

Appendix A:

Submissions and comments

We have consulted with the Department of Jobs, Skills, Industry and Regions, the Department of Treasury and Finance along with all 12 TAFEs in Victoria, 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 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 received

Agency	Page
Department of Jobs, Skills, Industry and Regions	A-2
Gordon Institute of TAFE	A-4



Department of Jobs, Skills, Industry and Regions

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Ref: BSEC-2-24-38378

Mr Andrew Greaves
Auditor General
Office of the Auditor General

Email: [REDACTED]

Dear Mr Greaves

VAGO 2023 TAFE SECTOR FINANCIAL AUDIT PROPOSED REPORT

Thank you for your correspondence of 11 July 2024 inviting the Department of Jobs, Skills, Industry and Regions (the department) to provide submissions or comments on the proposed report *Results of 2023 Audits: Technical and Further Education Institutes (TAFE)* (the report).

The department has reviewed the report and accepts all recommendations made.

In relation to the report's recommendations regarding TAFE budgeting, I can advise that since the establishment of the Office for TAFE Coordination and Delivery (OTCD) as the TAFE network manager in November 2021 there has been an increased focus from the department in supporting TAFEs in the budget setting process.

The OTCD continues to work with TAFE institutes to ensure that all TAFE institute budgets are informed by robust evidenced based assumptions, which are applied consistently across the sector. Consistent with VAGO's recommendations, the OTCD has commenced the budget planning process for 2025 and has steps in place to ensure that budgets are agreed prior to the commencement of 2025.

More broadly, the OTCD continues to work with TAFE institutes to improve the underlying financial performance of the TAFE network. Since the establishment of the OTCD, there has been a progressive reduction in the number of TAFEs requiring Letters of Support to satisfy the going concern requirement, with only two TAFEs requiring a Letter of Support in 2024. This is a reduction from the four TAFEs which required letters of support in the previous two years, and the eight in 2021 – indicating an improvement in the underlying financial position of the TAFE network across this period.

Into the future, the establishment of the TAFE Services Fund in 2022 – and its continuation through the 2024/25 Budget – will support TAFE financial standing by providing TAFEs with explicit funding for the additional costs they incur by virtue of their role as public providers (e.g. the provision of additional student support services).

I would like to take this opportunity to recognise the work of VAGO and the Victorian TAFE sector that has led to the clear audit opinions for all Victorian TAFEs this year.



If your team would like to discuss this further, please contact Dr Xavier Csar, Chief Executive Officer, Office of the TAFE Coordination and Delivery of the Department of Jobs, Skills, Industry and Regions on [REDACTED].

Yours sincerely

[REDACTED]

Heather Ridley
Acting Secretary

Date: 18/07/2024

Cc: [REDACTED]

OFFICIAL: Sensitive



18 July 2024

Charlotte Jeffries
Sector Director – Education, Financial Audit
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e: [REDACTED]

**Invitation to comment: Proposed Report - Results of 2023 Audits:
Technical & Further Education Institutes - Gordon Institute**

Dear Ms Jeffries,

In response to the Proposed Report - "Results of 2023 Audits: Technical & Further Education Institutes - Gordon Institute", I would like to comment on the commentary on page 5, "Individual TAFE's net results", specifically would like to respond to "There were 4 TAFEs that experienced worsening deficits;" of which The Gordon has been identified as one.

At the end of 2022, The Gordon completed its mandatory 5-year revaluation of Land & Buildings using the Valuer Generals office. As a result, Land & Buildings balance sheet values increased from \$150.4m to \$196.4m. This included a \$33.9M increment in the revaluation of land and buildings combined with movements in the net value of assets held, which saw an overall increase of \$46.0m in total assets on 1/01/2023. As a result, the overall Institute depreciation expense increased from \$6.4m in 2022 to \$11m for the full year 2023, a \$4.6m impact directly to the bottom line.

The government funds capital separately from operating funds, focusing on earnings before interest, depreciation, and amortization (EBITDA) as the performance measure. On this basis, The Gordon has seen a marked improvement in EBITDA from a deficit in 2021 to a \$2.4m surplus in 2022 to a \$6.7m surplus in 2023.

This significant increase in depreciation is the primary factor contributing to the apparent worsening deficit.

I am happy to discuss this as required.

Yours sincerely,

[REDACTED]

Joe Ormeno
Chief Executive Officer
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