Victorian Auditor-General's Office

Results of 2024 Audits: TAFEs and Universities

June 2025

Independent assurance report to Parliament
2024–25:20

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Results of 2024 Audits: TAFEs and Universities

Independent assurance report to Parliament

Published by order, or under the authority, of the Parliament of Victoria

June 2025

The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Results of 2024 Audits: TAFEs and Universities*.

Yours faithfully

[redacted]

Andrew Greaves
Auditor-General
19 June 2025

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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Report snapshot

About this report

This report presents the results of our financial and related audits of TAFEs and universities, and their controlled entities. It also shares our independent insights on the sectors' financial outcomes, highlights common issues in internal control and financial reporting, and offers recommendations for improvement.

Outcomes of our financial audits

We issued clear audit opinions for all TAFE and university financial reports and TAFE performance statements, giving Parliament and the community confidence in the reliability of these reports. Both sectors produced good-quality reports and met legislated reporting timelines.

TAFE sector financial analysis

The TAFE sector reported a net surplus in 2024, largely due to one-off capital grants. Eight TAFEs reported a net surplus, but without these grants, only 5 TAFEs would have done so.

TAFEs delivered more training in 2024, which increased training revenue. They also grew own-source revenue, an important contributor to financial sustainability. The ability to generate this revenue varies across TAFEs depending on their location and community service needs.

TAFEs focused on managing costs in 2024, but inflationary pressure continued, alongside growth in employee costs despite maintaining staffing levels.

We found no signs that TAFEs were unable to meet their short-term financial obligations in 2024. Yet, we observed emerging financial pressures, including budget forecasts showing that 5 TAFEs may face low or negative cash positions by 2026.

Accurate and timely budgeting is important to help TAFEs with these challenges. However, TAFEs still need to strengthen their budget process and approach. We encourage TAFEs to continue to work with the Department of Jobs, Skills, Industry and Regions on these matters.

Victorian public university sector financial analysis

The university sector delivered improved financial results in 2024, supported by strong investment returns and increased teaching revenue. Even without the investment returns, most universities improved their financial results, though some still reported losses.

Higher teaching revenue was driven by an increase in domestic students after variable growth in recent years. Universities also kept their cost increases under control, allowing revenue to grow at a rate faster than expenses.

While most universities ended 2024 with strong balance sheets, they need to stay focused on planning for potential government policy changes to remain financially resilient. For example, changes in enrolment settings or funding arrangements could affect future financial outcomes. Most universities still rely heavily on revenue from domestic or international full-fee-paying students, which makes them sensitive to shifts in these areas.

Internal control issues

TAFEs and universities maintained adequate controls to produce reliable financial reports and performance statements. However, both sectors need to strengthen information technology (IT) controls, especially TAFEs, as they explore opportunities to move to shared or common IT systems.

While there were mixed results for new issues, both sectors reduced the number of long-outstanding prior year issues.

Our recommendations

We consulted with the audited agencies and considered their views when reaching our conclusions. The agencies' full responses are in Appendix A.

This year's recommendations

Recommendation			Agency response(s)
All TAFEs	1	As part of transitioning to the Tier 2 financial reporting framework, we recommend that TAFEs implement the actions and guidance outlined in our *Tech alert: Significant accounting developments* (issued on 18 December 2024), including that: • TAFEs establish a process to annually document an assessment of their status as a significant entity, and therefore if they can apply Tier 2 • TAFEs document an assessment of the needs of the users of their financial reports • if they can apply the Tier 2 framework, TAFEs prepare a shell financial report and arrange for their audit committee to review it by the time of their last committee meeting for 2025.	-
	2	In advance of the initial application of the changes to the authoritative implementation guidance in AASB 13 *Fair Value Measurement*, we recommend that TAFEs implement the actions and guidance outlined in our *Tech alert: Significant accounting developments* (issued on 18 December 2024), including: • engaging with valuers in planning for the changes • reviewing valuation reports from previous years and considering what impact the authoritative implementation guidance would have had on the report • revisiting past position papers and updating any in preparation for these changes • identifying key judgements and reviewing whether they would need to revise these judgements considering the changes • assessing if any change in valuation policy or procedures would be required because of the amendments.	-

Follow-up on prior year recommendations

Recommendation			Recommendation addressed
TAFEs			
All TAFEs	1	We recommend that all TAFEs review and critically assess their current budgeting processes to determine why there have been such significant variances in budgets when compared with actual results, and determine whether the approach to developing these assumptions requires enhancement.	In progress. Refer to Section 2 for further details.
	2	We recommend that as TAFEs continue to work with the Department of Jobs, Skills, Industry and Regions to achieve balanced budgets into the future, the budgeting process commences earlier to ensure budgets are in place before the year they are to apply.	In progress. Refer to Section 2 for further details.
All TAFEs	3	We recommend that all TAFEs: • prioritise and promptly address the internal control and financial reporting issues we raise with them and that their audit committees monitor this • review the actions and timelines established to resolve internal control weaknesses, with a focus on older and higher-risk issues.	In progress. Refer to Section 4 for further details.
Universities			
All universities	1	We recommend universities with later controlled entity financial reporting timelines assess their processes, resource allocation and milestones to ensure they meet legislative requirements going forward.	Not progressed. Refer to Section 3 for further details.
Universities with outstanding prior period issues	2	We recommend that universities with unresolved information technology control weaknesses: • review the actions and timelines established to resolve these weaknesses, with a focus on risk if left unaddressed and the ageing of the finding • for longer-term action plans – such as system replacements – ensure adequate compensating safeguards are in place until the actions can be finalised.	In progress. Refer to Section 4 for further details.

1. Why we do this report and what we look at

This report presents the results of our financial audits of TAFEs and Victoria's public universities for the year ended 31 December 2024. Our audits provide Parliament and the community with confidence that financial reports and performance statements are reliable for informed decision-making.

This report also shares our independent insights on the sectors' financial outcomes and highlights common internal control and financial reporting issues, where we make recommendations for improvement.

While both universities and TAFEs provide education, they have different funding models, risks and ways of operating. As such, we mostly address them separately in this report.

Results of audits

Reporting requirements

The *Financial Management Act 1994* requires both TAFEs and Victorian public universities to prepare a financial report.

The Act requires them to give us their draft financial reports within 8 weeks after the end of the year.

Along with their financial reports, TAFEs must also report against 4 mandatory key performance indicators (KPIs) in a performance statement. The descriptions of the 4 KPIs and the formulas used to calculate them are provided in Appendix E.

Within the performance statements, TAFEs must include their target for each KPI, report actual results for the current and prior years and provide commentary on significant variances between the target and actual results.

The Minister for Skills and TAFE, through the Department of Jobs, Skills, Industry and Regions' (DJSIR) Office of TAFE Coordination and Delivery (OTCD), releases a statement of priorities each year that aligns with these KPIs. Both the minister and each TAFE sign this statement.

The current year's version of the statement of priorities is called the *TAFE Network Statement of Priorities for 2024*.

Our audits of TAFEs and universities

The *Audit Act 1994* gives us the authority and responsibility to audit the financial reports of TAFEs and universities in Victoria. We must form an opinion on these financial reports and provide an auditor's report that includes our audit opinion to the entity.

We also form an audit opinion and provide an audit report on each TAFE's performance statement.

About Victoria's TAFE sector

Sector background

TAFEs in Victoria

Victoria's TAFE sector is made up of 12 TAFEs and the 8 entities they control. TAFEs that control other entities must prepare a consolidated financial report. In these circumstances, we audit both the consolidated financial report of each TAFE (which will include the financial results of entities they control) and separately the standalone financial report of each controlled entity.

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

Private sector VET

In Victoria, private registered training organisations also run VET courses.

We have not included them in this report because the *Education and Training Reform Act 2006* (which governs the Victorian TAFE sector) and the *Audit Act 1994* do not require us to audit them. These entities have financial reporting and audit requirements under other legislation, such as the *Corporations Act 2001* or the *Australian Charities and Not-for-profits Commission Act 2012*.

The sector's financial model

TAFEs' comprehensive operating statements

A TAFE's comprehensive operating statement mostly consists of its training revenue, funding from Australian and Victorian governments and employee benefit expenses.

TAFEs also earn revenue from sources, such as sales of goods, receiving donations and selling assets. They spend money on materials and services, which cover most non-employee–related costs of delivering courses. TAFE expenditure also includes depreciation and amortisation of their fixed and intangible assets.

Training revenue

Government-funded revenue is paid by the Victorian Government and/or Australian Government for education services delivered for core qualifications, apprenticeships and Free TAFE.

Fee for service revenue is paid by the Victorian Government and/or Australian Government, employers, industry bodies or students. This is revenue from commercial training and education services provided to students who are not eligible for government funding.

Student fees and charges are paid by the student for their co-payment of course fees, materials or administration costs not otherwise funded by the government.

Depreciation and amortisation

Depreciation and amortisation is how entities spread the operational cost of a long-term asset, such as a building or software, over the years they use it. This represents how those assets lose value as they age, wear out, or become outdated.

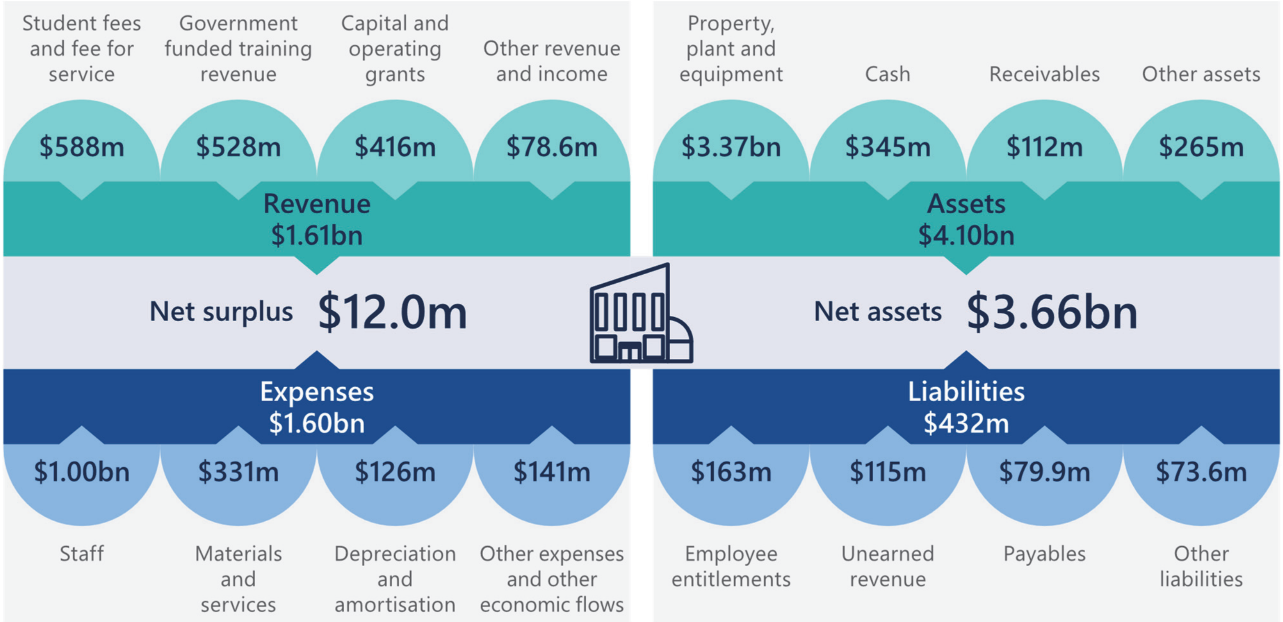
TAFEs' balance sheets

A TAFE's balance sheet is mostly made up of the property, plant and equipment it owns.

TAFEs also hold cash to fund their operations. Their main liabilities include money owed to employees and fee payments received before delivering training.

Figure 1 shows the total value of the sector's key revenue and expense streams and its assets and liabilities for 2024.

Figure 1: Key numbers for TAFEs, 2024



Note: Figures have been rounded. Other economic flows include those that are recognised in net result, but not those that are recognised in other comprehensive income.
Source: VAGO.

About Victoria's public university sector

Sector background

Public universities in Victoria

Victoria's public university sector is made up of 8 universities and the 55 entities they control. These entities deliver higher education and undertake research at a range of campuses across the state. In this report, we use the financial, staff, and student figures for universities' consolidated results.

Victoria's 2 largest universities – Monash University and the University of Melbourne – are members of the Group of Eight (Go8), which is an association of Australia's most research-intensive universities.

Universities and controlled entities we do not audit

This report excludes any controlled entities of the universities that are based outside Australia. We do not audit overseas incorporated entities because they follow the financial reporting and audit requirements of the country where they were set up. We do, however, gain an understanding of the nature of the balances and transactions of these controlled entities and, where material, seek evidence to support them, as they form part of the universities' consolidated financial reports.

This report also excludes private universities (such as Australian Catholic University) and universities controlled by the Australian Government or other states. These entities report under separate legislation, such as financial reporting laws in other states.

Other university-related legislation

In Victoria, each public university is set up under its own legislation. The State of Victoria does not control these universities. As a result, the Annual Financial Report of the State of Victoria does not include universities' financial results.

The Australian Government sets financial reporting requirements for all universities Australia-wide, including the Victorian public universities. As such, several financial reporting requirements of the

Victorian Government (such as many of the financial reporting directions) explicitly do not apply to universities to avoid conflicts between state and federal requirements.

The *Financial Management Act 1994* does not cover universities' Australian-controlled entities. However, each university's own legislation requires these entities to prepare financial reports and give us a draft within 3 months of their balance date for auditing.

The sector's financial model

Universities' comprehensive income statements

A public university's comprehensive income statement mostly consists of its teaching revenue, investment income and its employee benefit expenses.

Universities also earn revenue from research they undertake and spend money on their students and staff. Their expenses also include depreciation and amortisation of their fixed and intangible assets.

Teaching revenue

Teaching revenue is income that a university gets from running courses.

Most of this revenue is fees and charges from international students and Australian Government student grants for Commonwealth supported places (CSP).

A CSP is when the Australian Government pays for part of a student's course fees.

Universities' balance sheets

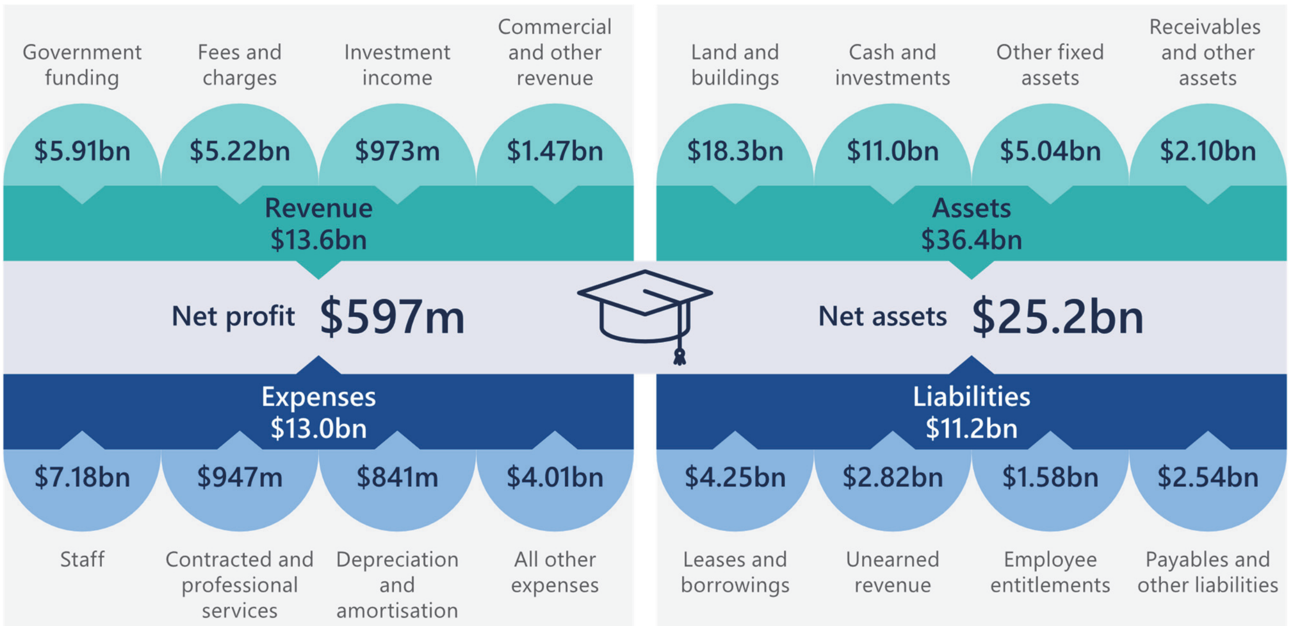
Most of a university's balance sheet consists of its property, plant and equipment. In particular, the value of the land and buildings it owns.

A university's balance sheet also includes its cash and investments.

Borrowed money and lease liabilities make up most of the sector's liabilities, along with revenue universities have received but not earned.

Figure 2 shows the total value of the sector's key revenue and expense streams and its assets and liabilities for 2024.

Figure 2: Key numbers for universities, 2024



Note: Figures have been rounded.
Source: VAGO.

2.

The Victorian TAFE sector

Snapshot

All TAFEs' financial reports and performance statements are reliable and of good quality

TAFEs need to be prepared for upcoming changes to financial reporting

The sector generated a surplus largely because of one-off capital grants

TAFEs grew their own-source revenue, which is key to financial sustainability, but cost pressures persist

Cash reserves are sufficient in the short term, but we observed emerging financial pressures

All TAFEs received clear audit opinions for their 2024 financial reports and performance statements, submitting them on time and to good quality. Upcoming changes to financial reporting requirements may impact timeliness and report quality if TAFEs do not plan appropriately.

The sector made a net profit in 2024, which was again largely due to one-off capital grants. Without these grants, nearly all TAFEs would have reported losses, consistent with results in recent years.

TAFEs increased the amount of own-source revenue they earned in 2024, an important revenue stream in supporting financial sustainability. The ability to generate this revenue varies across TAFEs, depending on their location and community needs.

TAFEs worked to manage costs, but inflation continued to impact expenses in 2024. This happened even though TAFEs kept staff growth low. Spending on repairs and maintenance and asset renewal was also lower, suggesting that some TAFEs may be delaying this work to reduce costs.

We found no signs that TAFEs were unable to meet their short-term financial obligations in 2024. However, budget forecasts show that 5 TAFEs may experience low or negative cash positions by 2026. Accurate and timely budgeting is important to help manage these challenges, but TAFEs still need to improve in this area.

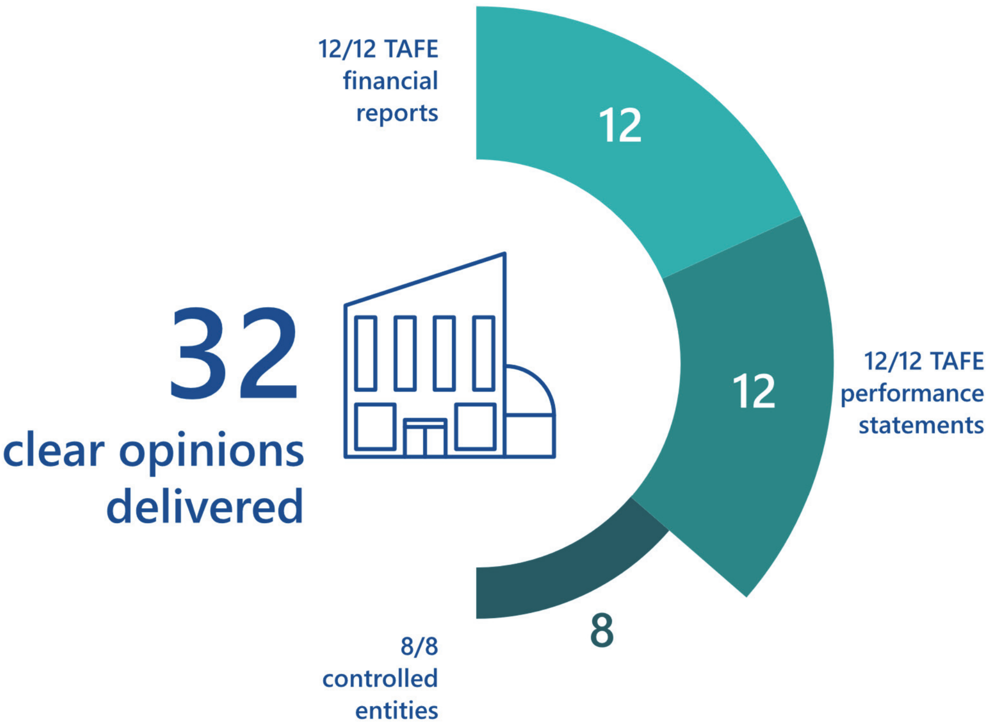
TAFE financial reports and performance statements are reliable

Clear audit opinions on all TAFE financial reports and performance statements in 2024

Audit opinions issued

We issued clear audit opinions on the 12 TAFEs' financial reports and performance statements and the 8 controlled entities' financial reports for the 2024 reporting period. This means Parliament and the community can confidently use these reports.

Figure 3: Clear audit opinions issued for the TAFE sector in 2024



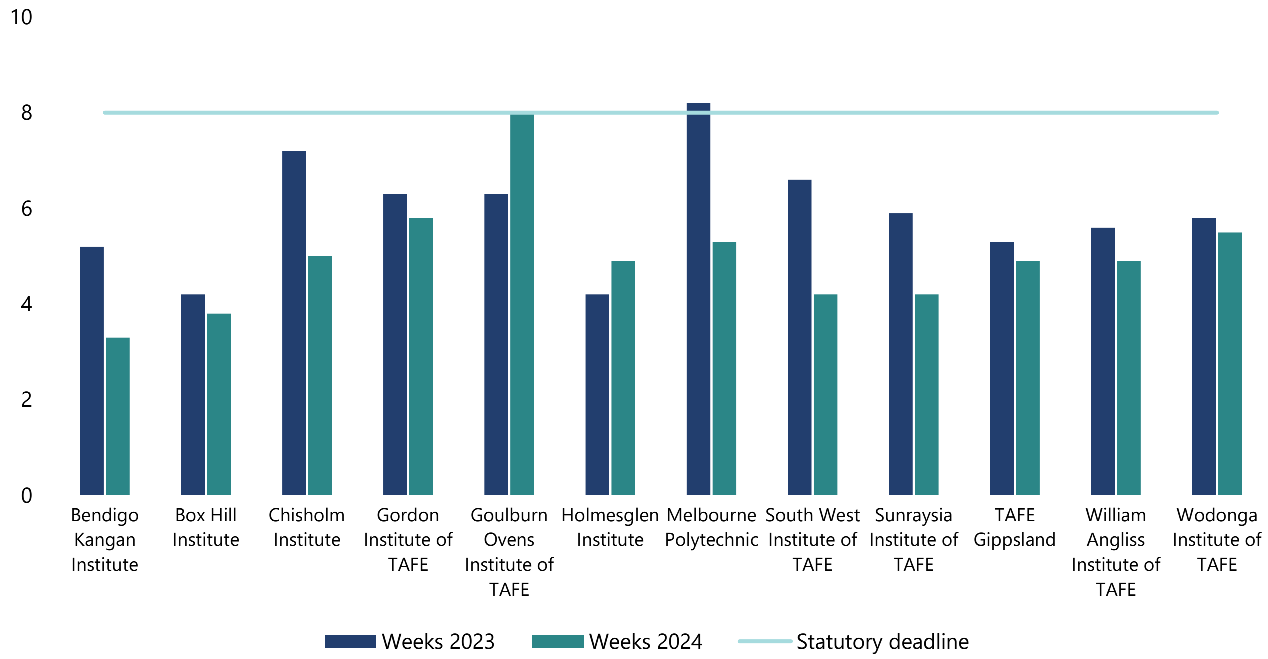
Source: VAGO.

TAFEs met their reporting timeframes

Timeliness

In 2024, all TAFEs submitted their draft financial reports to us within the 8-week statutory deadline. Meeting this deadline helps TAFEs comply with the law, facilitates a timely audit process and maintains financial transparency and accountability.

Figure 4: Timeliness of TAFEs' financial reports for 2023 and 2024 (weeks after balance date)



Source: VAGO.

Financial reports and performance statements continue to be of good quality

Errors

Financial reports provide critical information for decision-making. Correcting errors ensures that decisions are made based on reliable information.

During an audit we sometimes find an item that an entity has not prepared in line with relevant reporting requirements, known as an error. The nature, number and size of errors in financial reports provided for audit shows the quality and effectiveness of the systems and processes used to compile them.

We classify these errors as either material or immaterial errors. We assess errors individually and in total with other errors found during the audit.

No material errors identified

Like last year, we found no material financial errors or classification and disclosure differences in TAFEs' financial reports. Similarly, we did not find any material errors in TAFEs' performance statements, which indicates that the reports are of good quality.

New developments that may impact the quality of financial reporting

First-time application of simplified financial reporting

Australian Accounting Standards allow for tiers of financial reporting:

- Tier 1, which requires all disclosures in the Australian Accounting Standards
- Tier 2, which allows for simplified disclosures.

In June 2024, the Minister for Finance approved a new reporting direction called FRD 101 *Application of Tiers of Australian Accounting Standards* (FRD 101). Under FRD 101, entities that are not classified as a 'significant entity' shall prepare Tier 2 financial reports.

This requirement will apply to TAFEs for the first time in the 2025 reporting year. Since TAFEs are unlikely to meet the definition of a 'significant entity' in 2025, they will likely report under the Tier 2 framework.

Tier 2 financial reports contain fewer note disclosures, making financial reports easier to prepare and understand. While reducing disclosures can help streamline reporting, certain disclosures required under the Tier 1 framework may still offer valuable insights that enhance a user's understanding of a TAFE's financial outcomes. Where specific Tier 1 disclosures provide meaningful context, TAFEs are encouraged to retain them to support transparency and informative financial reporting.

To prepare for the transition to Tier 2 reporting, TAFEs have formed a working group to review the model Tier 2 financial report issued by the Department of Treasury and Finance (DTF).

In December 2024, we released *Tech alert: Significant accounting developments*, which outlines key considerations for entities transitioning to Tier 2 reporting. As part of this transition, we recommend that TAFEs implement the actions and guidance outlined in the tech alert.

Significant entity

FRD 101 defines an entity as a 'significant entity' if any of the following criteria is met:

- the entity is a government department or public financial corporation
- the entity is deemed to be a significant entity by DTF's deputy secretary – budget and finance based on qualitative considerations
- the entity's total expenses are greater than $1 billion for each of the 2 preceding financial years, or
- the entity's total assets are greater than $4 billion for each of the 2 preceding financial years.

Amendments to fair value measurement

In December 2022, the Australian Accounting Standards Board (AASB) added authoritative implementation guidance to AASB 13 *Fair Value Measurement*. It did this to address the challenges that not-for-profit public sector entities face in applying the standard's fair value measurement requirements.

The amendments covered ...	to ...
highest and best use	specify circumstances where an entity needs to consider whether the highest and best use of its non-financial assets differs from its current use.
developing unobservable inputs	clarify circumstances where an entity can use its own assumptions to develop unobservable inputs.
application of the cost approach	clarify how entities should apply the cost approach to measure the fair value of their non-financial assets.

The changes to the application guidance took effect for the first time in 2024. To address the practical challenges entities face when applying the amendments, particularly those not in their full revaluation year, DTF approved a revised FRD 103 *Non-financial physical assets* (FRD 103). This revision allows entities to adopt the AASB 13 amendments in a phased approach, as briefly described below.

The amendments that relate to …	
highest and best use	must be applied by entities in their December 2024 or June 2025 financial reports. This is because the amendments provide relief to entities by aligning the requirements related to assessing the highest and best use of assets with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.
developing unobservable inputs and application of the cost approach	are permitted to be applied by entities in their next scheduled revaluation or interim revaluation year (whichever is earlier). This means that there is no requirement for entities to reflect these amendments in their annual fair value assessments until the next scheduled revaluation or interim revaluation. All annual fair value assessments thereafter must comply with the amendments.

TAFEs last completed a comprehensive valuation in 2022, with the next scheduled valuation in 2027. While the revised FRD 103 provides relief to TAFEs that are not in their revaluation year, we encourage TAFEs to review our *Tech alert: Significant accounting developments* (issued in December 2024) and implement the recommended steps in the tech alert to prepare for these changes early. These steps include:

- engaging with valuers in planning for the changes
- reviewing past valuation reports and assessing the impact of the amended implementation guidance
- identifying key judgements to determine if revisions are required
- revisiting past position papers and updating any in preparation for these changes
- assessing if any changes in valuation policy or procedures are required because of the amendments.

TAFE sector financial outcomes

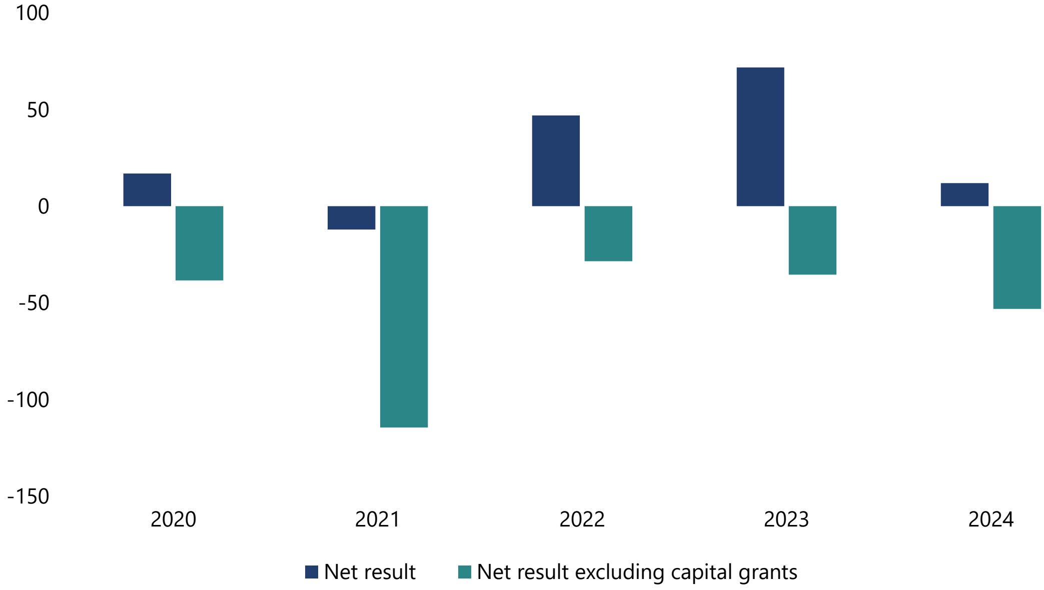
The sector reported a net surplus, which was again largely driven by one-off capital grants

The sector's net result

In 2024, the sector reported a net surplus of $12.0 million, a decrease of $59.7 million from the $71.7 million surplus reported in 2023. The decline was driven by a reduction in capital grants from the Victorian Government, which fell to $65.0 million in 2024 compared to $107 million in 2023.

Capital grants are 'one-off' and not available for TAFEs' day-to-day operations. Without these capital grants, the net result of the sector would have been a $53.1 million deficit. This is a consistent trend for the last 5 years as Figure 5 shows.

Figure 5: TAFEs' net result and net result excluding capital grants from 2020 to 2024 ($ million)



Source: VAGO.

Capital grants fluctuate significantly by TAFE and year

TAFEs are not set up to make large surpluses or fund capital costs completely on their own. As part of the general government sector (GGS), they receive capital funding from the Victorian Government to support the renewal, replacement and construction of new assets.

Each year, the capital grants that TAFEs receive change based on the sector's capital project needs. Recently funded significant projects include:

- Bendigo Kangan Institute's $60 million Health and Community Centre of Excellence in Broadmeadows
- Chisholm Institute's $67.6 million stage 2 of the Frankston Redevelopment Project
- Melbourne Polytechnic's $40 million Collingwood campus modernisation.

Over the last 5 years, the portion of income from capital grants varied widely among TAFEs. One TAFE earned only 1.2 per cent of its income from these grants between 2020 and 2024, while another earned 15 per cent of its income for the same period. The total value of capital grants over the last 5 years ranged from a minimum of $55.2 million in 2020 to $107 million in 2023.

Net results of TAFEs

When comparing TAFEs or analysing their performance over time, capital grants are often excluded (as shown in Figure 6) to standardise the results and provide a clearer picture of underlying financial performance.

Ongoing operational costs associated with these assets, such as maintenance and depreciation, are not excluded from our analysis. This is because TAFEs do not normally receive additional funding to cover these ongoing costs: they are expected to be met through TAFEs own operational revenue and income sources.

Overall, for 2024, 8 TAFEs reported a net surplus. However, only 5 would have achieved this outcome without capital grant income. Only 6 TAFEs would have achieved this in 2023 as well, as Figure 6 shows.

Figure 6: TAFEs' net results excluding capital grants for 2023 and 2024 ($ million)

Source: VAGO.

This has occurred consistently over recent years. In the last 5 years, 9 of the 12 TAFEs reported a net surplus for 3 or more years. However, without capital grants, only one TAFE would have achieved this result.

The profitability of a TAFE indicates its ability to generate revenue and manage expenses to achieve a net surplus. While TAFEs are not expected to make large surpluses, generating a small surplus is important to ensure they have sufficient funds for future operations. Ideally, these surpluses can be reinvested to maintain and improve the quality of education and services offered by the TAFEs. If the underlying net deficit trend continues for these TAFEs, without effective management of expenditure or own-source revenue growth, their long-term financial sustainability may be at risk.

To remain financially sustainable, a TAFE must be able to meet current and future expenditure requirements from revenue earned, absorb foreseeable changes and materialising risks and manage the impact from these factors to changing revenue and expenditure requirements.

The sector has grown its own-source revenue, which is important for financial sustainability

Revenue increased overall due to more training

In 2024, the sector reported total revenue of $1.61 billion, compared with $1.52 billion in 2023. This increase was because of increases in training revenue.

In 2024, the TAFE sector received …	compared to a 2023 amount of …	which is a …
$528 million of revenue from government funded training	$418 million	$110 million or 26 per cent increase.
$588 million of fee for service revenue and student charges	$512 million	$76 million or 15 per cent increase.
$416 million of revenue from operating and capital grants	$522 million	$106 million or 20 per cent decrease.

$78.6 million of revenue from other sources	$72.1 million	$6.5 million or 9 per cent increase.

The sector trained more students in 2024, increasing from 210,399 in 2023 to 214,590. They also received more per student. Combined, this was the reason training revenue increased.

For government-funded training, along with an approximate increase in the number of enrolled students of 7 per cent, TAFEs received more per hour of training delivered because of additional funding provided through some Victorian Government programs.

TAFE sector is showing improvement in own-source revenue

In 2024, training revenue made up more than 72 per cent of sector's total revenue and income before capital grants, increasing from 66 per cent in 2023 and almost back to its 2020 peak of 74 per cent.

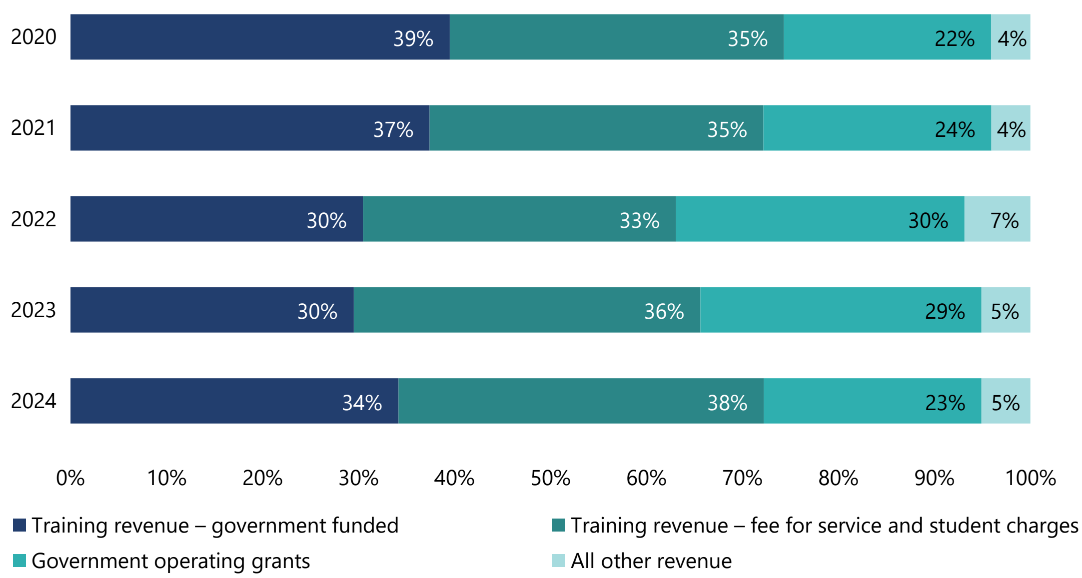
TAFEs must report on a KPI called 'training revenue diversity', which shows how much of their training revenue comes from different sources. A 2024 priority in the *TAFE Network Statement of Priorities for 2024* was to ensure that third-party revenue and commercial activity are strategic and support essential TAFE delivery. This type of own-source revenue mainly comes from a TAFE's fee for service revenue. It is an important contributor to financial sustainability, as it demonstrates the TAFE’s ability to independently generate income.

Fee for service revenue has experienced a gradual increase over the last 3 years. This growth reflects the sector's continued efforts to diversify revenue and rely less on grant funding. TAFEs are doing this by securing and maintaining agreements with private and government bodies to deliver training. This includes training employees or delivering services, such as training programs in prisons.

In 2024, TAFEs received $63.8 million less in operating grants than they did in 2023. As shown in Figure 7, operating grants made up 23 per cent of total revenue and income (excluding capital grants) for 2024, down from 29 per cent in 2023. However, this is only a small difference to 22 per cent in 2020, suggesting that the sector is now returning to its pre-COVID-19 funding levels. The increase in grant funding during COVID-19 was expected.

It will take further time and effort for TAFEs to source further fee for service contracts.

Figure 7: Composition of revenue sources (excluding capital grants) for the TAFE sector from 2020 to 2024



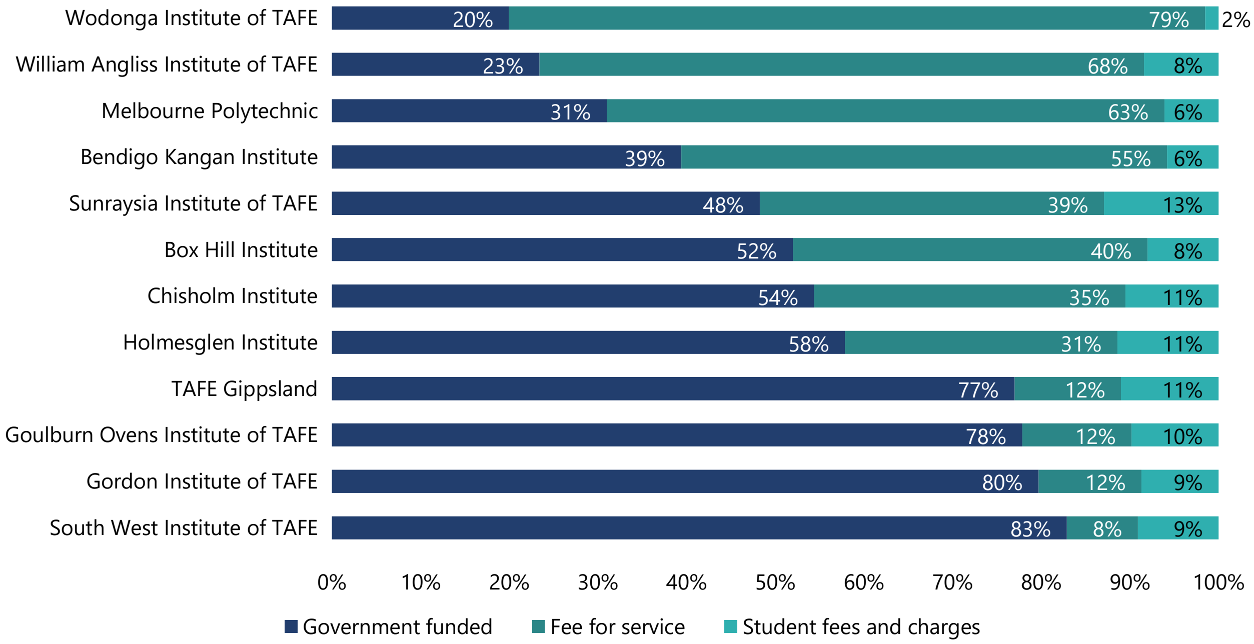
Source: VAGO.

Own-source revenue growth may be challenging for some TAFEs

As shown in Figure 8, the training revenue each TAFE received from government funding or fee for service revenue varied substantially.

Wodonga Institute of TAFE earned 79 per cent of all its revenue from fee for service revenue, while South West Institute of TAFE earned just 8 per cent from this source.

Figure 8: Training revenue by source per TAFE in 2024



Note: Percentages may not total 100 due to rounding.
Source: VAGO.

The location and course offerings of each TAFE can either help or hinder its ability to earn fee for service revenue. For example, Wodonga Institute of TAFE benefits from its proximity to the Australian Defence Force's Army Logistic Training Centre within the Albury Wodonga Military Area, which has led to it securing an agreement for approximately $300 million in fee for service revenue over 5 years. In contrast, TAFEs in Gippsland (TAFE Gippsland), Geelong (Gordon Institute of TAFE) and Barwon (South West Institute of TAFE) operate in regions that are transitioning to new skills and businesses. The fewer large, established organisations in these areas may limit these TAFEs' ability to earn more fee for service revenue.

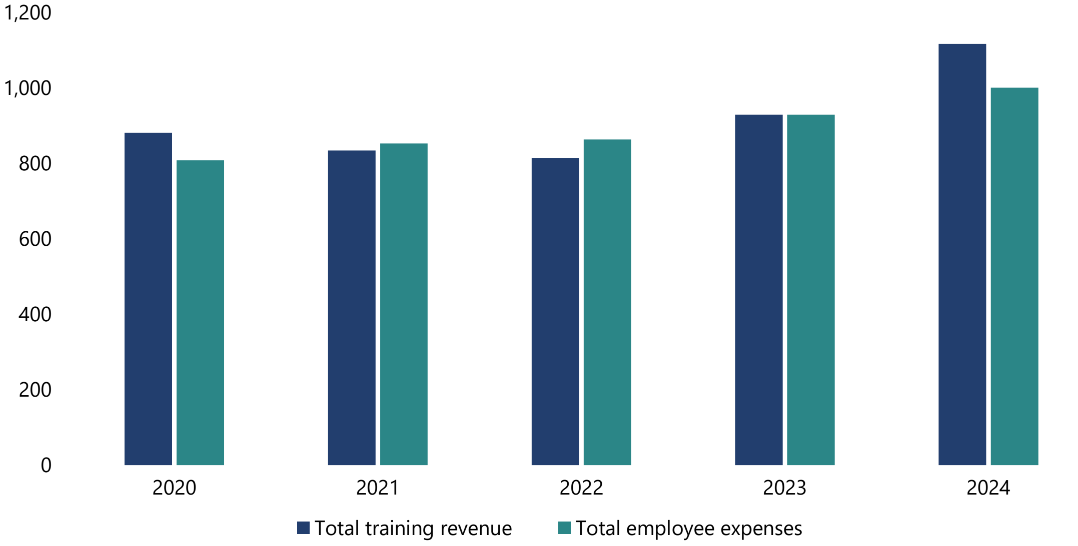
Cost pressures persist despite TAFEs' focus on cost management

Employee expenses continue to grow with training revenue

To deliver increased training and therefore earn more training revenue, we would expect to see an increase in the costs TAFEs incur to deliver courses. In particular, employee costs. This is due to the TAFE needing more staff to train more students.

Since 2020, total training revenue has risen 27 per cent from $881 million to $1.12 billion in 2024. Employee expenses have also mostly followed this trend, rising 24 per cent from $808 million in 2020 to $1.00 billion in 2024, as shown in Figure 9.

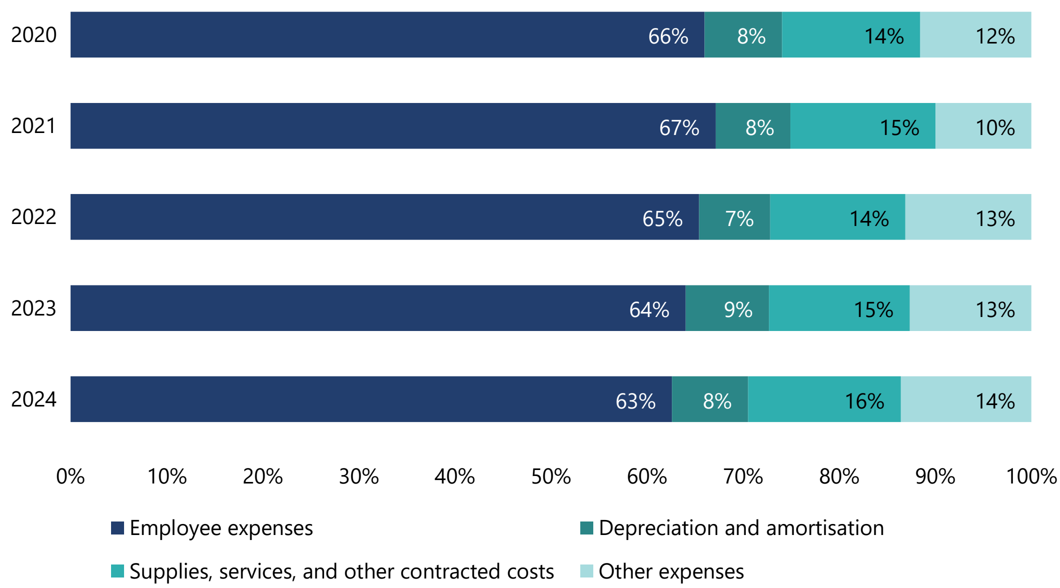
Figure 9: TAFE sector's total training revenue and total employee expenses from 2020 to 2024 ($ million)



Source: VAGO.

Employee costs have continued to be TAFEs' largest expense, accounting for over 60 per cent of all expenses, which is shown in Figure 10. TAFEs must proactively manage these costs and ensure the efficient use of employee resources to maintain financial sustainability.

Figure 10: Composition of TAFEs' expenses by type from 2020 to 2024

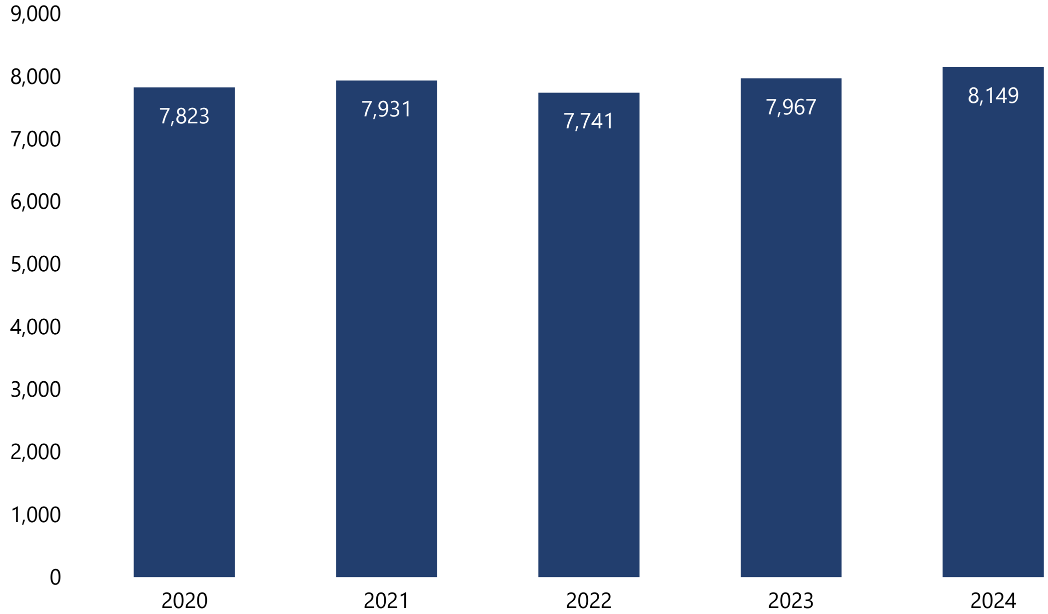


Note: Percentages may not total 100 due to rounding.
Source: VAGO.

Employee expenses rising faster than staff numbers

While total employee expense has increased in line with training revenue earned across the sector, the number of staff that TAFEs employ has not increased in line with this trend. As shown in Figure 11, the number of employees since 2020 has remained mostly stable at around 8,000 full-time-equivalent (FTE) staff. The 2024 total FTE of 8,149 is just a 4.2 per cent increase in FTE staff numbers since 2020.

Figure 11: Total FTE staff in the TAFE sector from 2020 to 2024



Source: VAGO.

Over the last 5 years, the modest increase in staff numbers reflects targeted cost-saving strategies implemented by TAFEs, including workforce reductions and organisational restructuring.

While employee numbers have remained relatively stable in recent years, rising staff costs continue to present a financial challenge. TAFEs must balance the need to maintain sufficient staffing levels to meet growing service demands with managing annual wage increases of approximately 4 per cent, driven by enterprise bargaining agreements and staff progression.

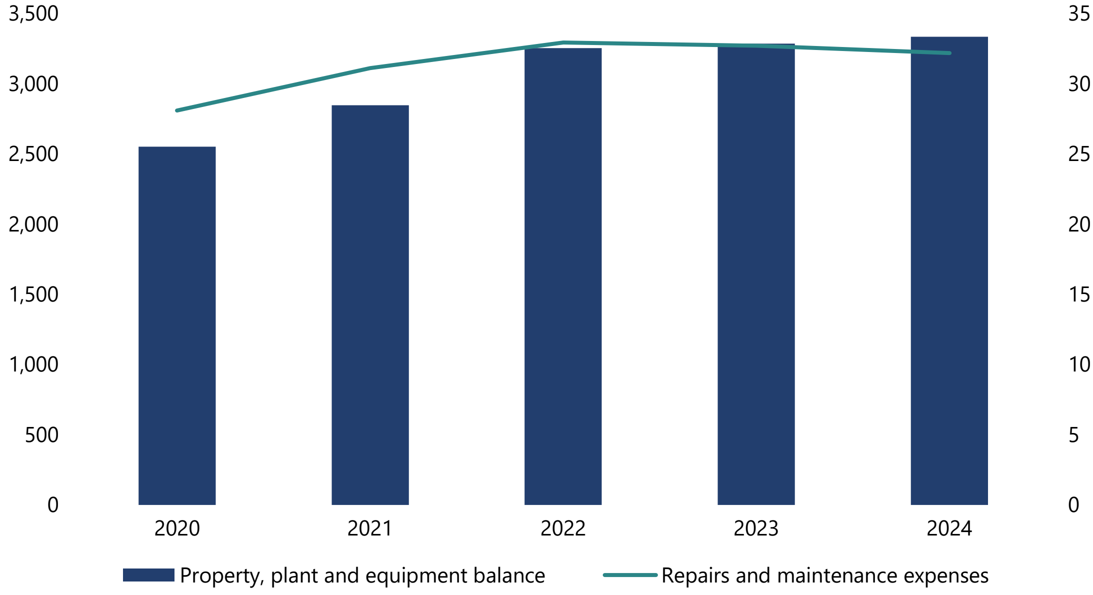
TAFEs reduced costs in other areas

TAFEs' operational expenses grew in 2024, which is expected due to higher training activity. However, there was a notable decrease in spending on marketing and promotional costs by $2.57 million. Spending on repairs and maintenance also slowed, dropping by $528 thousand, despite a 29 per cent growth in the sector's property, plant and equipment over the last 5 years.

These shifts may reflect a strategic decision to defer certain expenses, potentially to ease short-term pressures. In the context of a competitive VET market and growing asset bases, these decisions may lead to future financial challenges. For example:

- reducing spending on promotional activities may lead to lower engagement with potential students, impacting revenue and income growth
- deferring repairs and maintenance, as seen in Figure 12, may lead to asset deterioration, shorter useful lives and higher future replacement costs.

Figure 12: TAFE sector's repairs and maintenance expenses and total property, plant and equipment balance from 2020 to 2024 ($ million)



Note: 2022 was TAFEs' last revaluation year, with a significant increase in value recorded in that year.
Source: VAGO.

Capital funding in recent years may not be enough to maintain and replace assets

Capital grant income may not be enough to fund capital works at all TAFEs

As mentioned, TAFEs receive capital funding from the Victorian Government to help renew, replace or construct assets. While there is some connection between capital replacement and the amount of capital grants a TAFE receives, this is not always the case.

The capital replacement ratio is a way to assess whether a TAFE's spending on renewing its assets is sufficient. It is a longer-term measure that assesses spending on assets compared to depreciation. A result higher than one shows that capital renewal spending is greater than depreciation rates. A low capital replacement ratio might indicate that a TAFE is not investing enough in its facilities or equipment, possibly due to limited funding or deferred capital works.

It is worth noting this indicator does not consider TAFEs' planned capital expenditure.

While the sector overall has achieved a capital replacement ratio greater than one over the last 5 years, this has varied significantly between TAFEs, as shown in Figure 13.

Sunraysia Institute of TAFE and Wodonga Institute of TAFE both had a capital replacement ratio greater than one for the period, despite receiving less than 2 per cent of the sector's total capital grant funding during this period. Conversely, Holmesglen Institute earned 3.8 per cent of the sector's capital grant funding but had a capital replacement ratio of only 0.73.

Figure 13: Proportion of the sector's total capital funding each TAFE received for 2020 to 2024 and its average capital replacement ratio for the same period

TAFE	Proportion of sector's total capital grant funding	Capital replacement ratio
Bendigo Kangan Institute	31%	2.29
Box Hill Institute	2.4%	0.87
Chisholm Institute	19%	1.45
Gordon Institute of TAFE	5.0%	1.41
Goulburn Ovens Institute of TAFE	5.6%	1.62
Holmesglen Institute	3.8%	0.73
Melbourne Polytechnic	12%	1.63
South West Institute of TAFE	8.7%	1.49
Sunraysia Institute of TAFE	1.6%	1.42
TAFE Gippsland	8.7%	2.48
William Angliss Institute of TAFE	1.3%	0.94
Wodonga Institute of TAFE	1.2%	1.23

Note: Percentages may not total 100 due to rounding.
Source: VAGO.

The gap between the capital replacement ratio and amount of capital funding highlights some possible trends:

- TAFEs with a ratio above one but a smaller share of capital grants are using their own funds to renew assets.
- TAFEs with a ratio below one may be deferring asset renewal as part of broader efforts to manage cost pressures, consistent with lower spending on repairs and maintenance.

Overall, the sector earned a total of $405 million in capital grant income over the last 5 years but spent $719 million in cash on non-financial asset additions over the same period.

Some TAFEs face emerging financial pressures

TAFEs are economically dependent on the state for funding

We found no signs that TAFEs were unable to meet their short-term financial obligations in 2024, yet we observed emerging financial pressures for some TAFEs.

As part of our financial audits, we assess whether management has appropriately applied the going concern assumption. This assumption means the entity expects to meet its financial obligations and continue operating for at least 12 months from the date of the audit report. If we identify a significant risk to this assumption that is not properly disclosed in the financial report, we may modify our audit opinion to highlight a material uncertainty.

TAFEs operate within the State of Victoria’s GGS, which functions as a single legal entity. The government centrally controls and funds TAFEs, so their continued operation depends more on policy decisions and the availability of government support if financial issues arise, rather than on the financial performance of individual TAFEs. As a result, GGS entities typically face lower going concern risks than private sector organisations, unless there is clear evidence to the contrary from a policy or funding perspective.

In 2024, we did not modify any audit reports to highlight material uncertainty related to going concern. All TAFEs provided sufficient evidence to support their ability to operate for at least 12 months from the audit report date.

However, our audit procedures, including reviews of budgets, cash flow forecasts and performance against financial and non-financial KPIs, revealed the following:

- 5 TAFEs ended 2024 with lower liquidity ratios than in 2023, indicating reduced financial resources.
- One TAFE, Melbourne Polytechnic, reported a liquidity ratio below one, meaning its current liabilities exceeded its current assets. However, it was enacting planned asset sales to access future financial resources.
- Budget projections beyond 2025 show that 5 TAFEs may experience low or negative cash positions by the end of 2026.

These observations indicate emerging financial pressures ahead for several TAFEs, which will need to be actively managed to maintain financial sustainability.

Material uncertainty

A material uncertainty occurs when:

- an event or condition exists that is likely to impact an entity's ability to continue operating
- omitting or misstating the existence of these events or conditions could influence a user's decisions or understanding of the financial report.

KPIs have been set around the sector's financial sustainability

The *TAFE Network Statement of Priorities for 2024* includes an overall priority on TAFE financial sustainability. This priority includes targets specifically for:

- viable service delivery
- TAFE network-wide shared services
- standardised approaches to financial reporting
- balanced budgets
- operating within established risk parameters.

Many of these targets are stated to be achieved in collaboration with OTCD.

The KPIs that TAFEs report on annually are associated with these financial sustainability priority targets. TAFEs set the targets for these KPIs in line with their budgets and with input from OTCD.

For 2024, the 4 mandatory KPIs were:

- training revenue diversity
- employment costs as a proportion of training revenue
- training revenue per teaching FTE
- operating margin percentage.

These KPIs are a key way that TAFEs are publicly accountable for their performance against these priority areas. They all show the sustainability of a TAFE's operations, either through efficiency or diversity.

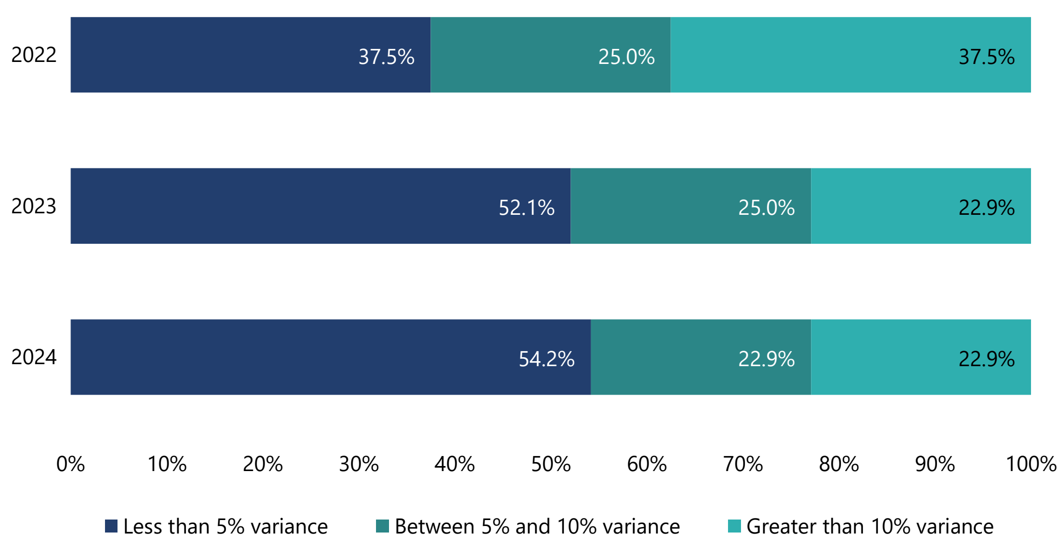
TAFEs' budgeting processes for KPIs are still lacking

In our *Results of 2023 Audits: Technical and Further Education Institutes* report we highlighted that we observed persistent and significant variances between budgeted and actual results for many KPIs. Given that KPIs are a key mechanism for TAFE accountability, improving budgeting accuracy presents a valuable opportunity for the sector.

Accurate budgeting supports better government funding decisions and enables TAFEs to plan more effectively for future changes in their finances, operations and service delivery. This would ultimately help to manage ongoing financial sustainability.

As Figure 14 shows, while there was a slight improvement in accuracy for 2024, there was still almost a quarter (23 per cent) of KPIs that varied from target by more than 10 per cent.

Figure 14: Variance between TAFEs' target and actual for KPIs from 2022 to 2024



Note: Percentages may not total 100 due to rounding.
Source: VAGO.

We previously recommended that TAFEs focus on analysing the causes of significant variances between budgeted and actual revenue and expenses, which form the basis of the target KPIs. We observed a trend that TAFEs tended to under-budget revenue and over-budget expenses.

For the large (greater than 10 per cent) variances for 2024, all but one were a result of under-budgeting revenue or over-budgeting expenses. While some of these variances are due to uncertainty over enterprise bargaining outcomes, this shows that the trend has not improved since 2023. TAFEs should continue to work on this recommendation.

Update on timely budget recommendation from our 2023 report

In our *Results of 2023 Audits: Technical and Further Education Institutes* report we also included a recommendation that, as TAFEs continue to work with DJSIR to achieve balanced budgets into the future, they begin their budgeting process earlier to ensure budgets are in place before the year they are to apply.

In 2024, all TAFEs submitted their board-endorsed draft budgets for 2025 to DJSIR within the timeframes they agreed with the department. However, the budgets needed significant revisions because of key factors that changed after they were initially submitted. TAFEs then resubmitted and DJSIR approved the budgets with these revisions in January 2025, missing the end-of-2024 deadline.

While TAFEs were unable to finalise their 2025 budgets before the end of 2024, we acknowledge the progress they made in improving the budgeting process. In particular, submitting board-approved draft budgets by the end of October. We encourage TAFEs and DJSIR to continue this process, with the aim of having 2026 budgets finalised by the end of 2025.

3.

The Victorian public university sector

Snapshot

All Victorian public universities' financial reports are reliable and of good quality

The sector's net result grew because of strong investment returns and increased teaching revenue

To remain financially resilient, the sector needs to stay focused on planning for potential government policy changes

Revenue growth outpaced expenses because of more teaching

All 8 public universities in Victoria received clear audit opinions for their 2024 financial reports. They submitted their reports on time, and the reports were of good quality.

The sector delivered improved financial results in 2024, supported by strong investment returns and increased teaching revenue. While some universities reported profits and others recorded losses, most improved their net result compared to last year. Higher teaching revenue was driven by an increase in domestic student enrolments following several years of variable movement. Revenue and income growth exceeded expense growth, driving stronger overall financial performance.

While most universities ended 2024 with strong balance sheets, to remain financially resilient they need to stay focused on planning for potential government policy changes. For example, changes in enrolment settings or funding arrangements could affect future financial outcomes. Most universities still rely heavily on revenue from domestic or international full-fee students, which makes them sensitive to shifts in these areas.

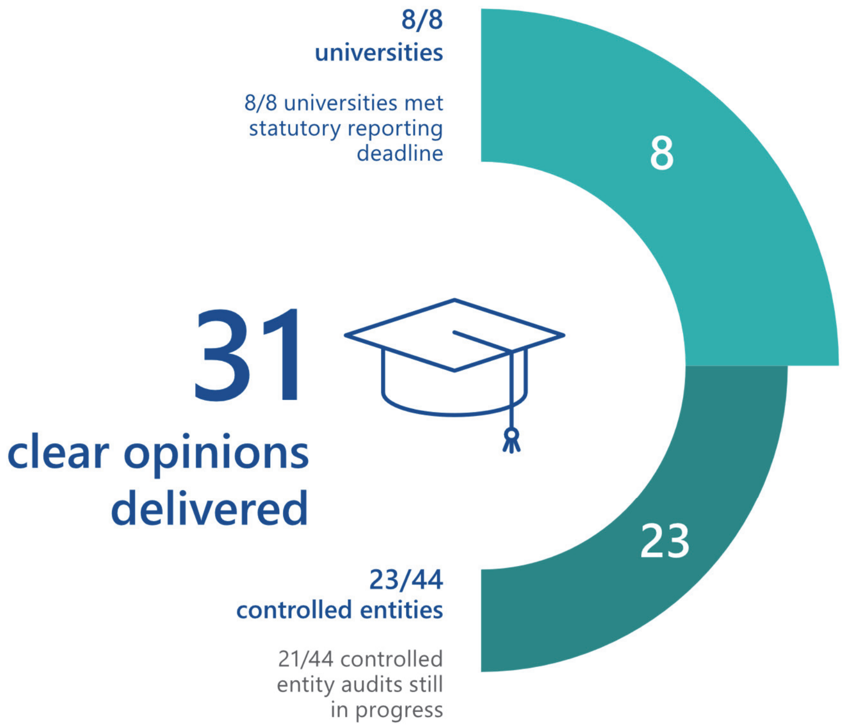
University financial reports are reliable

Clear audit opinions on all university financial reports in 2024

Audit opinions issued

We have issued clear audit opinions on the 8 universities' financial reports and 23 of their 44 Australian controlled entities' financial reports for 2024. This means Parliament and the community can confidently use these reports.

Figure 15: Clear audit opinions issued and outstanding audits for the Victorian public university sector in 2024



Source: VAGO.

Audits still in progress

As at 15 May 2025, audits of 21 controlled entities' financial reports are still in progress for 2024. This did not affect our ability to issue audit opinions on the universities' consolidated financial reports because the operations of these controlled entities are not significant, either individually or collectively, to each university's operations.

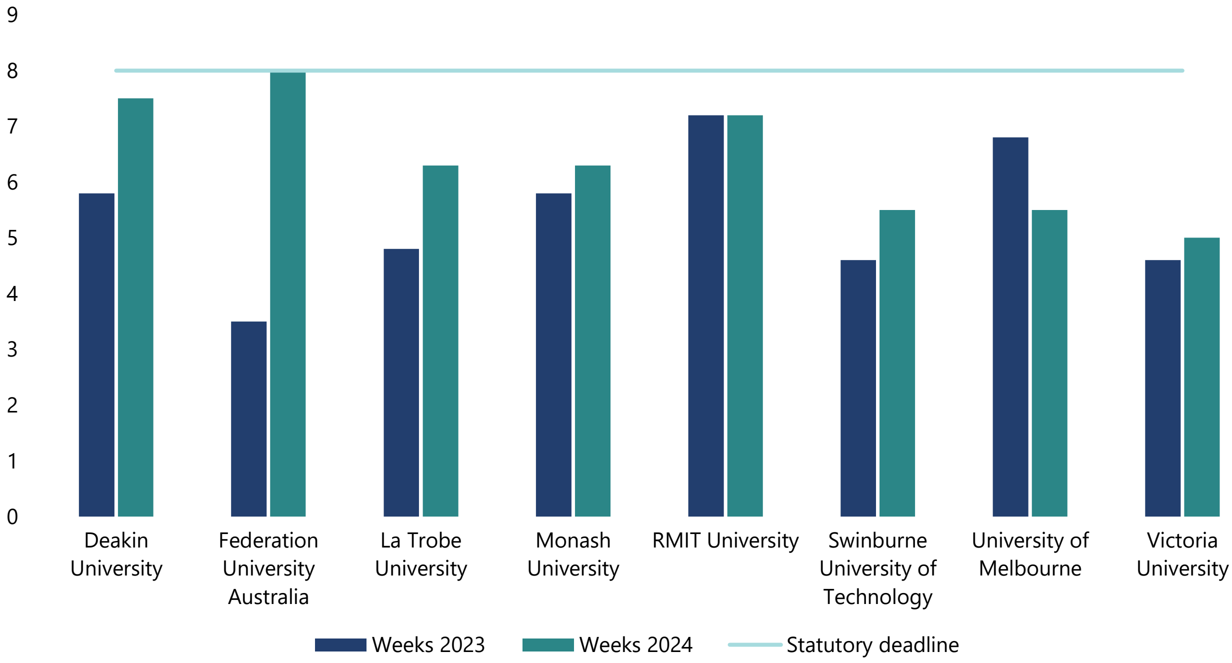
See Appendix C for more information about these audits.

Universities met their reporting timeframes

Timeliness

In 2024, all universities submitted their draft financial reports to us within the 8-week statutory deadline. Meeting this deadline helps universities comply with the law, facilitates a timely audit process and maintains financial transparency and accountability.

Figure 16: Timeliness of universities' financial reports for 2023 and 2024 (weeks after balance date)



Source: VAGO.

Controlled entities' timeliness

Of the 44 Australian controlled entities we audit, 26 submitted their draft financial reports to us within the 3-month deadline. This was a decrease from 2023, when 36 met the deadline.

Some controlled entities missed the deadline because universities prioritised preparing their own financial reports and those of significant controlled entities on time, over the smaller controlled entities. While it is important to prioritise universities and their significant controlled entities, it is also important to meet the legislated timelines for all controlled entities to ensure validity for users.

Of 21 controlled entity audits still in progress:

- 6 controlled entities have yet to prepare their draft financial reports
- we are still auditing the financial reports of 15 others.

Financial reports continue to be of good quality

No material errors identified

As noted in Section 2, the nature, number and size of errors in financial reports provided for audit shows the quality and effectiveness of the systems and processes used to compile them.

Like last year, we found no material financial errors or classification and disclosure differences in the universities' financial reports, indicating that the reports are of good quality.

Amendments to fair value measurement

As also noted in Section 2, the AASB issued authoritative implementation guidance to AASB 13 *Fair Value Measurement*, which applied for the first time in 2024. But unlike the TAFE sector, universities did not receive any relief to defer application. This is because FRD 103 exempts the Victorian public universities from following it and therefore the relief contained within it, which allowed for a phased approach.

Universities applied the amended implementation guidance for the first time in 2024. We observed no material changes to the valuation outcomes of non-current physical assets, nor any significant changes to financial report disclosures because of the new guidance. We also did not identify any control or financial reporting issues associated with its implementation. This outcome aligns with the expectations disclosed by all universities in 2023, where they expected the impact of the amended guidance to not be material.

University sector financial outcomes

The sector's net result improved from strong investment returns and increased teaching

The sector's net result

For 2024, the sector's net result improved. The sector recorded a net profit of $597 million, compared to $41.9 million for 2023.

This result was because revenue from teaching both domestic and international students increased more than expenses on staff and operations. Investment performance was also strong in 2024.

The sector reported …	which is a …	from …
$13.6 billion in revenue	12 per cent increase	$12.1 billion in 2023
$13.0 billion in expenses	7.4 per cent increase	$12.1 billion in 2023.

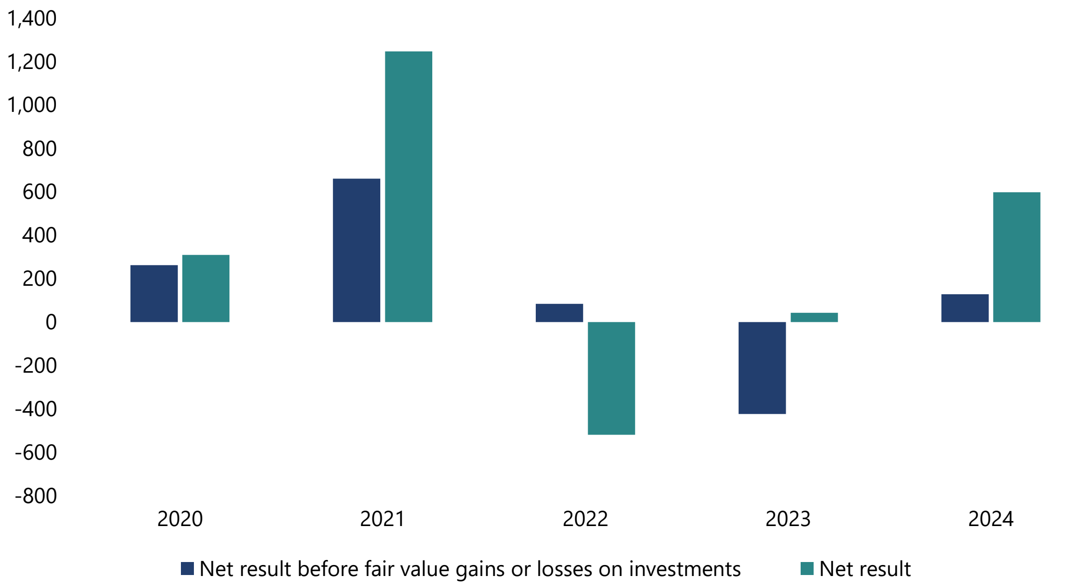
Investment returns support net result

Universities have large investment portfolios. They record the amounts they earn on these investments in their comprehensive income statement each year. These earnings include both amounts they receive from the investments (such as interest and dividends) and movements in the value of the investment itself, known as fair value gains or losses on investments.

Market conditions heavily influence investment returns and changes in investment fair values. These fluctuations can significantly impact the reported net results each year, either positively or negatively, depending on market performance.

As Figure 17 shows, investment gains contributed significantly to the sector's net result in 2024. Excluding these gains, the sector would have recorded a net result of $129 million, which is $468 million lower than the $597 million reported.

Figure 17: The Victorian public university sector's net result before and after fair value gains or losses on investments from 2020 to 2024 ($ million)



Source: VAGO.

Overall, investment returns and fair value gains or losses have played a critical role in shaping universities' net results in recent years. Over the last 5 years, changes in fair value have made up almost a third (32 per cent) of the sector's investment income. The impact to the sector's net result has been significant, as seen below.

The Victorian public university sector recorded a net result in …	which included fair value gains or losses of …	which without these would have been a …
2024 of $597 million profit	$469 million in gains	$129 million profit.
2023 of $41.9 million profit	$466 million in gains	$424 million loss.
2022 of $520 million loss	$604 million in losses	$84.0 million profit.

The start to 2025 has been marked by heightened market uncertainty, with most global markets falling since the end of 2024.

While universities may be able to manage their revenue and expenses, whether they ultimately record a net profit or loss may depend on how these market conditions evolve.

Fair value gains or losses on investments

Universities can choose to record changes in the fair value for some of their investments in their net result when they happen or when they sell the asset. Most universities record these changes in fair value within their net result for the year. They do this even if they have not sold the investment. This means their net result is susceptible to changes in fair value each year.

When an investment's fair value goes up, it is called a fair value gain. When an investment's fair value goes down, it is called a fair value loss.

Net result by universities before fair value gains or losses

For 2024, 3 of the 8 universities reported a net loss. Without fair value gains or losses, one further university would have also reported a loss.

Figure 18 presents the net result margin by university before accounting for fair value gains or losses, providing a clearer view of the underlying financial performance across the sector.

For 2024:

- 4 universities recorded a net profit and therefore a positive net result margin
- 2 universities reported a loss. However, both improved their net result margins compared to 2023
- 2 universities reported a loss and recorded a worse margin than in 2023.

Net result margin

An entity's net result is its revenue and income minus its expenses. The net result margin is the net result divided by total revenue and income.

A positive result shows a profit and a negative result shows a loss. The larger the percentage, the stronger the result.

This measures how efficiently entities earn and spend their revenue and income and helps compare universities of different sizes more fairly by putting them on the same scale.

Figure 18: Universities' net result margins before fair value gains or losses on investments for 2023 and 2024

Source: VAGO.

While universities operate as not-for-profit entities, generating modest profits is important to ensure they have sufficient funds to reinvest in their service delivery and remain financially sustainable. This includes investing in things such as paying for additional academic staff or making investments into new buildings and equipment.

Some universities experienced deteriorating results

As shown in Figure 18, Deakin University, Federation University Australia, La Trobe University and the University of Melbourne all recorded a net loss before fair value gains or losses in 2024.

Deakin University and Federation University Australia improved their results compared to 2023. Both universities increased revenue at a faster rate than expenses in 2024. Additionally, Federation University Australia recognised a one-off impairment loss in 2023 that did not occur in 2024. But even excluding this amount, it would have reported an improved net result margin before fair value gains or losses on investments, from −18 per cent in 2023 to −6.4 per cent in 2024.

In contrast, the University of Melbourne reported a larger net loss in 2024 and La Trobe University moved from breaking even in 2023 to recording a loss in 2024.

The University of Melbourne's lower result reflects the spend on research activities in 2024 that were funded in prior years.

La Trobe University's decreased net result was driven by several factors:

- It stopped receiving capital grants for various large-scale projects.
- It incurred restructuring costs, including employee termination payments, to reduce expenses in future years.
- It completed several other capital projects that begun incurring depreciation expenses in 2024.

Revenue growth outpaced expenses because of more teaching

Revenue grew on domestic and international student numbers

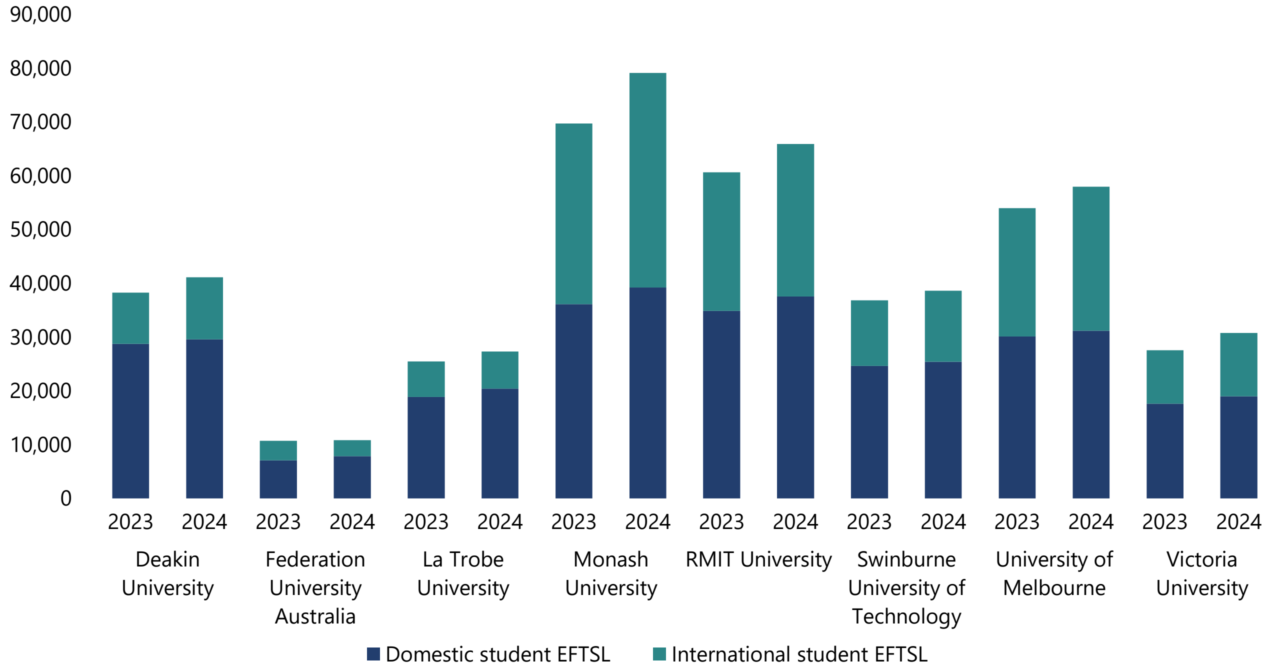
Most revenue universities earn is teaching revenue, which made up over 67 per cent of the sector's total revenue in 2024. Growth in this revenue source is therefore what drives increases in revenue.

All universities reported a second consecutive year of teaching revenue growth in 2024. And as Figure 19 shows, all universities increased the number of students they teach, measured by equivalent full-time student load (EFTSL).

This increase was mostly consistent across the sector for both domestic and international places, and for both the Go8 universities and the non-Go8 universities. The sector's total EFTSL increased from 322,988 in 2023 to 351,559 in 2024.

> **EFTSL**
>
> EFTSL is a measure that represents the workload of a student enrolled in a course on a full-time basis for an academic year. One EFTSL equals one full-time study load for one year.
>
> Universities calculate EFTSL as per the *Higher Education Support (Administration) Guidelines 2022*.

Figure 19: Universities' student numbers by EFTSL for 2023 and 2024

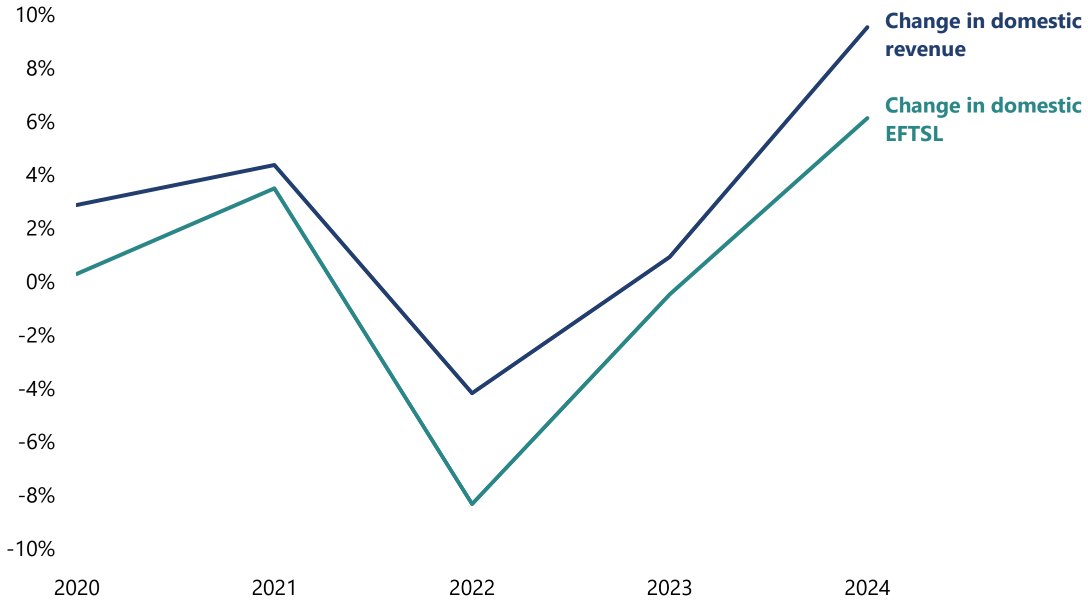


Note: The EFTSL numbers used in this figure were provided by the respective university and are unaudited.
Source: VAGO.

Positive signs in return to growth in domestic teaching revenue

Teaching revenue and EFTSL from domestic students increased in 2024 compared to recent years. This had been variable since COVID-19 in 2020, with increases and decreases being mostly equal over the period 2020 to 2024. But all 8 universities increased the amount of domestic student EFTSL in 2024, compared to only 4 in 2023. This increase in domestic EFTSL resulted in higher revenue.

Figure 20: Percentage change in domestic teaching revenue and domestic student EFTSL for the Victorian public university sector compared to preceding year for 2020 to 2024



Source: VAGO.

This increase in domestic students can be attributed to:

- an increase in year 12 students in Victoria in 2023 – 1,827 (3.0 per cent) more students than in 2022
- increased demand for subjects such as teaching and nursing, often seen as 'safe' courses during times of economic uncertainty
- the government often subsidising in-demand courses at a higher rate than other courses, making these cheaper for the student.

This increase in enrolments for teaching and nursing is consistent with earlier times of economic uncertainty (such as the 2008 Global Financial Crisis and COVID-19), where demand for courses that are highly likely to lead to paid employment are seen as safe options.

Expenses still increased but at a slower rate

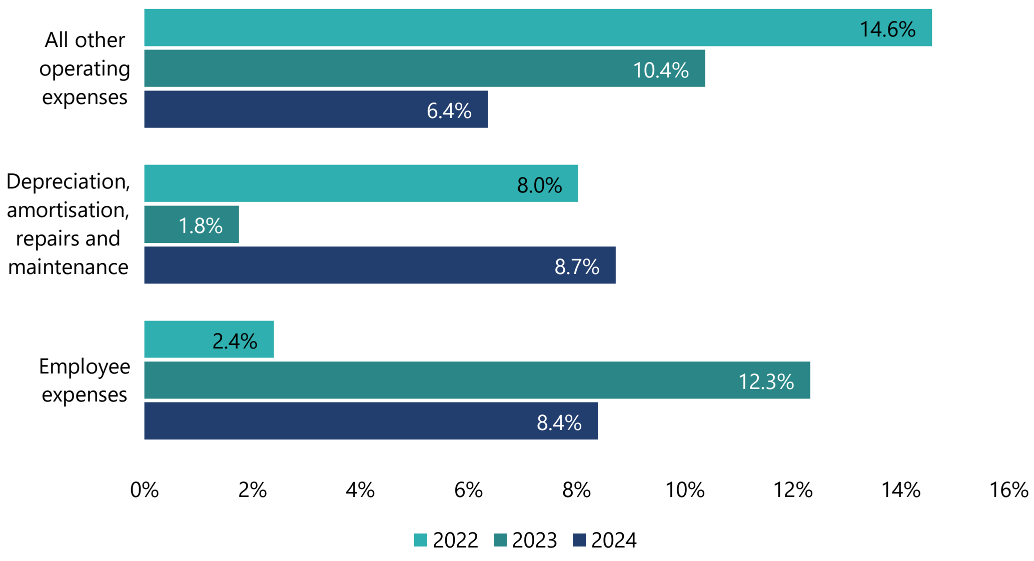
Universities' expenses grew in 2024, but the growth rate slowed. Total expenses excluding fair value losses increased by 7.7 per cent in 2024 compared to 10.4 per cent in 2023.

This was mostly because of increases in cost pressures. The Producer Price Index for higher education measures changes in the price of goods and services the higher education industry uses. It increased by 6.9 per cent in 2024 compared to 2.9 per cent in 2023, according to the Australian Bureau of Statistics.

The rest of the increase is linked to universities doing more teaching and other activities overall. For example, costs such as student-related expenses increased by 38 per cent in 2024.

While growth in 2023 was mostly due to increases in how much teaching universities were undertaking, growth in 2024 was mostly due to cost increases.

Figure 21: Percentage increases in Victorian public universities' primary expense sources excluding fair value losses for 2022 to 2024



Source: VAGO.

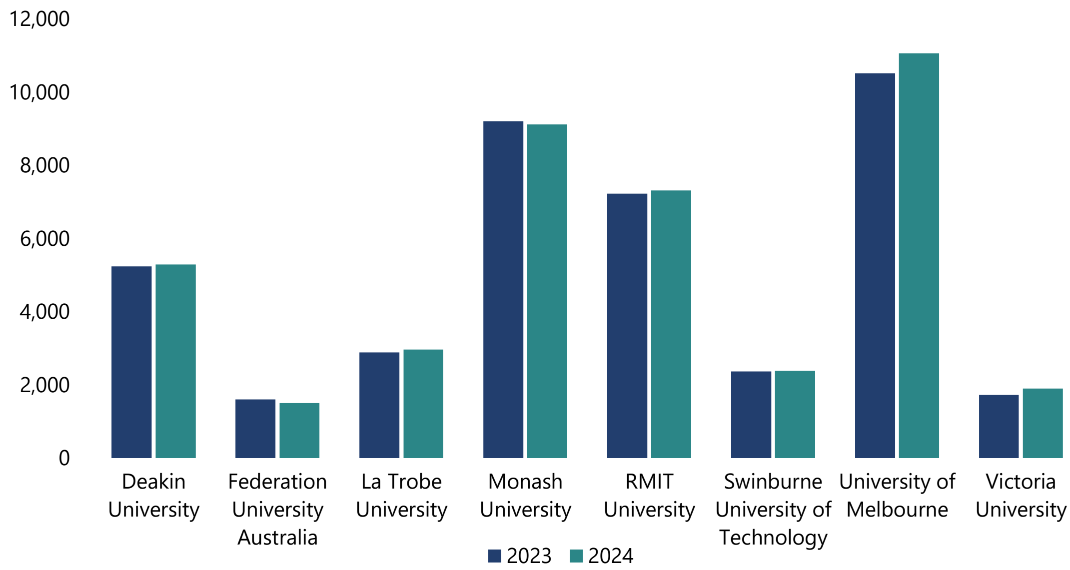
Growth in number of staff slowed, but cost per staff continues to increase

As teaching organisations, universities spend most of their money on their staff.

Universities had been increasing staff numbers in 2022 and 2023 as international students returned to universities. But they slowed this growth in 2024.

Despite an increase in EFTSL of 8.8 per cent in 2024, the FTE growth throughout the sector has varied, as shown in Figure 22. As at 31 December 2024, the sector employed a total of 41,538 FTE staff, compared to 40,784 in 2023.

Figure 22: Universities' staff numbers by FTE for 2023 and 2024



Note: Number of employees includes full-time, part-time and casual academic and non-academic staff. The FTE numbers used in this figure were provided by each university and are unaudited.
Source: VAGO.

Universities slowed the growth in staff numbers in 2024. However, employee costs still increased by $556 million.

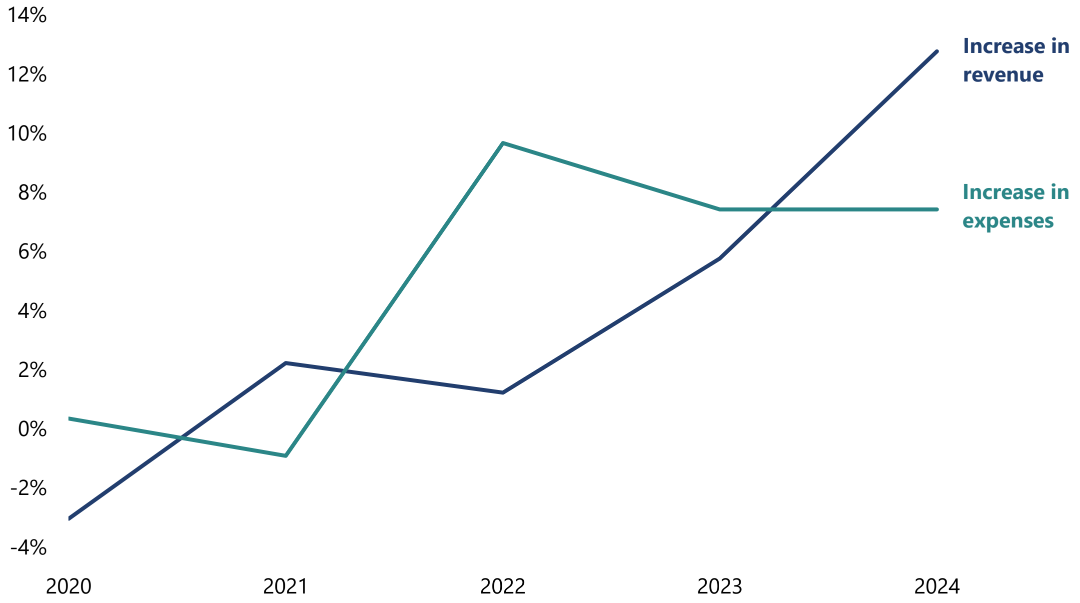
This can be attributed to several factors, such as:

- wage increases as part of enterprise bargaining agreements
- one-off restructuring costs during 2024
- increased reliance on specialised staff who command higher remuneration
- increased administrative and compliance activities, requiring more staff, such as student support and digital learning support staff.

Revenue growth exceeded expense growth for first time since 2021

Despite the increase in staff costs, revenue growth outpaced expense growth. This is the first time this has happened since 2021, when redundancies related to the COVID-19 response reduced staff numbers.

Figure 23: Percentage change in total revenue and expenses (excluding fair value gains or losses) for the Victorian public university sector compared to the preceding year for 2020 to 2024



Source: VAGO.

The revenue growth over the last 2 years has been crucial to the sector reporting improved financial outcomes.

Preparing for change requires continued focus to remain financially resilient

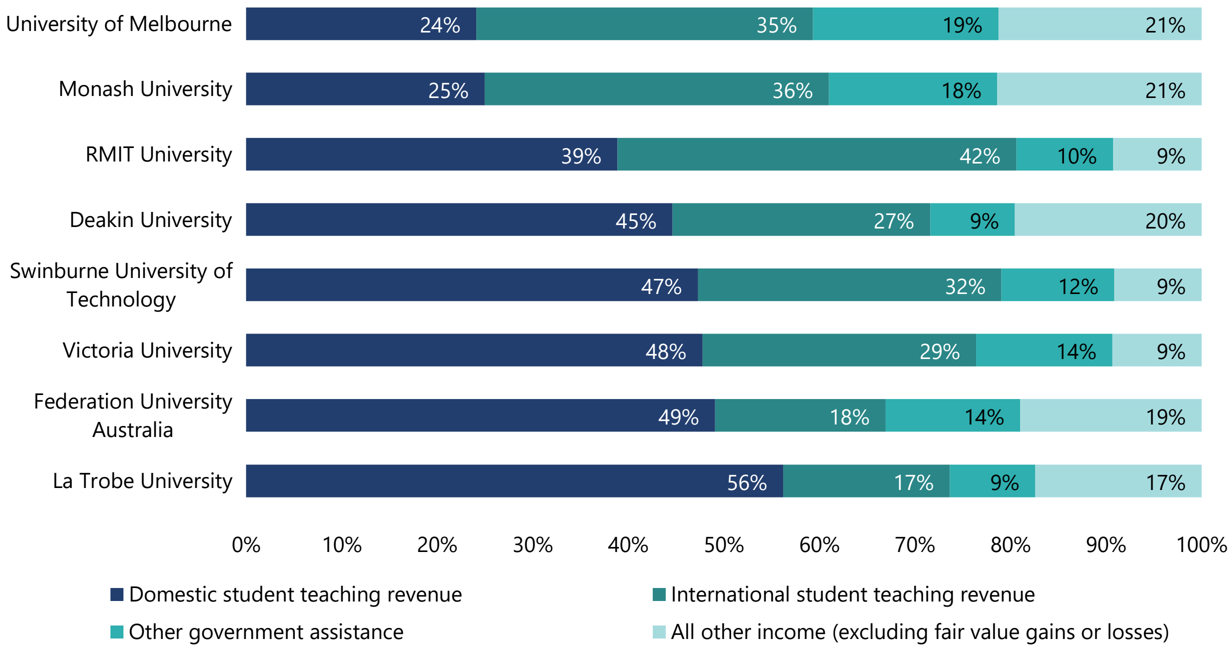
Policy changes may affect universities differently

Changes to government policy, such as enrolment settings or funding arrangements, could affect future financial outcomes. Most universities still rely heavily on revenue from domestic or international full-fee students, which makes them sensitive to shifts in these areas.

In 2025, the biggest uncertainty for universities relates to the Australian Government's approach to international student places and possible enrolment caps. The sector currently earns about one-third of its revenue from teaching international students.

As shown in Figure 24, universities vary widely in their reliance on this revenue stream. As a result, any changes to international education policy, including any cap on international student enrolments, may affect each university differently, depending on the change and their level of reliance.

Figure 24: Revenue by source per university for 2024

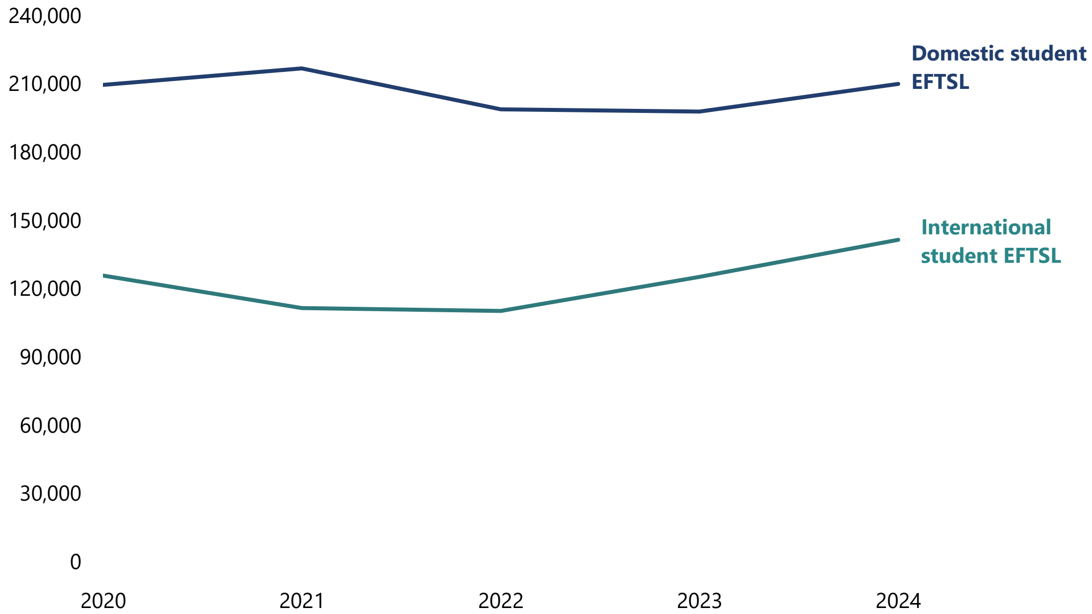


Note: Percentages may not total 100 due to rounding. Revenue includes the amounts from universities' onshore and offshore controlled entities.
Source: VAGO.

The level of reliance each university has on international student teaching revenue has changed over time as international students have returned to study in Australia after COVID-19.

From 2020 to 2022, international enrolments declined, while domestic enrolments were varied. Since then, international student enrolments have grown by 28 per cent, outpacing the 5.6 per cent growth in domestic student enrolment. As a result, universities are increasingly relying on international students as a key revenue source.

Figure 25: Total domestic student EFTSL and international student EFTSL for Victorian public universities from 2020 to 2024



Note: The EFTSL numbers used in this figure were provided by the respective university and are unaudited. They include the EFTSL of universities' onshore and offshore controlled entities.
Source: VAGO.

In 2024, overall the sector taught significantly more domestic students than international students, with domestic student EFTSL more than 68,000 higher than international student EFTSL.

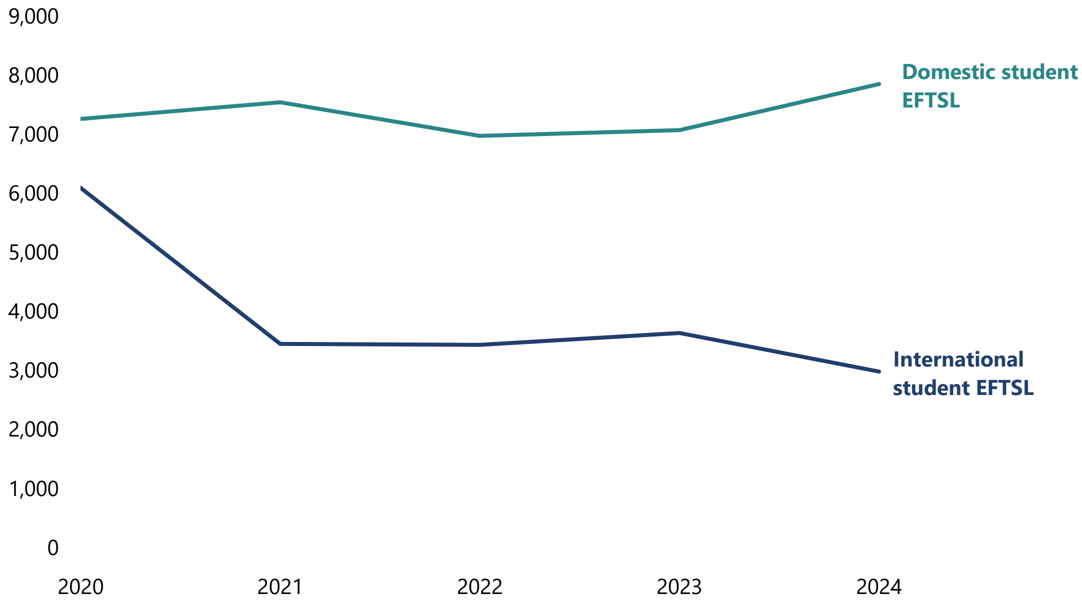
Other changes that could affect universities' revenue

Outside of potential adjustments to international education policy, changes to domestic student policies. For example, how CSPs are allocated and funded, may also affect how universities generate revenue from domestic student places.

Domestic student teaching revenue is a primary source of revenue for universities. So, changes to how CSPs are allocated for domestic student places could have an equal or even greater financial impact than capping international student places.

For example, in 2024 most universities increased international student revenue at a faster rate than domestic student revenue. But Federation University Australia had less international student enrolments in 2024 compared to 2023 and experienced increased domestic student enrolments at a faster rate than the other universities.

Figure 26: Domestic and international student EFTSL figures for Federation University Australia from 2020 to 2024



Note: The EFTSL numbers used in this figure were provided by Federation University Australia and are unaudited.
Source: VAGO.

Changes to how major research funders, such as the Australian Research Council or the National Health and Medical Research Council, distribute research funding could have impacts across the sector, depending on how these funds are distributed.

In 2024, the Victorian Go8 universities earned 64 per cent of all research income. Other Victorian public universities have been increasing the amount they earn from this source, which is $172 million more in 2024 compared to 5 years ago. But this has only increased their share of research revenue by 1.7 per cent.

For the year end …	non-Go8 universities earned income from research grants of …	which of the total sector's research income was …
31 December 2024	$563 million	36 per cent.
31 December 2020	$391 million	34 per cent.

Continuing to diversify revenue will help prepare for changes

In February 2024, the Australian Government Minister for Education released the *Australian Universities Accord Final Report*. The report put forward recommendations for the Australian Government to consider, including matters on international student policy, domestic student policy and research funding.

Despite efforts to diversify revenue to date through investment and other income – which includes contract research, consultancy, partnerships and commercial activities – most universities still significantly depend on one of either domestic or international student teaching revenue. Continuing to seek alternative revenue sources will help to guard universities from potential future impacts to their teaching revenue.

At the end of 2024, balance sheets remain strong

While risks exist in the future, universities have strong balance sheets with the cash, investments and non-current physical assets held.

At the end of 2024, universities held sufficient cash and liquid assets (which are assets universities can quickly turn into cash) to meet their short-term liabilities. As Figure 27 shows, 7 of the 8 universities have an adjusted liquidity ratio above one. This means their cash and liquid assets exceed their current liabilities. In this ratio, we also count some long-term investments as liquid assets, because even though universities usually keep them for the long term, they could sell them quickly if needed.

La Trobe University had an adjusted liquidity ratio below one. But much of its current liabilities relate to 2025 student fees received in advance of providing the teaching, and its staff's leave entitlements.

Of its $74.5 million in current employee leave liabilities, La Trobe University only expects to need to settle $18.0 million of this in 2025.

Figure 27: Universities' adjusted liquidity ratios for 2023 and 2024

Source: VAGO.

Adjusted liquidity ratio

A liquidity ratio measures if an entity can likely pay its liabilities in the immediate future using cash and short-term assets. An entity's adjusted liquidity ratio also includes its non-current investments.

The ratio should ideally be above one, indicating that there are sufficient liquid assets to meet short-term liabilities.

4. Internal control and financial reporting issues

Snapshot

TAFEs' and universities' internal controls are adequate, but there are areas for improvement

TAFEs and universities need to keep IT controls strong, particularly as they explore new technology opportunities

Both sectors are making progress to close prior period issues

TAFEs and universities have adequate internal controls for preparing reliable financial reports and performance statements, but there is room for improvement. This includes internal controls relating to information technology (IT) systems, which are important for modern businesses.

There were mixed results for new issues between the sectors, but both were able to reduce their number of long-outstanding issues.

Issues with IT systems continue to be the main source of weaknesses for both TAFEs and universities. This presents a continuing challenge as TAFEs and universities use more outsourced or 'cloud-based' services that rely on IT controls. This is particularly relevant to TAFEs, as they look for opportunities to move to more shared or common IT systems.

TAFEs' and universities' internal controls are adequate for reliable reporting, but there are areas for improvement

Mixed results for new issues, but both TAFEs and universities are addressing older issues

Internal control snapshot

TAFEs and universities must have an effective internal control system to keep proper accounts and records.

We assessed if TAFEs' and universities' internal controls – which include people, systems and processes – allow them to prepare reliable financial reports and, for TAFEs, also their performance statements.

Overall, internal controls remain adequate for reliable reporting. But there are areas for improvement relating to IT controls and financial reporting areas for TAFEs and universities.

TAFEs and universities can strengthen their internal controls and financial reporting processes by promptly addressing the issues we raise, with a focus on prioritising higher-risk matters.

Communicating internal control and financial reporting issues

Where we find internal control and financial reporting issues, we bring these to the attention of management and those charged with governance, in line with the requirements of the Australian Auditing Standards. This includes:

- raising new issues
- providing updates on unresolved issues we raised in a prior period.

We do this as part of our audit approach, but not to form an opinion of these controls.

Importance of IT controls

In modern organisations, such as TAFEs and universities, many financial controls exist within the IT systems they use to collect, store and extract financial information. TAFEs and universities rely on the design and operational effectiveness of key IT controls over systems such as:

- general ledger
- student and revenue management
- payroll
- fixed assets.

Weaknesses in IT controls can pose significant risks, especially in the context of financial reporting, data security and overall operational integrity. But just because internal controls exist, it does not mean an entity is automatically protected from cyber-attacks or other data-loss scenarios.

Our audits and the issues we find are concerned with the key finance systems and the controls and processes management have around them to ensure reliable financial reporting.

We do consider IT security, but we do not necessarily look at the security of the entire IT environment and the protection of it.

More new issues found for TAFEs

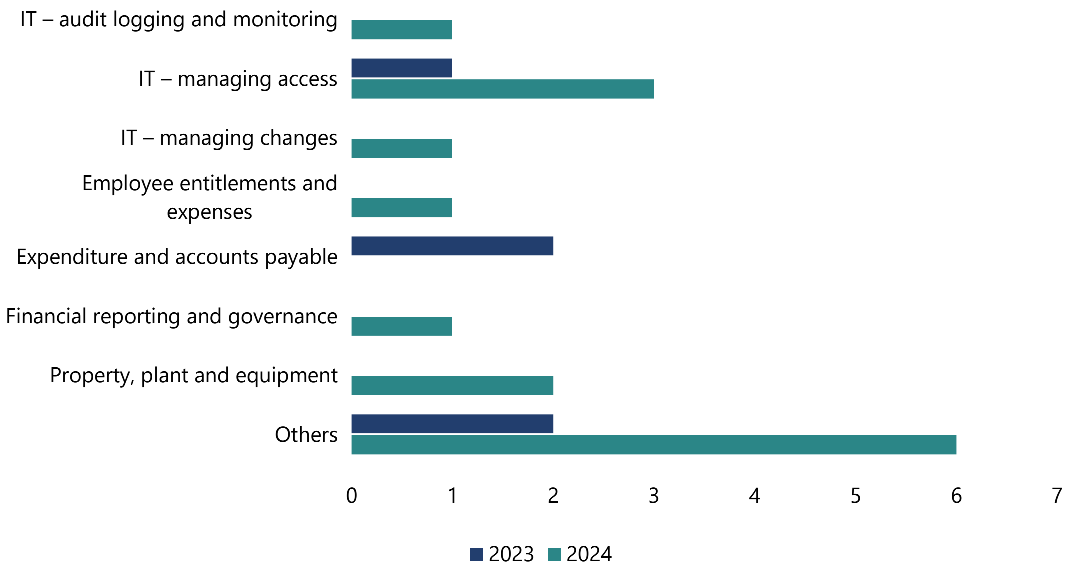
In 2024, we found 15 new internal control and financial reporting issues for TAFEs, which is an increase from 5 in 2023, as Figure 28 shows.

Of the issues we identified in 2024, 5 related to IT. The most common IT-related issue, found for 2 of the 12 TAFEs, was weaknesses in how they control access to IT systems. Specifically, current controls are not effectively preventing users, whether through error or intent, from gaining inappropriate access or making unauthorised changes to systems or sensitive data.

For almost half of the TAFEs (5 of the 12), we also found non-IT control issues. These include financial management controls such as:

- reconciling between the general ledger and a sub-ledger
- recognising revenue
- storage and retention of invoices and other documentation to verify accounting transactions.

Figure 28: New issues found for the TAFE sector in 2023 and 2024



Note: We excluded low-risk issues because we consider these minor issues or opportunities to improve. Some issues may be both raised and resolved within the same year.
Source: VAGO.

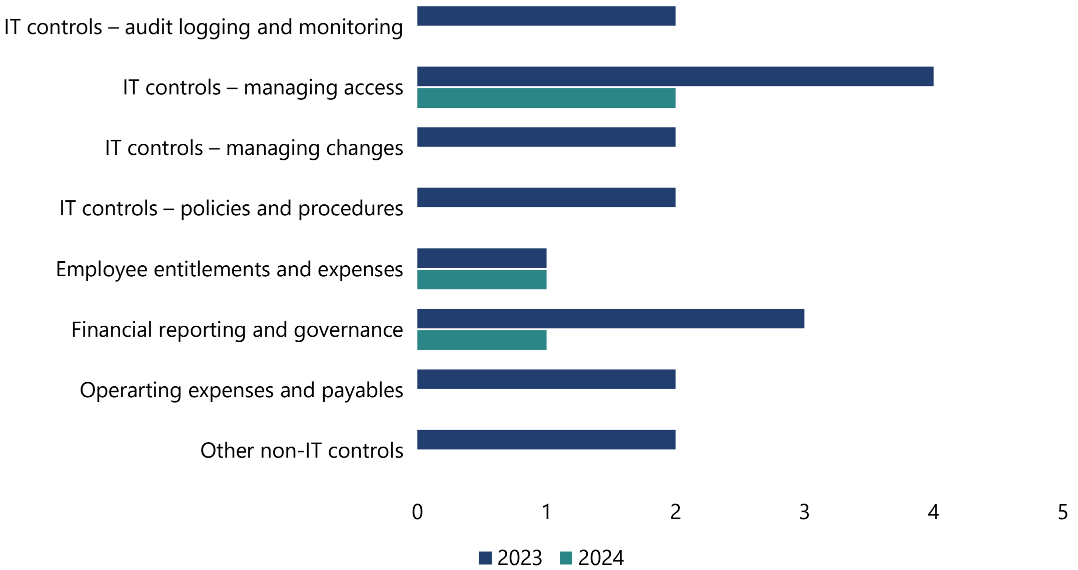
Fewer new issues found for universities

In 2024 we found 4 new internal control and financial reporting issues across 3 universities, which is a decrease from 18 issues across 5 universities in 2023. As shown in Figure 29, of these 2024 issues, 2 relate to IT.

We have seen improvements in the number and types of issues we are finding, with more mature IT systems and controls in place compared to previous years.

Some universities have planned changes to their IT systems in upcoming years. They will need to maintain this rigour around IT controls as they transition to their new systems.

Figure 29: New issues found for the Victorian public university sector in 2023 and 2024



Note: We excluded low-risk issues because we consider these minor issues or opportunities to improve. Some issues may be both raised and resolved within the same year.
Source: VAGO.

Both TAFEs and universities are closing old issues

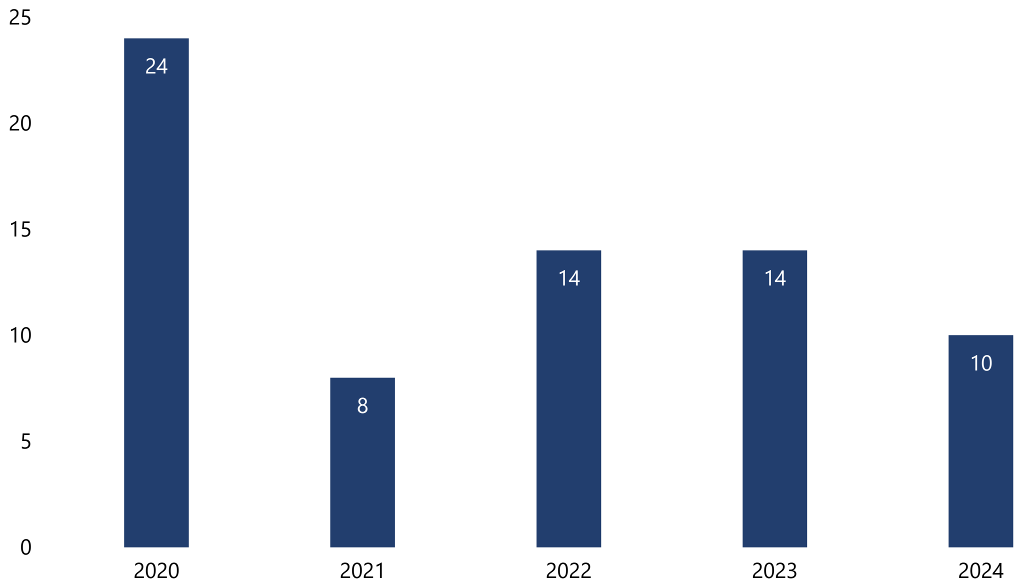
Last year in our report *Results of 2023 Audits: Technical and Further Education Institutes*, we recommended TAFEs place added focus on closing out long-outstanding issues. Likewise for universities in our report *Results of 2023 Audits: Universities*, we recommended they do the same, specifically on long-outstanding IT issues.

We are pleased to see that both sectors have reduced their number of long-outstanding issues.

For the TAFE sector, there were 14 open prior period issues in 2023 across 6 TAFEs and 10 for 2024 across 7 TAFEs. It is positive to see outstanding prior period IT-related issues reducing from 9 in 2023 to 4 in 2024.

However, with the 15 new issues found in 2024, TAFEs will need to address 25 issues in 2025. We urge TAFEs to concentrate on closing issues within their agreed timeframes during 2025.

Figure 30: The TAFE sector's unresolved prior period issues from 2020 to 2024

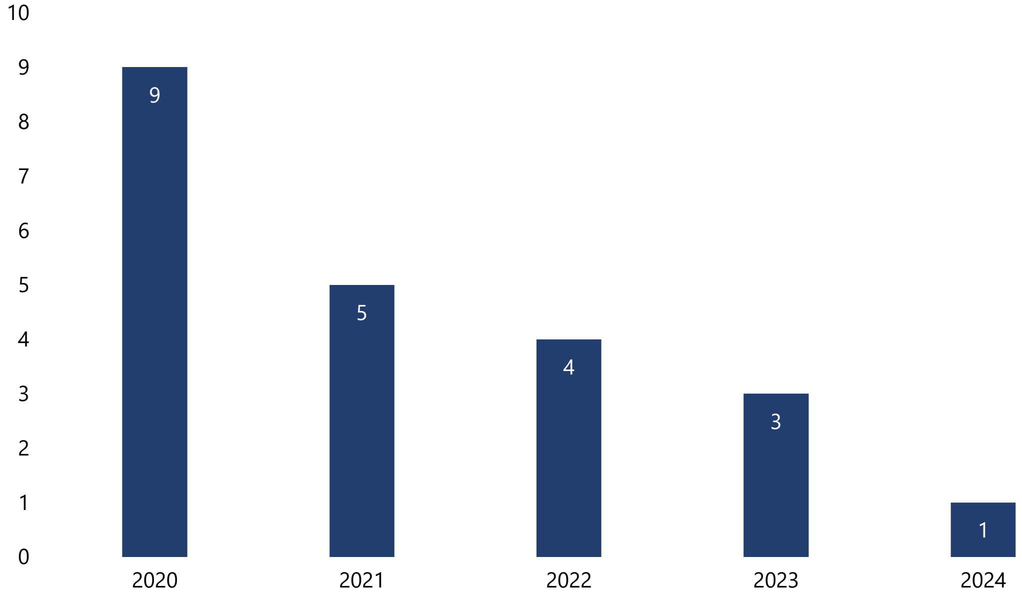


Note: We excluded low-risk issues because we consider these minor issues or opportunities to improve.
Source: VAGO.

For universities, only one prior year issue remained outstanding for 2024, compared to 3 across 2 universities in 2023.

While the open issue does relate to IT systems, this shows universities have worked to address our concerns raised in our 2023 report about long-outstanding IT issues, with only a single university still addressing a prior period issue.

Figure 31: The Victorian public university sector's unresolved prior period issues from 2020 to 2024



Note: We excluded low-risk issues because we consider these minor issues or opportunities to improve.
Source: VAGO.

TAFEs and universities need to focus on keeping IT controls strong

Types of IT control issues we find

As noted above, we continue to find weaknesses in IT system controls for TAFEs. Of their prior period unresolved issues, 4 relate to IT control deficiencies. This reflects ongoing weaknesses in their IT control environments.

For universities, we found less issues in 2024 and universities resolved many IT control issues in 2023. But some of these issues had been open for several years before they resolved them.

We would expect IT control issues to be the primary source of findings for modern control environments. But this highlights the ongoing challenge of remaining vigilant in this area.

Common IT control issues identified within TAFEs and universities include the following.

IT control deficiencies include ...	which means ...	This may result in ...
managing access	inadequate user access reviews, failure to implement role-based access control, inconsistent or delayed termination of system access and granting of access without proper request or approval were identified.	poor management of user accounts, which can give individuals more access than needed, increasing the risk of accidental or intentional misuse of systems and data.
managing changes	ineffective change tracking, lack of proper change approval processes, inadequate testing before deployment and inadequate segregation of duties were identified.	unauthorised or improper changes made to critical systems or data, which may result in system outages, data corruption and errors in financial reports.
audit logging and monitoring	system-generated audit logs were not always enabled to track critical and sensitive activities, including but not limited to changes to system user access, configurations, reports and master data. Where audit logging is enabled, we observed numerous instances where there is no active monitoring of these logs.	unauthorised or suspicious activities going unnoticed or undetected that may impact the integrity of financial reports.
policies and procedures	there are weaknesses or gaps with policies and procedures put in place to effectively manage and guide day-to-day operations.	key internal controls not operating as intended or effectively in preventing or detecting errors or fraud in a timely manner, and policies and procedures being absent or not updated regularly for operational guidance.

TAFEs and universities are responsible for controls, even in outsourced relationships

Since 2023, TAFEs have used a common cloud-based service provider for their primary finance systems.

Universities also use a variety of cloud-based or outsourced IT service providers for their student management, general ledger and procurement systems.

TAFEs and universities are responsible for governance over controls within IT systems storing their data, whether the TAFE or university controls the system or not. This is because they are responsible for financial and other data collected and stored by their organisation.

TAFEs' reliance on third-party cloud services

TAFEs have a target to find opportunities to take shared approaches to services and/or administrative systems.

For cloud-based or other outsourced IT services, most of the key controls for these systems are dependent on the IT system. Despite the third-party provider hosting the system, TAFEs are responsible for gaining assurance over the design, implementation and operating effectiveness of these key controls.

TAFEs should take a proactive approach to assessing and obtaining this assurance for any new third-party service providers they engage. Without such assurance, it will be difficult for TAFEs to confirm they are meeting their obligations around data protection. It also limits their ability to mitigate any risks that may exist and protect the integrity of their systems.

5. Appendices

Appendix A: Submissions and comments

We have consulted with the Department of Jobs, Skills, Industry and Regions, the Department of Treasury and Finance, the 12 TAFE institutes and the 8 public universities 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, 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 relevant agency head.

Responses received

Response provided by the Secretary, Department of Jobs, Skills, Industry and Regions

OFFICIAL

Department of Jobs, Skills, Industry and Regions

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Melbourne ,Victoria 3001 Australia
Telephone: +61 3 9651 9999

Ref: CSEC-2-25-26572

Mr Dave Barry
Deputy of the Auditor General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VICTORIA 3000
[redacted]

Dear Mr Barry

VAGO RESULTS OF 2024 AUDITS: TAFES AND UNIVERSITIES PROPOSED REPORT

Thank you for your correspondence of 29 May 2025 inviting the Department of Jobs, Skills, Industry and Regions (the department) to provide submissions or comments on the proposed report Results of 2024 Audits: TAFEs and Universities (the report).

The department has reviewed the report, presenting results of financial and related audits of the 12 TAFEs and 8 Victorian public universities and their controlled entities, and accepts or supports all recommendations made.

The department is already acting in response to the report's recommendation regarding the Tier 2 financial reporting framework and the Australian Accounting Standards Board (AASB) added authoritative implementation guidance to AASB 13 Fair Value Measurement. Consistent with VAGO's recommendation, the department has already commenced working with TAFEs on developing a strategy to address these changes across 2025, including 2025 model accounts which take into account the Tier 2 financial reporting framework.

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

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 no TAFEs requiring a Letter of Support in 2024.

The department welcomes the report's findings regarding Victorian public universities. I note your conclusion that the financial reports of the universities and their controlled entities are reliable, and I support the recommendations made. The department will provide some minor comments on the proposed report directly to the VAGO team.

VICTORIA State Government

The 8 university Acts contain no general Ministerial power of direction over universities. The legislative responsibilities of the Victorian Minister for Skills and TAFE under the Acts are limited to making some Council appointments, approving the acquisition, disposal, and leasing of some land, approving certain commercial activities, and approving the amendment of university statutes. I therefore support, rather than formally accept, the recommendations in the report.

I would like to take this opportunity to recognise the work of VAGO, the Victorian TAFEs and public universities, and their respective controlled entities that has led to the clear audit opinions for both sectors for the reporting year.

If your team would like to discuss this further, please contact David Miller, Chief Executive Officer, Office of TAFE Coordination and Delivery, in the Department of Jobs, Skills, Industry and Regions on [redacted].

Yours sincerely

[redacted]

Matt Carrick
Secretary

Date: 05/06/2025

Cc: [redacted]

Appendix B:
Audit context

Our method

We conduct our financial audits of the Victorian TAFE and public university sectors 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 a financial report (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for an opinion
- obtain an understanding of internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances
- 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.

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 VAGO staff are required to 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*.

Our costs

The cost of this report and the supporting data dashboard was $365,000, which is funded by parliamentary appropriation.

Appendix C: Audit opinions

Victoria's TAFE sector

Figure C1 lists the entities we included in this report. It details the type of audit opinions for their 2024 financial reports and performance statements and the date we issued them.

Figure C1: Audit opinions issued for the TAFE sector for the year ended 31 December 2024

	Financial report		Performance statement	
Entity	Clear audit opinion issued	Audit opinion signed date	Clear audit opinion issued	Audit opinion signed date
Bendigo Kangan Institute	Yes	7 March 2025	Yes	7 March 2025
Box Hill Institute	Yes	14 March 2025	Yes	14 March 2025
Chisholm Institute	Yes	10 March 2025	Yes	10 March 2025
Caroline Chisholm Education Foundation	Yes	4 March 2025	N/A	N/A
Gordon Institute of TAFE	Yes	30 March 2025	Yes	30 March 2025
Gotec Limited	Yes	8 April 2025	N/A	N/A
Goulburn Ovens Institute of TAFE	Yes	7 April 2025	Yes	7 April 2025
Holmesglen Institute	Yes	28 March 2025	Yes	28 March 2025
Glenuc Pty Ltd	Yes	31 March 2025	N/A	N/A
Holmesglen Foundation	Yes	28 March 2025	N/A	N/A
Holmesglen International Training Services Pty Ltd	Yes	13 April 2025	N/A	N/A
Melbourne Polytechnic	Yes	31 March 2025	Yes	31 March 2025
South West Institute of TAFE	Yes	26 March 2025	Yes	26 March 2025
Sunraysia Institute of TAFE	Yes	31 March 2025	Yes	31 March 2025
TAFE Kids Inc.	Yes	13 April 2025	N/A	N/A
TAFE Gippsland	Yes	18 March 2025	Yes	18 March 2025
William Angliss Institute of TAFE	Yes	7 March 2025	Yes	7 March 2025
Angliss Consulting Pty Ltd	Yes	6 March 2025	N/A	N/A
William Angliss Institute Foundation	Yes	6 March 2025	N/A	N/A
Wodonga Institute of TAFE	Yes	31 March 2025	Yes	31 March 2025

Note: N/A = not applicable.
Source: VAGO.

Victoria's public university sector

Figure C2 lists the public universities and Australian controlled entities that we issue an opinion on in this report. It details the type of audit opinions for their 2024 financial reports and the date we issued it to them.

Figure C2: Audit opinions issued for the Victorian public university sector for the year ended 31 December 2024

	Financial report	
Entity	Clear audit opinion issued	Audit opinion signed date
Deakin University	Yes	27 March 2025
Deakin Residential Services Pty Ltd	Yes	22 April 2025
The Institute for Regional Security Ltd	Yes	1 April 2025
Unilink Pty Ltd	Yes	1 April 2025
Universal Motion Simulator Pty Ltd	Yes	13 April 2025
Federation University Australia	Yes	25 March 2025
Brisbane Education Services Pty Ltd	Yes	20 March 2025
The School of Mines and Industries Ballarat Limited	Yes	20 March 2025
La Trobe University	Yes	8 March 2025
La Trobe Ltd	Yes	6 March 2025
Monash University	Yes	26 March 2025
Flex Immunotherapeutics Pty Ltd*	N/A	N/A
Gilzrx Pty Ltd	N/A	N/A
Monash College Pty Ltd	Yes	5 March 2025
Monash Commercial Pty Ltd	Yes	19 March 2025
Monash Investment Holdings Pty Ltd	Yes	5 March 2025
Monash Investment Trust	Yes	5 March 2025
Monash University Foundation	Yes	20 March 2025
Monash University Foundation Pty Ltd	Yes	20 March 2025
Monash University Indonesia Limited	Yes	20 March 2025
Myostellar Pty Ltd	N/A	N/A
OmegaOne Therapeutics Pty Ltd*	N/A	N/A
Phrenix Therapeutics Pty Ltd	N/A	N/A
World Mosquito Program Ltd	Yes	16 March 2025
Xcystence Bio Pty Ltd	N/A	N/A
RMIT University	Yes	21 March 2025
RMIT Holdings Pty Ltd	Yes	10 March 2025
RMIT Online Pty Ltd	Yes	10 March 2025
RMIT Training Pty Ltd	Yes	7 March 2025
Swinburne University of Technology	Yes	9 April 2025

Entity	Financial report	
	Clear audit opinion issued	Audit opinion signed date
Capsular Technologies Pty Ltd	N/A	N/A
National Institute of Circus Arts Limited	N/A	N/A
Swinburne College Pty Ltd	N/A	N/A
Swinburne Intellectual Property Trust	N/A	N/A
Swinburne International (Holdings) Pty Ltd	N/A	N/A
Swinburne Student Amenities Association Ltd	N/A	N/A
Swinburne Ventures Ltd	N/A	N/A
The University of Melbourne	Yes	25 March 2025
Australian Music Examinations Board (Victoria) Limited	N/A	N/A
Goulburn Valley Equine Hospital Pty Ltd**	N/A	N/A
Melbourne Business School Limited	Yes	1 April 2025
Melbourne Teaching Health Clinics Ltd	N/A	N/A
Melbourne University Publishing Limited	N/A	N/A
Mt Eliza Graduate School of Business and Government Limited	Yes	1 April 2025
Nossal Institute Limited	Yes	26 March 2025
UM Commercialisation Pty Ltd	N/A	N/A
UM Commercialisation Trust	N/A	N/A
UOM Commercial Ltd	N/A	N/A
UOM International Holdings Limited	N/A	N/A
Victoria University	Yes	30 March 2025
Victoria University Enterprises Pty Ltd	Yes	28 March 2025
VU Online Pty Ltd	Yes	22 April 2025

Note: N/A – not applicable, audit still in progress as at 15 May 2025.
*Entity is in the process of deregistration so final reporting period has not been finalised.
**Entity has a 30 June year-end, so its financial year is still in progress at the date of this report.
Source: VAGO.

Appendix D:
Financial and non-financial sustainability indicators

Figure D1 lists and describes the financial and non-financial indicators that we use to assess TAFEs' and universities' financial sustainability risks. 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 consolidated position of each TAFE and university (that is, each TAFE and university together with its controlled entities).

Refer to the data dashboard on our website for individual TAFEs' and universities' financial sustainability data and analysis.

(https://www.audit.vic.gov.au/report/results-2024-audits-tafes-and-universities).

Figure D1: Financial sustainability indicators, formulas and descriptions

Indicator	Formula	Description
Net result margin (%)	Net result / total revenue and income	A positive result indicates a surplus or profit. The larger the percentage, the stronger the result. A negative result indicates a deficit or loss. Operating deficits or losses cannot be sustained in the long term. The net result and total revenue are obtained from the comprehensive operating or income statement.
Liquidity (ratio)	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities.
Capital replacement (ratio)	Cash outflows for new property, plant, equipment and intangibles / depreciation and amortisation	This compares the rate of spending on new property, plant, equipment and intangibles with its depreciation and amortisation expense on tangible and intangible assets, but excluding right of use asset amortisation. Right of use assets are paid for by leases and are not included in cash outflows for new property, plant and equipment. Amortisation of these assets is therefore excluded as well. Ratios higher than one indicate that spending is faster than the depreciating rate. This is a long-term indicator, because capital expenditure can be deferred in the short term if there are insufficient funds available. Cash outflows for property, plant, equipment and intangibles are taken from the statement of cash flows. Depreciation and amortisation is taken from the comprehensive operating or income statement.

Indicator	Formula	Description
Net result margin before fair value gains or losses on investments (%)*	Net result before fair value gains or losses on investments / total revenue and income before fair value gains or losses on investments	A positive result indicates a profit. The larger the percentage, the stronger the result. A negative result indicates a loss. Unlike the net result margin, this excludes fair value gains or losses on investments, which can be outside management's control.
Adjusted liquidity (ratio)*	Current assets + non-current financial assets / current liabilities	Liquidity ratio adjusted to include non-current financial assets. Non-current financial assets are typically liquid, meaning universities can convert most of these into cash at short notice and use them to meet any liabilities if needed. A ratio of one or more indicates universities have sufficient liquid assets to meet short-term liabilities.
EFTSL to employee FTE (ratio)*	Total EFTSL / total FTE employees	This measures the adequacy of available resources per student load. It shows how many FTE staff, both academic and otherwise, a university employs for each EFTSL student it teaches.

Note: *Measure applies to universities only.
Source: VAGO.

Appendix E: Mandatory TAFE key performance indicators (KPIs)

TAFEs must report on mandatory key performance indicators (KPIs) in their performance statements, in line with the reporting requirements outlined by the Minister for Skills and TAFE in the TAFEs' statements of priorities.

These statements outline KPIs that each TAFE will achieve in the following year. The KPIs are derived from the budgeted figures approved by the Minister for Skills and TAFE. At the end of the financial year, TAFEs publish their actual KPIs against their target KPIs in their performance statements. Figure E1 shows the KPIs and their descriptions and methodology.

Figure E1: TAFE KPIs and their descriptions and methodology

Indicator	Description and methodology
Training revenue diversity	Breakdown of training revenue by: • government-funded revenue • fee for service revenue • student fees and charges
Employment costs as a proportion of training revenue	Employment costs plus third-party training delivery costs as a proportion of training revenue
Training revenue per teaching FTE	Training revenue (excluding revenue delivered by third parties) per teaching FTE
Operating margin percentage	Earnings before interest and taxes (excluding capital contributions) / total revenue (excluding capital contributions)

Source: VAGO.

Appendix F:
Abbreviations, acronyms and glossary

Abbreviations

We use the following abbreviations in this report:

Abbreviation	Full spelling
FRD 101	FRD 101 *Application of Tiers of Australian Accounting Standards*
FRD 103	FRD 103 *Non-financial physical assets*

Acronyms

We use the following acronyms in this report:

Acronym	Full spelling
AASB	Australian Accounting Standards Board
CSP	Commonwealth supported place
DJSIR	Department of Jobs, Skills, Industry and Regions
DTF	Department of Treasury and Finance
EFTSL	equivalent full-time student load
FRD	financial reporting direction
FTE	full-time equivalent
GGS	general government sector
Go8	Group of Eight
IT	information technology
KPI	key performance indicator
OTCD	Office of TAFE Coordination and Delivery
VAGO	Victorian Auditor-General's Office
VET	vocational education and training

Glossary

The following terms are included in or relevant to this report

Term	Explanation
Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to express an opinion or draw a conclusion against an audit objective with a high level of assurance. We call these audit engagements. See Our assurance services fact sheet for more information.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, that nothing has come to our attention to indicate there is a problem.

Term	Explanation
	See Our assurance services fact sheet for more information.
Adjusted liquidity ratio	A liquidity ratio measures if an entity can likely pay its liabilities in the immediate future using cash and short-term assets. An entity's adjusted liquidity ratio also includes its non-current investments. The ratio should ideally be above one, indicating that there are sufficient liquid assets to meet short-term liabilities.
Clear audit opinion	A clear or unmodified audit opinion means we have reviewed an entity's financial report and believe it is reliable and complies with relevant reporting requirements.
Controlled entity	A controlled entity is an entity that another party has the power to govern and make financial and operating decisions about.
Consolidated financial report	The financial report of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.
Cost approach	Cost approach (or current replacement cost) reflects the cost of replacing physical assets with their modern equivalents.
Depreciation and amortisation	Depreciation and amortisation is how entities spread the operational cost of a long-term asset, such as software or a building, over the years they use it. This represents how those assets lose value as they age, wear out, or become outdated.
Enterprise bargaining	Enterprise bargaining is a negotiated agreement between an employer and its employees (usually through a union) that sets out wages, working conditions and other employment terms specific to that workplace. The outcome of enterprise bargaining is an enterprise bargaining agreement.
EFTSL	EFTSL is a measure that represents the workload of a student enrolled in a course on a full-time basis for an academic year. One EFTSL equals one full-time study load for one year. Universities calculate EFTSL as per the *Higher Education Support (Administration) Guidelines 2022*.
Fair value or fair value accounting	Fair value accounting is when an entity values an asset based on its current price in the market. The entity also needs to consider how future events and conditions could affect the asset's value.
Fair value gains or losses on investments	Universities can choose to record changes in the fair value for some of their investments in their net result when they happen or when they sell the asset. Most universities record these changes in fair value within their net result for the year. They do this even if they have not sold the investment. This means their net result is susceptible to changes in fair value each year. When an investment's fair value goes up, it is called a fair value gain. When an investment's fair value goes down, it is called a fair value loss.
FTE	An FTE staff member represents the workload of one full-time employee. It is calculated based on the total hours worked by part-time employees or those with varied work schedules to equate to the hours of one full-time employee.
General government sector	The general government sector consists of all government departments and other public sector agencies that are controlled and largely financed by government.
Going concern	Going concern 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 wind-up its operations for a period of at least 12 months from the date of the financial reports.
Group of Eight	According to its website, the Group of Eight 'comprises Australia's leading research-intensive universities – the University of Melbourne, the Australian National University, the University of Sydney, the University of Queensland, the University of Western Australia, the University of Adelaide, Monash University and UNSW Sydney'. It further states the Group of Eight is 'focussed on, and is a leader in, influencing the development and delivery of long-term sustainable national higher education and research policy, and in developing elite international alliances and research partnerships'.

Term	Explanation
Intangibles or intangible assets	An intangible asset is a non-financial asset without physical substance. It is controlled by an entity and is expected to generate future economic benefits. Examples includes software and patents.
Lease liabilities	Leases are contractual arrangements granting the right to use an asset in exchange for payments over an agreed period. The value of payments owed under these arrangements are lease liabilities.
Liquid assets	A liquid asset is an asset that an entity can easily change to cash. It includes cash equivalents such as term deposits, current assets and non-current investments such as listed shares and managed funds redeemable at call.
Material	We consider an error material if misstating it or not including it could influence a user's decision or understanding.
Misstatement	Misstatement means a difference between the amount, classification, presentation or disclosure of a reported financial report item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Net result margin	An entity's net result is its revenue and income minus its expenses. The net result margin is the net result divided by total revenue and income. A positive result shows a surplus or profit and a negative result shows a deficit or loss. The larger the percentage, the stronger the result. This measures how efficiently entities earn and spend their revenue and income and helps compare entities of different sizes more fairly by putting them on the same scale.
Producer Price Index	The Australian Producer Price Indexes are a collection of indexes that measure the price change of products (goods and services) as they leave the place of production or as they enter the production process. This price change is measured from the perspective of the industries that produce goods and services. Other measures, such as the Consumer Price Index, measure price change from the consumers' perspective.
Revenue and income	Revenue is money or a benefit that an entity gets through a contract with another party. The entity records revenue when it fulfils its commitments in the contract. For example, when a university has delivered tuition to a student. Income is money or a benefit that an entity gets from any other source. In most cases, the entity records income immediately when it receives it. For example, when a university gets a cash donation or when one of its investments goes up in value.
Significant entity	FRD 101 defines an entity as a 'significant entity' if any of the following criteria is met: • the entity is a government department or public financial corporation • the entity is deemed to be a significant entity by DTF's deputy secretary – budget and finance based on qualitative considerations • the entity's total expenses are greater than $1 billion for each of the 2 preceding financial years, or • the entity's total assets are greater than $4 billion for each of the 2 preceding financial years.
Teaching revenue	Teaching revenue is income that a university gets from running courses. Most of this revenue is fees and charges from international students and Australian Government student grants for CSPs. A CSP is when the Australian Government pays for part of a student's course fees.
Training revenue	Government-funded revenue is paid by the Victorian Government and/or Australian Government for education services delivered for core qualifications, apprenticeships and Free TAFE. Fee for service revenue is paid by the Victorian Government and/or Australian Government, employers, industry bodies or students. This is revenue from commercial training and education services provided to students who are not eligible for government funding. Student fees and charges are paid by the student for their co-payment of course fees, materials or administration costs not otherwise funded by the government.

Appendix G:
Internal control and financial reporting issues risk ratings

Figure G1 shows the risk ratings we apply to internal control and financial reporting issues. We raise these issues with entities in management letters. The figure also explains what these ratings represent and the timeframe we expect entities to resolve issues within.

Figure G1: Risk definitions we apply to issues we raise in audit management letters

Rating	Definition	Management action required
High	The issue represents: • 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 that 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.	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. Requires immediate management intervention with a detailed action plan to be implemented within one month.
Moderate	The issue represents: • 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.	Requires management intervention with a detailed action plan implemented within 3 to 6 months.
Low	The issue represents: • 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.	Requires management intervention with a detailed action plan implemented within 6 to 12 months.

Auditor-General's reports tabled in 2024–25

Report title	Tabled
Results of 2023 Audits: Technical and Further Education Institutes (2024–25: 1)	July 2024
Building a Capable and High-performing Public Service Workforce (2024–25: 2)	August 2024
Protecting the Biosecurity of Agricultural Plant Species (2024–25: 3)	October 2024
Responses to Performance Engagement Recommendations: Annual Status Update 2024 (2024–25: 4)	October 2024
Auditor-General's Report on the Annual Financial Report of the State of Victoria 2023–24 (2024–25: 5)	November 2024
Fair Presentation of Service Delivery Performance 2024 (2024–25: 6)	November 2024
Staff Wellbeing in Fire Rescue Victoria (2024–25: 7)	November 2024
Reporting on Local Government Performance: Follow-up (2024–25: 8)	February 2025
Major Projects Performance Reporting 2024 (2024–25: 9)	February 2025
Managing Disruptions Affecting Victoria's Public Transport Network (2024–25: 10)	March 2025
State Trustees' Financial Administration Services (2024–25: 11)	April 2025
Recycling Resources from Waste (2024–25: 12)	April 2025
Results of 2023–24 Audits: Local Government (2024–25: 13)	April 2025
Domestic Building Insurance (2024–25: 14)	May 2025
Quality of Victoria's Critical Data Assets (2024–25: 15)	May 2025
The Orange Door: Follow-up (2024–25: 16)	May 2025
Work-related Violence in Government Schools (2024–25: 17)	May 2025
Contractors and Consultants: Management (2024–25: 18)	June 2025
HealthShare Victoria Procurement (2024–25: 19)	June 2025
Results of 2024 Audits: TAFEs and Universities (2024–25: 20)	June 2025

All reports are available for download in PDF and HTML format on our website at https://www.audit.vic.gov.au

Our role and contact details

The Auditor-General's role	For information about the Auditor-General's role and VAGO's work, please see our online fact sheet About VAGO.
Our assurance services	Our online fact sheet Our assurance services details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.
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