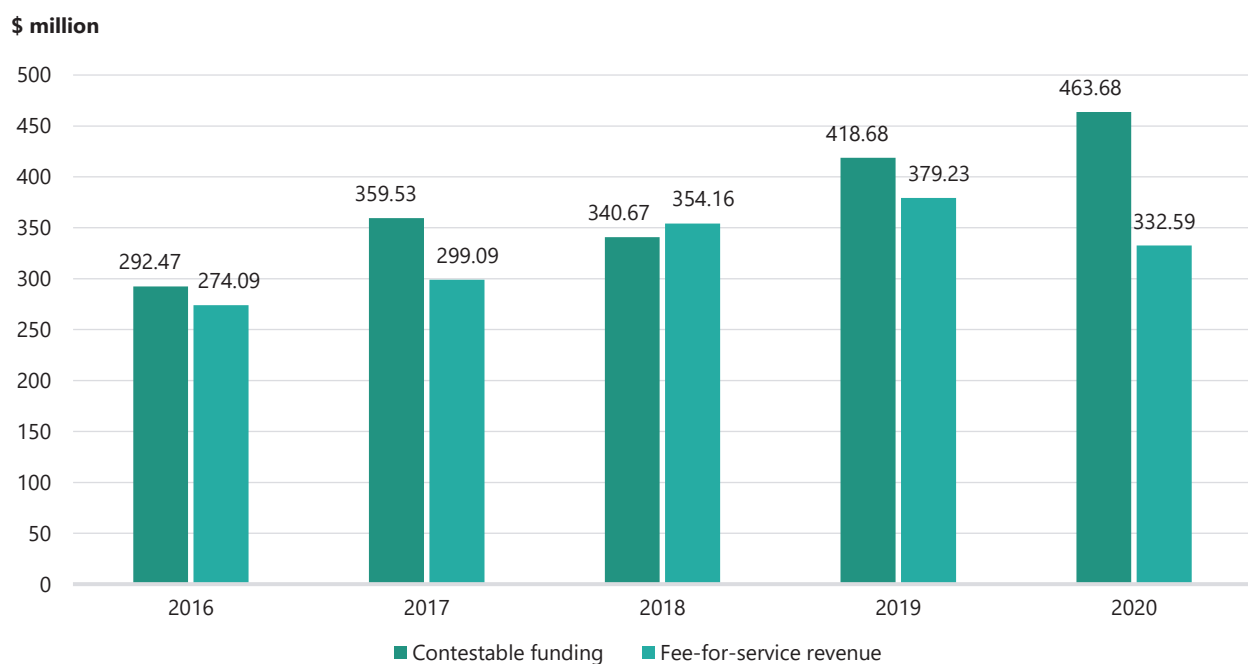
These business continuity grant payments were provided to TAFEs to support them to retain staff, transition to online and remote learning and maintain government funding at pre-pandemic levels.

The government also provided \$260.3 million in operating grants to the sector, which is \$41.8 million more than last year. The increase in operating grants is attributed to COVID-19 crisis funding received that was provided to assist TAFEs with their immediate responses to the pandemic.

Fee-for-service revenue decreased by \$46.6 million (12 per cent) during 2020 from \$379.2 million in 2019. This is a direct result of the COVID-19 pandemic, which reduced TAFEs' ability to deliver training and led to a decrease in enrolments during the year.

In prior years, TAFEs worked hard to diversify their revenue streams as much as possible, with the intention of relying less on government funding. Due to the COVID-19 pandemic, which placed restrictions on student attendance numbers and class sizes, TAFEs were less able to deliver fee-for-service courses and therefore relied on more government support to sustain their operations during 2020. Figure 3A shows how the trend towards increasing fee-for-service revenue reversed in 2020.

FIGURE 3A: **Contestable funding and fee-for-service revenue for the years ended 31 December 2016 to 2020**

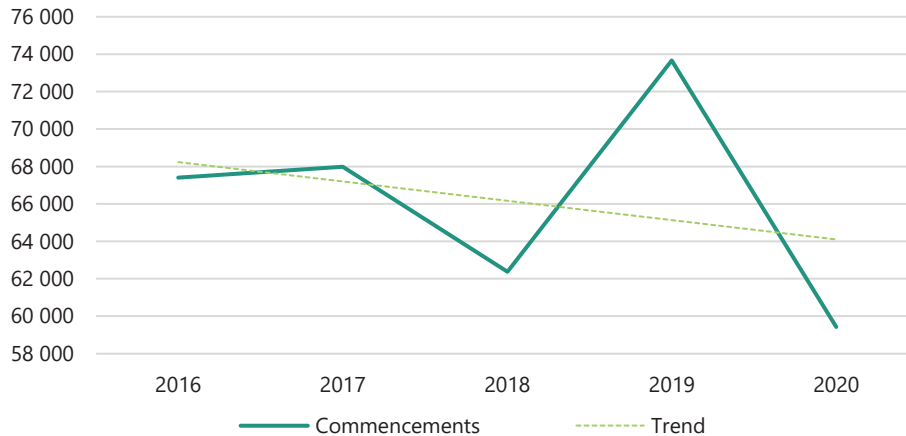


Source: VAGO.

Figure 3B shows the number of government-funded commencements across the 12 TAFEs for 2016 to 2020.

**FIGURE 3B: Government-funded commencements across the 12 TAFEs for the years ended 31 December 2016 to 2020**

**Number of new commencements**



Source: VAGO.

From 2016 to 2017, government-funded commencements remained steady, with a decrease in 2018. The decline in 2018 was due to students deferring enrolment, so they could access Free TAFE, which started in 2019 and led to a sharp increase in commencements. Government-funded commencements rapidly declined in 2020 due to the restrictions imposed on TAFEs for in-person course delivery as a result of the COVID-19 pandemic.

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

## Financial performance indicator

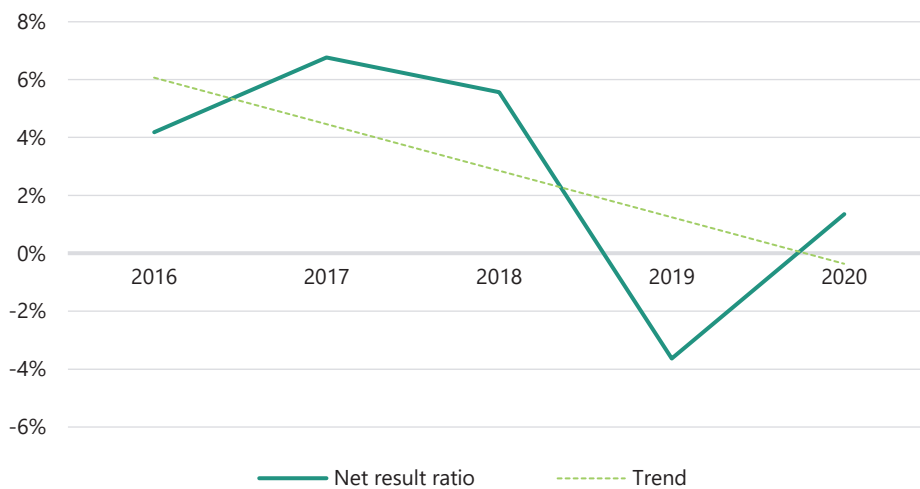
We have assessed the sector's short-term financial sustainability against the net results ratio, which is a key financial performance indicator, over the past five years.

For this indicator, a positive net result ratio indicates a surplus. The larger the surplus, the stronger the net result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.

Figure 3C shows the TAFE sector net result ratio for 2016 to 2020.

The **net result ratio** is calculated by dividing the sector's net result by its total revenue.

**FIGURE 3C: The TAFE sector's net result ratio for the years ended 31 December 2016 to 2020**



Source: VAGO.

The ratio has trended down over the last five years, which indicates declining financial performance by TAFEs over the period. This has mainly been driven by increasing expenditure levels for the sector, which was not matched with a corresponding increase in revenue. The improvement in 2020 is partly attributable to the support funding provided to the TAFE sector by the Victorian Government.

## Expenditure

The sector's expenditure decreased by \$26.2 million to \$1.224 billion in 2020.

Employee expenditure continues to be the most significant cost to the sector. The sector incurred \$807.8 million in employee expenses, which is an increase of \$29.5 million (or 3.8 per cent) on the prior year.

Overall, employee expenditure accounts for 66 per cent of total expenditure. The Victorian Government supported TAFEs to retain their staff numbers at pre-pandemic levels in accordance with government requirements. As government entities, TAFEs were not eligible for Australian Government assistance mechanisms (such as JobKeeper Payments). Therefore, TAFEs were constrained during the pandemic in relation to controlling these costs.

Activities within the TAFE sector's control that helped contain employee expenditure were limited to activities such as recruitment freezes, not renewing fixed-term contracts and not engaging casual staff. The sector implemented cost-saving measures for its discretionary expenditure, which reduced expenditure from \$379.2 million to \$317.6 million. These costs represented reductions in day-to-day operating costs for items such as supplies and services, contract payments, fees and charges and third-party training providers.

## Key performance indicators reported by TAFEs

TAFEs measure and report on their efficiency and effectiveness through two KPIs included in their audited performance reports:

- employment costs as a percentage of training revenue
- training revenue per FTE training member.

Each TAFE board sets its own targets for these measures before the start of the year. The higher that employment costs and teaching FTEs are relative to training revenue, the less efficient and effective the operations of TAFEs become, as the cost of delivering training is increasing.

Most TAFEs did not achieve their set targets for 2020. This was in part due to the COVID-19 pandemic, which resulted in declining training revenue without a corresponding decrease in employee expenses, as TAFEs were required to maintain staff numbers at pre-pandemic levels.

With the impact of the COVID-19 pandemic likely to continue into 2021, it will be important for TAFEs to initiate either cost-saving measures or revenue growth strategies to remain financially sustainable into the future.

Figure 3D shows the results of these two measures against the targets for each TAFE.

FIGURE 3D: **Target and actual 2020 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	90.8%	83.8%	\$300 638	\$296 979
Box Hill Institute	82.8%	96.9%	\$224 800	\$212 700
Chisholm Institute	79.7%	77.8%	\$213 010	\$226 883
Gordon Institute of TAFE	108.1%	117.4%	\$173 445	\$156 059
Goulburn Ovens Institute of TAFE	111.7%	125.5%	\$198 453	\$162 382
Holmesglen Institute	<80%	89.4%	>\$195 000	\$203 225
Melbourne Polytechnic	91.6%	93.6%	\$280 000	\$206 000
South West Institute of TAFE	120.0%	122.0%	\$150 000	\$173 963
Sunraysia Institute of TAFE	123.6%	118.0%	\$147 157	\$171 259
TAFE Gippsland	102.0%	114.0%	\$196 110	\$172 915
William Angliss Institute of TAFE	<73%	92.0%	>\$234 000	\$211 988
Wodonga Institute of TAFE	101.1%	97.6%	\$155 929	\$184 535

Note: Green actual result = target achieved; red actual result = target not achieved.

Source: VAGO.

## 3.2 Financial position

As at 31 December 2020, the sector's total assets increased by \$8.2 million (or 0.2 per cent) to \$3.407 billion, and total liabilities increased by \$3.9 million (or 0.9 per cent) to \$452.4 million compared to the prior year.

Despite the COVID-19 pandemic, the net asset position of the sector is still strong. This reflects its large portfolio of land, buildings and equipment, which TAFEs use to deliver their services.

However, these are illiquid assets, and cannot be relied upon if a TAFE requires cash to meet its 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. Figure 3E shows the sector's average liquidity ratio for 2016 to 2020.

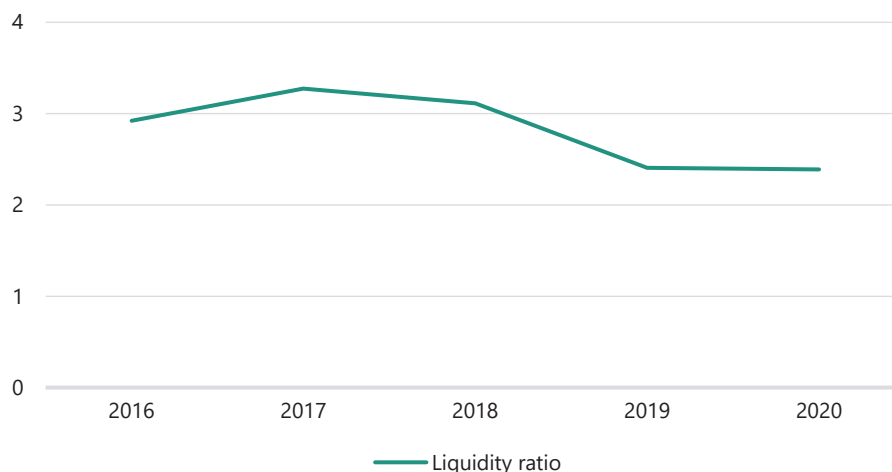
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The liquidity ratio is calculated by dividing an entity's current assets by its current liabilities.

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**FIGURE 3E: The TAFE sector's average liquidity ratio for the years ended 31 December 2016 to 2020**



Source: VAGO.

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The liquidity ratio of the sector remains well above 1. This means that there were no immediate concerns at balance date about the sector meeting its short-term financial obligations as they become due. This is partly attributable to the continued financial support the government provided to TAFEs during 2020.

## 3.3 Going concern

Financial reports are prepared on a going-concern basis. This assumes that an entity is able to continue operating unless its management intends to either liquidate the entity, cease operating, or has no realistic alternative but to do so.

Due to the government restrictions relating to COVID-19, management at each TAFE continue to assess whether these events or conditions cast significant doubt on their

TAFE's ability to continue as a going concern. Throughout 2020, TAFE management prepared financial forecasts using several different scenarios given the level of uncertainty the pandemic presented.

To mitigate the risk of TAFEs being unable to pay their debts when they fall due, DET issued letters of comfort to TAFEs that require it. Letters of comfort are an undertaking that DET will provide adequate cashflow to those TAFEs, should the need arise, until April 2022. This enabled the following eight TAFEs to prepare their financial reports on a going-concern basis:

- Bendigo Kangan Institute
- Box Hill Institute
- Goulburn Ovens Institute of TAFE
- Melbourne Polytechnic
- South West Institute of TAFE
- Sunraysia Institute of TAFE
- TAFE Gippsland
- Williams Angliss Institute of TAFE.

### 3.4 Skills for Victoria's Growing Economy review

In 2019, the government commissioned the Skills for Victoria's Growing Economy review. This review focused on developing a post-secondary education and training system that meets the needs of the economy, students and community.

The review identified that there are significant funding issues that need to be addressed to provide stability to the VET system. Issues identified in the review include the following:

- TAFE funding needs to be sufficient to meet the costs associated with TAFEs' unique public role, which includes workforce arrangements, public asset maintenance requirements and public sector compliance requirements. These matters and associated costs are not applicable to private RTOs.
- TAFE subsidies have remained constant since 2017 and there is no annual indexation of subsidies or regular review of rates to ensure they reflect the real cost of training delivery.
- Students are being charged different fees for the same course depending on which TAFE institute they attend.

This review included recommendations designed to ensure the sustainability of the TAFE sector. These included:

- developing a new VET funding model
- considering the establishment of shared corporate services across the TAFE sector.

In direct response to the review, the recent 2021–22 State Budget announced the establishment of the Victorian Skills Authority and the Office of TAFE Coordination and Delivery (a business unit within DET), which will aim to promote collaboration and sharing of services in the sector and provide better training and employment outcomes for students.



## Funding model

Under the current funding model, each TAFE course is allocated a funding rate per student contact hour. The government then provides this funding to each TAFE for every student contact training hour they deliver.

The review identified that the current subsidies do not cover the true cost of delivering training and that a new model for financing the VET system should be developed. The review recommended that a new funding model be indexed annually, reviewed every three years and recognise the basis of cost differentials between public and private providers.

The review also recommended that student payments for VET courses become more standardised. This would involve placing a cap on fees to prevent providers maximising profits and including a pricing 'floor' to prevent providers from undercutting fees.

The *Heads of Agreement for Skills Reform* was signed in August 2020 by the Australian and state governments which is a step towards negotiating a new national skills agreement. A key priority of the proposed agreement is creating a new funding model for the TAFE sector that will provide more consistency in the prices students are charged. The expected time frame for the new pricing structure to be implemented for all VET qualifications is 1 July 2022.

## APPENDIX A

# Submissions and comments

We have consulted with the DET and we considered its 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 DET and asked for its submissions and comments.

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

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### Responses were received as follows:

DET .....	24
South West Institute of TAFE.....	25

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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

BRI2178359

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

[TAFESnapshot21@audit.vic.gov.au](mailto:TAFESnapshot21@audit.vic.gov.au)

Dear Auditor-General

Thank you for your letter of 10 June 2021 inviting the Department of Education and Training (the Department) to provide submissions or comments on the proposed audit report *Results of 2020 Audits: Technical & Further Education Institutes* (the Report).

The Department welcomes the Report, which recognises the significant investment in the sector by the Victorian Government. 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. The Department will support TAFEs to implement appropriate actions.

If your team would like to discuss this matter further, please contact Ms Susan Thomas, A/Executive Director, TAFE and Tertiary Institutions, Department of Education and Training, on (03) 7022 0304 or by email: [Susan.Thomas@education.vic.gov.au](mailto:Susan.Thomas@education.vic.gov.au).

Your sincerely



Jenny Atta  
Secretary  
16 / 06 / 2021

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.





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email: [mark.fidge@swtafe.edu.au](mailto:mark.fidge@swtafe.edu.au)

18 June 2021

Ms Charlotte Jeffries  
Sector Director, Education  
Victorian Auditor General's Office  
Level 31, 35 Collins Street  
MELBOURNE VIC 3000  
By email: [TAFESnapshot21@audit.vic.gov.au](mailto:TAFESnapshot21@audit.vic.gov.au)

Dear Charlotte,

**Results of 2020 Audits: Technical & Further Education Institutes**

I refer to your email dated 10 June 2021 in relation to the proposed report on the Results of 2020 Audits: Technical & Further Education Institutes and the opportunity for SWTAFE to provide a response where relevant.

SWTAFE wish to provide a response in relation to section 2.4 *Internal controls over financial reporting*, specifically the noted unresolved high-risk issues from the prior year in *figure 2D* for SWTAFE.

**2019 Unresolved high-risk issues from prior years**

SWTAFE have continued to work towards addressing the outstanding IT general controls findings and have recently invested in and undertaken a Core & Edge Networking Upgrade across the organisation to address these key findings. This was a significant piece of work for the organisation and required substantial investment of \$839,973.59 resulting in several key IT related risks being mitigated.

SWTAFE continues to identify continual improvement opportunities with its IT general controls to ensure we are providing a secure environment for our information.

If you have any questions please do not hesitate to contact me on 5564 8903.



Mark Fidge  
CEO

ent Template (Header) SWTAFE

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Our values	Integrity & Impartiality	Respect & Human Rights	Leadership	Accountability	Responsiveness
© South West Institute of TAFE RTO ID: 3120					
Version: 1					
Last Edited: 8/12/2020					
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rolled once printed. The most recent version of this document is located on SWTAFE's intranet or your Office templates					
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## APPENDIX B

# Acronyms and abbreviations

### Acronyms

DET	Department of Education and Training
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
EBIT	earnings before interest and taxes
FMA	<i>Financial Management Act 1994</i>
FTE	full-time equivalent
IT	information technology
KPI	key performance indicator
RTO	registered training organisation
TAFE	technical and further education
VAGO	Victorian Auditor-General's Office
VET	vocational education and training

### Abbreviations

COVID-19	coronavirus
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# APPENDIX C

## Audit opinions

Figure C1 lists the entities included in this report. It details the type of audit opinion for their 2020 financial reports and performance reports and the date we issued them to each entity.

FIGURE C1: **Audit opinions issued for the TAFE sector for the year ended 31 December 2020**

Entity	<i>Financial report</i>		<i>Performance report</i>	
	Clear audit opinion issued	Audit opinion signed date	Clear audit opinion issued	Audit opinion signed date
<b>Bendigo Kangan Institute</b>	✓	21 Mar 21	✓	21 Mar 21
<b>Box Hill Institute</b>	✓	1 Apr 21	✓	1 Apr 21
Box Hill Enterprises Ltd	✓	31 Mar 21	N/A	N/A
<b>Chisholm Institute</b>	✓	10 Mar 21	✓	10 Mar 21
Caroline Chisholm Education Foundation	✓	10 Mar 21	N/A	N/A
TAFE Online Pty Ltd	✓	10 Mar 21	N/A	N/A
<b>Gordon Institute of TAFE</b>	✓	20 Mar 21	✓	20 Mar 21
Gotech Limited	✓	20 Mar 21	N/A	N/A
<b>Goulburn Ovens Institute of TAFE</b>	✓	26 Mar 21	✓	26 Mar 21
<b>Holmesglen Institute</b>	✓	26 Mar 21	✓	26 Mar 21
Glenuc Pty Ltd	✓	21 Mar 21	N/A	N/A
Holmesglen Foundation	✓	26 Mar 21	N/A	N/A
Holmesglen International Training Services Pty Ltd	✓	21 Mar 21	N/A	N/A
<b>Melbourne Polytechnic</b>	✓	12 Apr 21	✓	12 Apr 21
<b>South West Institute of TAFE</b>	✓	26 Mar 21	✓	26 Mar 21
<b>Sunraysia Institute of TAFE</b>	✓	19 Mar 21	✓	19 Mar 21



Entity	Financial report		Performance report	
	Clear audit opinion issued	Audit opinion signed date	Clear audit opinion issued	Audit opinion signed date
TAFE Kids Inc	✓	18 Mar 21	N/A	N/A
<b>TAFE Gippsland</b>	✓	20 Mar 21	✓	20 Mar 21
<b>William Angliss Institute of TAFE</b>	✓	30 Mar 21	✓	30 Mar 21
Angliss Consulting Pty Ltd	✓	30 Mar 21	N/A	N/A
Angliss Multimedia Pty Ltd	✓	30 Mar 21	N/A	N/A
Angliss (Shanghai) Education Technology Co Ltd	✓	12 Apr 21	N/A	N/A
Angliss Solutions Pty Ltd	✓	30 Mar 21	N/A	N/A
William Angliss Institute Foundation	✓	30 Mar 21	N/A	N/A
William Angliss Institute Pte Ltd	✓	27 May 21	N/A	N/A
<b>Wodonga Institute of TAFE</b>	✓	8 Apr 21	✓	8 Apr 21

Note: N/A = not applicable.

Source: VAGO.

## APPENDIX D

# Control issues risk ratings

Figure D1 shows the risk ratings we applied to the issues raised in our audit management letters. It also details what they represent and the expected timeline for the issue to be resolved.

FIGURE D1: Risk rating definitions

Rating	Definition	Management action required
<b>High</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>a <b>material misstatement</b> 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</li> <li>a control weakness which could cause or is causing a <b>major</b> disruption of the process or the entity's ability to achieve process objectives in relation to financial reporting and comply with relevant legislation.</li> </ul>	<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>
<b>Medium</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>a misstatement in the financial report that is not material and has occurred, or that may occur, which has the possibility to have a material impact, or</li> <li>a control weakness that could have or is having a <b>moderate</b> adverse effect on the entity's ability to achieve process objectives and comply with relevant legislation.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
<b>Low</b>	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>a misstatement in the financial report that is likely to occur but is not expected to be material, or</li> <li>a <b>minor</b> control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation, or</li> <li>an opportunity to improve an existing process or internal control.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>

Source: VAGO.

## APPENDIX E

# Financial sustainability indicators

Figure E1 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.

FIGURE E1: **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>A surplus or increasing surplus suggests an improvement in the operating position.</p>
Capital replacement (ratio)	Cash outflows for property, plant and equipment/depreciation	<p>Comparison of the rate of spending on infrastructure 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>

Indicator	Formula	Description
		Note: The internal financing ratio cannot be less than 0. Where a calculation has provided a negative result, this has been rounded up to 0%.

Source: VAGO.

## Financial sustainability risk assessment criteria

We assessed the financial sustainability risk of each TAFE using the criteria outlined in Figure E2.

FIGURE E2: **Financial sustainability risk indicators-risk assessment criteria**

Risk	Net result margin	Liquidity	Capital replacement	Internal financing
<b>High</b>	–10% or less Insufficient revenue is being generated to fund operations and asset renewal.	Less than 0.75 Immediate sustainability issues with insufficient current assets to cover liabilities	Less than 1.0 Spending on capital works has not kept pace with consumption of assets.	Less than 10% Limited cash generated from operations to fund new assets and asset renewal.
<b>Medium</b>	–10%–0% A risk of long-term run down of cash reserves and inability to fund asset renewals.	0.75–1.0 Need for caution with cashflow, as issues could arise with meeting obligations as they fall due.	1.0–1.5 May indicate spending on asset renewal is insufficient.	10–35% May not be generating sufficient cashflow from operations to fund new assets.
<b>Low</b>	More than 0% Generating surpluses consistently.	More than 1.0 No immediate issues with repaying short-term liabilities as they fall due.	More than 1.5 Low risk of insufficient spending on asset renewal.	More than 35% Generating enough cash from operations to fund new assets.

Source: VAGO.

## Financial sustainability risk analysis results

Figures E3 to E6 show the financial sustainability risk indicators for each consolidated TAFE institute from 2016 to 2020, the annual sector average and the five-year average for each TAFE institute.

FIGURE E3: **Net result margin (percentage)**

TAFE institute	2016	2017	2018	2019	2020	Average
Bendigo Kangan Institute	2.71%	4.87%	1.35%	–5.22%	17.52%	4.25%
Box Hill Institute	2.11%	1.37%	7.71%	–5.26%	1.31%	1.45%
Chisholm Institute	9.53%	20.05%	14.51%	0.52%	5.38%	10.00%
Gordon Institute of TAFE	1.61%	4.28%	1.51%	–10.70%	–17.61%	–4.18%
Goulburn Ovens Institute of TAFE	2.05%	4.17%	–0.31%	–19.64%	–20.13%	–6.77%

TAFE institute	2016	2017	2018	2019	2020	Average
Holmesglen Institute	10.39%	15.25%	1.51%	6.17%	-0.79%	6.51%
Melbourne Polytechnic	-1.84%	0.09%	5.33%	-5.90%	2.22%	-0.02%
South West Institute of TAFE	0.38%	1.61%	10.92%	-14.77%	-22.70%	-4.91%
Sunraysia Institute of TAFE	1.15%	2.59%	12.74%	5.89%	-13.74%	1.73%
TAFE Gippsland	2.56%	0.64%	1.6%	-5.28%	2.04%	0.31%
William Angliss Institute of TAFE	9.09%	1.59%	0.60%	-7.86%	-1.70%	0.34%
Wodonga Institute of TAFE	0.25%	2.09%	8.44%	0.08%	0.56%	2.28%
<b>Sector average</b>	<b>3.33%</b>	<b>4.88%</b>	<b>5.49%</b>	<b>-5.16%</b>	<b>-3.97%</b>	<b>0.92%</b>

Source: VAGO.

FIGURE E4: **Liquidity (ratio)**

TAFE institute	2016	2017	2018	2019	2020	Average
Bendigo Kangan Institute	3.03	2.48	2.58	1.63	1.70	2.28
Box Hill Institute	1.50	1.40	1.93	1.32	1.54	1.54
Chisholm Institute	4.55	5.60	2.76	1.87	2.14	3.38
Gordon Institute of TAFE	5.77	4.98	4.07	2.83	1.85	3.90
Goulburn Ovens Institute of TAFE	3.90	3.33	3.31	2.34	1.36	2.85
Holmesglen Institute	2.54	2.79	2.28	2.12	2.13	2.37
Melbourne Polytechnic	1.19	1.13	1.08	0.72	0.92	1.01
South West Institute of TAFE	2.21	2.48	2.79	1.93	1.33	2.15
Sunraysia Institute of TAFE	1.86	2.22	3.09	2.88	2.54	2.52
TAFE Gippsland	2.53	6.38	7.19	3.95	3.86	4.78
William Angliss Institute of TAFE	1.89	1.92	1.70	1.74	1.85	1.82
Wodonga Institute of TAFE	4.06	4.57	4.55	5.55	7.43	5.23
<b>Sector average</b>	<b>2.92</b>	<b>3.27</b>	<b>3.11</b>	<b>2.41</b>	<b>2.39</b>	<b>2.82</b>

Note: 2019 ratios have been revised for some TAFEs where there has been a reclassification in asset/liability figures.

Source: VAGO.

FIGURE E5: **Capital replacement (ratio)**

TAFE institute	2016	2017	2018	2019	2020	Average
Bendigo Kangan Institute	0.53	1.76	1.26	1.00	3.03	1.52
Box Hill Institute	5.10	2.30	2.11	0.39	0.79	2.14
Chisholm Institute	0.98	2.06	9.06	2.45	0.71	3.05
Gordon Institute of TAFE	0.96	1.82	3.69	1.43	0.70	1.72
Goulburn Ovens Institute of TAFE	0.33	1.22	0.36	1.40	1.41	0.94

TAFE institute	2016	2017	2018	2019	2020	Average
Holmesglen Institute	0.79	1.21	3.26	0.72	0.77	1.35
Melbourne Polytechnic	1.12	1.43	2.38	0.49	0.33	1.15
South West Institute of TAFE	1.76	0.48	0.47	1.08	0.19	0.80
Sunraysia Institute of TAFE	2.50	0.52	0.59	1.40	0.88	1.18
TAFE Gippsland	0.28	0.71	1.27	2.23	3.23	1.54
William Angliss Institute of TAFE	2.06	0.78	1.59	0.17	0.28	0.97
Wodonga Institute of TAFE	0.34	0.29	0.50	1.00	0.78	0.58
<b>Sector average</b>	<b>1.40</b>	<b>1.21</b>	<b>2.21</b>	<b>1.15</b>	<b>1.09</b>	<b>1.41</b>

Source: VAGO.

FIGURE E6: Internal financing (percentage)

TAFE institute	2016	2017	2018	2019	2020	Average
Bendigo Kangan Institute	166%	89%	105%	251%	116%	145%
Box Hill Institute	25%	61%	325%	105%	135%	130%
Chisholm Institute	362%	216%	53%	80%	262%	195%
Gordon Institute of TAFE	238%	123%	40%	9%	140%	110%
Goulburn Ovens Institute of TAFE	444%	152%	694%	0%	0%	258%
Holmesglen Institute	404%	129%	49%	183%	167%	186%
Melbourne Polytechnic	64%	123%	110%	0%	391%	138%
South West Institute of TAFE	80%	614%	542%	0%	0%	247%
Sunraysia Institute of TAFE	60%	347%	626%	201%	0%	247%
TAFE Gippsland	783%	351%	141%	90%	32%	279%
William Angliss Institute of TAFE	142%	237%	14%	696%	380%	294%
Wodonga Institute of TAFE	1 471%	165%	548%	87%	442%	543%
<b>Sector average</b>	<b>353%</b>	<b>217%</b>	<b>271%</b>	<b>142%</b>	<b>172%</b>	<b>231%</b>

Source: VAGO.

## APPENDIX F

# Mandatory performance indicators

Figure F1 shows the performance report indicators, description and methodology. Figures F2 to F13 show each TAFE institute's reported performance against the four indicators for 2018 to 2020.

FIGURE F1: **Performance report indicators, description and methodology**

Indicator	Description and methodology
Training revenue diversity	Breakdown of training revenue by: <ul style="list-style-type: none"> <li>• government funded</li> <li>• fee-for-service</li> <li>• student fees and charges</li> </ul>
Employment costs as a proportion of training revenue	(Employment costs minus workforce reduction expenses plus third-party training delivery costs)/training revenue
Training revenue per teaching FTE	Training revenue (excluding revenue delivered by third parties) per teaching FTE
Operating margin percentage	EBIT* (excluding capital contributions)/total revenue (excluding capital contributions)

Note: \*EBIT = earnings before interest and taxes.

Source: VAGO.

FIGURE F2: **Bendigo Kangan Institute**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	44.2%	50.3%	45.9%	46.7%	44.9%	44.3%
• Fee-for-service	49.0%	42.3%	45.2%	44.1%	41.7%	46.4%

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
• Student fees and charges	6.8%	7.4%	8.9%	9.2%	13.4%	9.3%
Employment costs as a proportion of training revenue	90.8%	83.8%	87.2%	79.8%	72.7%	84.1%
Training revenue per teaching FTE	\$300 638	\$296 979	\$268 986	\$285 595	\$277 108	\$244 153
Operating margin percentage	-11.3%	4.9%	-11.4%	-6.4%	8.2%	-3.4%

Source: VAGO.

FIGURE F3: **Box Hill Institute**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	39.0%	47.0%	35.0%	37.0%	35.0%	34.0%
• Fee-for-service	45.0%	42.0%	40.0%	47.0%	44.0%	44.0%
• Student fees and charges	16.0%	11.0%	25.0%	17.0%	21.0%	23.0%
Employment costs as a proportion of training revenue	82.8%	96.9%	87.0%	86.6%	89.0%	85.5%
Training revenue per teaching FTE	\$224 800	\$212 700	\$205 000	\$217 400	\$200 000	\$198 100
Operating margin percentage	-3.7%	-2.7%	>0%	-3.8%	>0%	1.1%

Source: VAGO.

FIGURE F4: **Chisholm Institute**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	57.0%	65.5%	53.2%	59.0%	56.0%	51.6%
• Fee-for-service	29.2%	23.8%	28.0%	27.5%	25.3%	30.0%
• Student fees and charges	13.9%	10.7%	18.8%	13.5%	18.7%	18.4%
Employment costs as a proportion of training revenue	79.7%	77.8%	72.0%	73.5%	73.0%	72.1%
Training revenue per teaching FTE	\$213 010	\$226 883	\$208 000	\$225 391	\$206 000	\$226 639
Operating margin percentage	-6.5%	5.3%	-1.3%	-0.9%	-1.7%	-1.80%

Source: VAGO.



FIGURE F5: **Gordon Institute of TAFE**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	71.8%	77.3%	75.2%	75.3%	73.7%	74.1%
• Fee-for-service	13.0%	13.9%	13.7%	13.1%	11.9%	12.1%
• Student fees and charges	15.2%	8.8%	11.1%	11.7%	14.4%	13.8%
Employment costs as a proportion of training revenue	108.1%	117.4%	105.4%	106.8%	107.0%	107.1%
Training revenue per teaching FTE	\$173 445	\$156 059	\$151 930	\$152 117	\$141 963	\$140 177
Operating margin percentage	-19.8%	20.6%	-22.6%	-15.7%	-20.2%	-5.0%

Source: VAGO.

FIGURE F6: **Goulburn Ovens Institute of TAFE**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	73.0%	73.3%	61.7%	70.4%	62.4%	58.9%
• Fee-for-service	13.3%	14.9%	13.6%	16.1%	21.7%	20.9%
• Student fees and charges	13.7%	11.8%	24.7%	13.5%	15.9%	20.2%
Employment costs as a proportion of training revenue	111.7%	125.5%	117.0%	125.1%	117.4%	134.6%
Training revenue per teaching FTE	\$198 453	\$162 382	\$140 394	\$144 219	\$136 475	\$103 394
Operating margin percentage	-20.3%	-22.8%	-20.0%	-20.8%	-21.0%	0.2%

Note: 2019 actuals for training revenue per teaching FTE and operating margin percentage have been revised.

Source: VAGO.

FIGURE F7: **Holmesglen Institute**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	48.9%	55.1%	43.1%	45.3%	41.2%	38.4%
• Fee-for-service	38.2%	33.9%	40.8%	42.9%	42.6%	46.3%
• Student fees and charges	12.9%	10.9%	16.1%	11.8%	16.2%	15.3%
Employment costs as a proportion of training revenue	<80%	89.4%	<80%	87.4%	80.0%	81.0%
Training revenue per teaching FTE	>\$195 000	\$203 225	>\$195 000	\$194 507	>\$203 000	\$194 824

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Operating margin percentage	>0%	-2.8%	>0%	0.1%	>0%	3.5%

Source: VAGO.

FIGURE F8: **Melbourne Polytechnic**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	35.2%	36.8%	30.0%	32.0%	30.0%	30.5%
• Fee-for-service	56.2%	55.7%	57.0%	59.0%	56.0%	58.8%
• Student fees and charges	8.6%	7.5%	13.0%	9.0%	14.0%	10.7%
Employment costs as a proportion of training revenue	91.6%	93.6%	94.0%	91.5%	95.0%	97.5%
Training revenue per teaching FTE	\$280 000	\$206 000	\$205 000	\$220 000	\$200 000	\$199 000
Operating margin percentage	-3.2%	2.4%	-6.7%	-5.9%	-13.9%	1.5%

Source: VAGO.

FIGURE F9: **South West Institute TAFE**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	66.0%	84.6%	67.0%	81.5%	71.0%	75.0%
• Fee-for-service	11.0%	6.9%	11.0%	7.3%	7.0%	8.1%
• Student fees and charges	23.0%	8.5%	22.0%	11.2%	22.0%	16.9%
Employment costs as a proportion of training revenue	120.0%	122.0%	119.7%	126.0%	117.0%	130.5%
Training revenue per teaching FTE	\$150 000	\$173 963	\$140 920	\$150 018	\$135 000	\$133 492
Operating margin percentage	-29.7%	-21.2%	-69.4%	-15.2%	0%	11.0%

Source: VAGO.

FIGURE F10: **Sunraysia Institute of TAFE**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
• Victorian Training Guarantee	65.0%	61.3%	51.7%	62.3%	51.8%	56.7%
• Fee-for-service	16.3%	23.5%	21.5%	18.3%	21.4%	18.7%
• Student fees and charges	18.7%	15.1%	26.8%	19.4%	26.8%	24.6%
Employment costs as a proportion of training revenue	123.6%	118.0%	123.0%	131.7%	125.0%	144.1%
Training revenue per teaching FTE	\$147 157	\$171 259	\$127 593	\$134 706	\$121 518	\$116 126
Operating margin percentage	-25.6%	-14.2%	1.6%	7.7%	1.5%	15.0%

Source: VAGO.

FIGURE F11: **TAFE Gippsland**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	74.0%	77.0%	75.0%	71.0%	58.0%	59.0%
• Fee-for-service	18.0%	15.0%	5.0%	19.0%	22.0%	23.0%
• Student fees and charges	8.0%	8.0%	10.0%	10.0%	20.0%	18.0%
Employment costs as a proportion of training revenue	102.0%	114.0%	104.0%	106.0%	94.0%	100.0%
Training revenue per teaching FTE	\$196 110	\$172 915	\$192 168	\$189 315	\$ 203 000	\$179 628
Operating margin percentage	-24.0%	-19.0%	-25.0%	-18.0%	-40.0%	2.0%

Note: In 2019, Federation Training changed its name to TAFE Gippsland.

Source: VAGO.

FIGURE F12: **William Angliss Institute of TAFE**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	27.3%	30.6%	22.0%	24.9%	21.5%	21.9%
• Fee-for-service	62.7%	57.2%	61.0%	62.7%	61.2%	61.6%
• Student fees and charges	10.0%	12.2%	17.0%	12.4%	17.3%	16.5%
Employment costs as a proportion of training revenue	<73.0%	92.0%	<78.0%	76.8%	<79.0%	81.5%
Training revenue per teaching FTE	>\$234 000	\$211 988	\$234 700	\$226 179	\$231 500	\$206 858
Operating margin percentage	<-5.1%	-0.5%	-4.5%	-6.1%	-5.1%	0.9%

Source: VAGO.

FIGURE F13: **Wodonga Institute of TAFE**

	2020		2019		2018	
	Target	Actual	Target	Actual	Target	Actual
Training revenue diversity						
• Victorian Training Guarantee	37.7%	37.8%	36.6%	37.5%	51.8%	37.4%
• Fee-for-service	56.3%	59.3%	55.4%	58.4%	37.5%	56.2%
• Student fees and charges	6.0%	2.8%	8.0%	4.1%	10.7%	6.4%
Employment costs as a proportion of training revenue	101.1%	97.6%	96.0%	98.5%	95.0%	85.2%
Training revenue per teaching FTE	\$155 929	\$184 535	\$175 372	\$173 089	\$141 855	\$156 597
Operating margin percentage	–9.1%	–0.8%	–8.4%	0.5%	–9.0%	8.1%

Source: VAGO.

# Auditor-General's reports tabled during 2020–21

## Report title

Rehabilitating Mines (2020–21: 1)	August 2020
Management of the Student Resource Package (2020–21: 2)	August 2020
Victoria's Homelessness Response (2020–21: 3)	September 2020
Reducing Bushfire Risks (2020–21: 4)	October 2020
Follow up of Managing the Level Crossing Removal Project (2020–21: 5)	October 2020
Early Years Management in Victorian Sessional Kindergartens (2020–21: 6)	October 2020
Accessibility of Tram Services (2020–21: 7)	October 2020
Accessing Emergency Funding to Meet Urgent Claims (2020–21: 8)	November 2020
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20 (2020–21: 9)	November 2020
Sexual Harassment in Local Government (2020–21: 10)	December 2020
Systems and Support for Principal Performance (2020–21: 11)	December 2020
Grants to the Migrant Workers Centre (2020–21: 12)	February 2021
Results of 2019–20 Audits: State-controlled Entities (2020–21: 13)	March 2021
Results of 2019–20 Audits: Local Government (2020–21: 14)	March 2021
Maintaining Local Roads (2020–21: 15)	March 2021
Service Victoria—Digital Delivery of Government Services (2020–21: 16)	March 2021
Reducing the Harm Caused by Gambling (2020–21: 17)	March 2021
Implementing a New Infringements Management System (2020–21: 18)	May 2021
Measuring and Reporting on Service Delivery (2020–21: 19)	May 2021
Delivering the Solar Homes Program (2020–21: 20)	June 2021
Responses to Performance Audit Recommendations: Annual Status Update (2020–21: 21)	June 2021
Clinical Governance: Health Services (2020–21: 22)	June 2021
Results of 2020 Audits: Technical and Further Education Institutes (2020–21: 23)	June 2021
Results of 2020 Audits: Universities (2020–21: 24)	June 2021

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