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Results of Financial Statement Audits for Agencies with other than 30 June 2006 Balance Dates

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Victorian Auditor-General's Office
Auditing in the Public Interest

The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report on the *Results of Financial Statement Audits for Agencies with other than 30 June 2006 Balance Dates*.

Yours faithfully



DDR PEARSON
Auditor-General

6 June 2007

Foreword

This report summarises the results of financial statement audits of entities with other than 30 June 2006 balance dates, and the status of audits previously reported as incomplete.

It covers the audits of 135 entities – mainly including the State's universities and technical and further education (TAFE) institutes and their associated entities, as well as the State's alpine resorts and several other small entities. The report brings together the major observations and recommendations resulting from these financial statement audits.

The report notes continuing improvement in the financial performance and condition of Victorian universities and TAFE institutes. It also notes that seasonal volatility continues to impact on the financial performance of the State's alpine resorts, particularly the smaller resorts – which require close monitoring.

While it is commendable that all but 4 of the audit opinions issued on entities' financial statements were clear, there was some slippage in the timeliness of reporting compared with the previous year. This highlights a need for remedial strategies for 2007 to address delay points and meet legislated reporting time frames. Delays in the preparation and submission of annual financial statements, a core accountability obligation, reflects poorly on institutional governance.

The internal control frameworks established to ensure reliable financial reporting were generally found to be sound. However, the report also notes opportunities to strengthen internal controls in several areas, particularly the security arrangements over information systems, major account reconciliation procedures, separation of incompatible functions, and expenditure reimbursement arrangements at the alpine resorts.



DDR PEARSON
Auditor-General

6 June 2007

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1 Summary of audit results

1.1 Introduction

The results from the annual attest audits of financial statements and performance statements prepared by public sector entities are summarised for Parliament in 2 reports each year. The first report covers entities with a 30 June balance date and is generally tabled in the first half of the following year. This second report covers all other entities, and includes the status of audits not previously finalised. It essentially marks the end of the annual financial audit cycle.

The report summarises the results of our financial audits of 135 entities, including the state's universities and technical and further education (TAFE) institutes and their associated entities, as well as the state's alpine resorts and several other small entities.

1.2 Key audit findings

1.2.1 Education and Training

- The financial performance and position of Victorian universities and TAFE institutes continued to improve.
- The internal control frameworks established to ensure reliable financial reporting were found to be sound in most sector entities.
- At 30 April 2007, we had issued 110 audit opinions on entity financial statements, of which 106 were unqualified. Four entities received qualified opinions, and 14 entities' financial statements remained outstanding.
- Eighteen audit opinions were issued, for the first time in 2006, on performance statements prepared by TAFE institutes, universities' TAFE divisions and 2 other educational agencies. The audit of one further institute's performance statement is expected to be finalised in May 2007. One other institute did not prepare a performance statement as the request to prepare it was not ministerial or legislative.
- The average elapsed time to finalise the financial statements of sector entities was 12 weeks, which was consistent with the 12-week statutory requirement. However, there was some slippage against the timeliness of reporting achieved in the previous year - only 44 per cent of sector entities met the 12-week statutory reporting time frame in 2006, compared with 54 per cent in 2005.

1.2.2 Alpine resorts

- Notwithstanding variability in financial results over the past 3 year years, the larger alpine resorts (Falls Creek, Mt Buller and Mt Stirling, and Mt Hotham) have generated sustainable financial outcomes. However, the financial performance and standing of the smaller alpine resorts (Lake Mountain and Mt Baw Baw) continue to deteriorate and require close monitoring by the respective management boards and the Department of Sustainability and Environment.
- Poor practices and inadequate documentation supporting personal expenditure reimbursement payments for senior staff and board members across the 5 alpine resorts were noted.
- All 5 audit opinions issued on the financial statements of these entities were clear.

1.2.3 Other entities

- All 6 audit opinions issued on the financial statements of other entities were clear.
- Four entities with 30 June 2006 or earlier balance dates had not yet discharged their annual reporting obligations.

1.3 Major recommendations

Education and Training

- 1.1 Agencies failing to meet the legislated reporting time frames should review their financial reporting processes, to remove delay points and non-value-adding activities.
- 1.2 The Office of Training and Tertiary Education, through the responsible minister, should mandate the application of Financial Reporting Direction 27 *Presentation of Reporting and Performance Information* to Victorian TAFE institutes.

Alpine resorts

- 1.3 Alpine resort management boards should review and update their policies and procedures relating to personal expenditure reimbursements, so that expenditure is clearly related to business purposes and supported by appropriate documentation.

Other entities

- 1.4 Outstanding financial statements of HumeNET Limited, the Trustees of the Fawkner Crematorium and Memorial Park, Evivar Medical Pty Ltd and VCPO Limited should be finalised and submitted for audit.

1.4 General

The total costs of the preparation and printing of this report was \$100 000.

2 Education and Training

At a glance

Background

There were 124 entities in the Education and Training sector required to prepare financial statements for the financial year ended 31 December 2006.

Key findings

- The financial performance and position of Victorian universities and technical and further education (TAFE) institutes continued to improve.
- The internal control frameworks established to ensure reliable financial reporting were found to be sound in most sector entities.
- At 30 April 2007, we had issued 110 audit opinions on entity financial statements, of which 106, or 96 per cent were unqualified. Four entities received qualified opinions, and 14 entities' financial statements remained outstanding.
- We had also issued 18 audit opinions on performance statements prepared, for the first time in 2006, by TAFE institutes, universities' TAFE divisions and 2 other educational agencies. The audit of one further institute's performance statement is expected to be finalised in May 2007. One other institute did not prepare a performance statement as the request to prepare it was not ministerial or legislative.
- The average elapsed time to finalise the financial statements of sector entities was 12 weeks, which was consistent with the 12-week statutory requirement. However, there was some slippage against the timeliness of reporting achieved in the previous year - only 44 per cent of sector entities met the 12-week statutory reporting time frame in 2006, compared with 54 per cent in 2005.

Key recommendations

- 2.1 Agencies failing to meet the legislated reporting time frames should review their financial reporting processes, to remove delay points and non-value-adding activities.
- 2.3 The Office of Training and Tertiary Education, through the responsible minister, should mandate the application of Financial Reporting Direction 27 *Presentation of Reporting and Performance Information* to Victorian TAFE institutes.

2.1 Introduction

This part of the report summarises the results of our recent financial audit round of Education and Training sector entities with balance dates other than 30 June 2006. There are 124 such entities, mainly including the state's universities, institutes of technical and further education (TAFEs) and their associated companies, trusts and joint ventures.

There are 8 universities that provide higher education in Victoria, of which 4 are "stand-alone" universities and 4 are dual-sector universities. Dual-sector universities offer vocational education through a TAFE division, in addition to tertiary education.

The stand-alone universities are:

- Deakin University
- La Trobe University
- Monash University
- The University of Melbourne.

The dual-sector universities are:

- RMIT University
- Swinburne University of Technology
- University of Ballarat
- Victoria University.

There are also 14 stand-alone Victorian TAFE institutes; 2 centres for adult education, 99 associated companies, trusts and joint ventures of universities and TAFE institutes; and 3 other educational agencies with other than 30 June 2006 balance dates for which the Auditor-General has audit responsibility.

During 2006, there was a net increase of 3 in the number of sector entities with balance dates other than 30 June, largely due to the establishment of new controlled-entities by TAFEs and universities.

2.2 Audit conclusions

At 30 April 2007, 110 sector entities had finalised their financial statements and we had issued our audit opinions thereon. Of the audit opinions issued, 106 were clear and 4 qualified.

In addition, we issued 18 audit opinions on performance statements prepared for the first time in 2006 by TAFE institutes, TAFE divisions of universities and 2 other educational agencies. The performance statement of Swinburne University's TAFE division was published in the university's annual report, with the audit expected to be finalised in May 2007. Holmesglen Institute of TAFE chose not to respond to the Office of Training and Tertiary Education request to prepare this statement and have it audited, as it was not statutorily or ministerially-based.

This year, a smaller percentage of entities than in 2005 completed their audited financial statements within 12 weeks, compared with the previous year (44 per cent in 2006 compared with 54 per cent in 2005). This was a disappointing outcome, particularly given that the timeliness of reporting in 2005 was adversely impacted by the additional demands of first-time implementation of Australian equivalents to International Financial Reporting Standards (A-IFRS), which were not present in 2006.

While the quality of draft financial statements presented for audit continues to improve, there remains scope for improvement in the financial statement preparation process if future gains are to be made in the timeliness of financial reporting by sector entities.

The internal control environments established to ensure reliable financial reporting were again found to be sound in most agencies. We did, however, identify opportunities to strengthen internal controls in several areas, including major account reconciliation procedures, the segregation of incompatible functions and security arrangements over information systems.

The financial performance and position of Victorian universities and TAFE institutes continued to improve.

2.3 Audit purpose and method

A fundamental responsibility of each entity's management is to keep proper accounts and records, and to maintain appropriate systems to enable the preparation of accurate financial statements.

Under the *Financial Management Act 1994*, each public sector entity is required to prepare its financial statements in accordance with Australian accounting standards and other mandatory professional reporting requirements, and the financial reporting requirements of the Act.

The financial statements of education and training portfolio entities are also, administratively, required to follow the guidelines in the model financial statements provided by the (Commonwealth) Department of Education, Science and Training (for universities). TAFE institutes also generally follow the model financial statements prepared on behalf of the sector by the Victorian Association of TAFE Business Managers.

The *Audit Act 1994* requires the Auditor-General to audit the annual financial statements of public sector entities. The purpose of these audits is to assess whether the information in the financial statements meets professional, legislative and other administrative requirements, and fairly presents the entities' financial performance, position and cash flows.

The *Audit Act 1994* also authorises the Auditor-General to audit any performance indicators included in an entity's report of operations forming part of the entity's annual report. In November 2006, the Department of Education and Training (DET) requested all TAFE institutes to prepare for inclusion into their 2006 annual report a suite of key performance indicators (KPIs). We have also audited these "statements of performance management" to assess whether they were prepared in accordance with DET's requirements, and fairly presented actual performance against the prescribed performance indicators.

We conduct all audits in accordance with the Australian auditing standards developed by the Australian Auditing and Assurance Standards Board. These audits culminate in the issue of audit opinions on the financial statements and statements of performance prepared by management which are published in the entities' annual reports. Any significant issues identified by audit teams as part of the audit process which do not impact on the audit opinions, but still require management attention, are also reported to management for consideration.

2.4 Financial statements prepared

At 30 April 2007, 110 of the 124 sector entities with balance dates other than 30 June 2006 had finalised their financial statements and we had issued our audit opinions thereon. The remaining 14 entities yet to finalise their financial statements are listed in Figure 2A.

Figure 2A
Financial statements not finalised at 30 April 2007

Entities
Universities
<i>Monash University associated entities -</i>
LearningFast Inc
Monash Commercial Pty Ltd
Monash Educational Enterprises
Monash Learningfast Pty Ltd
Monash Property South Africa Pty Ltd
Monash South Africa Ltd
Monyx Education Services Pty Ltd
Monyx Pty Ltd
Monyx Services Pty Ltd
<i>RMIT University associated entity -</i>
RMIT Union
TAFEs
<i>Holmesglen Institute of TAFE associated entity -</i>
Holmesglen International Training Services Pty Ltd (a)
Department of Innovation, Industry and Regional Development
International Training Australia Pty Ltd
Department for Victorian Communities
AMES Vietnam (b)
Other
Telematics Course Development Fund (a)

(a) At 30 April 2007, financial statements not certified by management.

(b) The company has submitted its audited financial statements prepared in accordance with Vietnamese requirements. The statements were subject to audit by a foreign private sector practitioner. The financial operations of AMES Vietnam were not significant and have been included in the 31 December 2006 financial statements of the Adult Multicultural Education Services. At the date of preparing this report, we have sought information about the audit arrangement, including the relevant working papers, to assess whether we could place reliance on them for the purposes of issuing an audit opinion under the *Audit Act 1994*.

Source: Victorian Auditor-General's Office.

RESPONSE provided by the Chairman of Trustees, Telematics Course Development Fund

Our financial statements had been completed and were awaiting signatures by trustees. This was completed at their six-monthly meeting on 2 May 2007.

We had not been informed of the time frame of the report to Parliament in the past, however this is now noted and we will in future have the accounts completed and lodged by the date required.

RESPONSE provided by the Chief Executive Officer, International Training Australia Pty Ltd

The company will lodge an application for deregistration shortly and expects final approval for deregistration to be in the later quarter of the year. The company is currently going through a process of finalization of its affairs including the realization of assets and payment of liabilities and will be preparing its financial statement for 31 December 2006 in due course.

2.5 Results of audits

2.5.1 Audit opinions issued

A clear independent audit opinion adds credibility to the financial or other report, by providing assurance that the information contained therein is reliable. A qualified audit opinion draws attention to the fact that the report has not been prepared in accordance with the relevant reporting framework and, therefore, is less reliable and useful as an accountability document.

At 30 April 2007, we had issued 110 audit opinions on entity financial statements, of which 106 were clear and 4 were qualified. Figure 2B shows the 4 entities whose financial statements were qualified and the reasons for the qualifications.

Figure 2B
Audit qualifications

Entities	Reason for qualification
<i>The University of Melbourne and associated entities -</i>	
Meanjin Company Ltd The University of Melbourne	Certain grant income was recognised as liabilities rather than as income, as required by AASB 1004 <i>Contributions</i> . These were continuing qualifications from the previous year.
Melbourne Business School Building Fund	We were unable to assess the completeness of cash donations, due to the inherent risk involved in the collection of this type of revenue which cannot be mitigated by further internal controls. This was also a continuing qualification from the previous year.
Hawthorn English Language Centres (Canada) Ltd	The company's financial statements were prepared (and its assets and liabilities valued) on a "going concern" basis - whereas the company is intended to be liquidated in 2007 and, accordingly, audit considers that the financial statements should have been prepared on a liquidation basis - which is consistent with the approach adopted by UMEE UK Ltd (part of the same group). This is a new qualification for 2006.

Source: Victorian Auditor-General's Office.

We are working with The University of Melbourne during 2007 to find an acceptable solution for the accounting of government grants which would, hopefully, obviate the need for the qualification of future financial statements of The University of Melbourne and Meanjin Company Ltd. The agreed approach involves the university undertaking further analysis of the disputed transactions to re-assess their accounting treatment, and a review of the university's accounting treatment by a third party expert.

The audit qualification associated with the Melbourne Business School Building Fund is one generally attached to the financial statements of similar entities which have significant fundraising activities. It draws attention to the inherent risk associated with the collection of cash donations which cannot be mitigated by further internal controls.

Hawthorn English Language Centres (Canada) Ltd, an associated entity of The University of Melbourne, is financially supported by its parent company (UMEE Ltd) and is intended to be wound-up in the near future. However, its financial statements were prepared, and the valuation of its assets and liabilities were determined, using the “going concern” assumption rather than on a “liquidation’ basis. Accordingly, we issued an “adverse audit opinion” on its financial statements to draw attention to this inconsistency.

While not audit qualifications, the audit opinions on the financial statements of RMIT International Pty Ltd and MU Private (NZ) Pty Ltd contained “emphasis of matter” comment to draw attention to the company’s reliance on the continuing support of its parent company which has been provided.

RESPONSE provided by the Vice Principal and Chief Financial Officer, The University of Melbourne

The University believes that the applicable standard is AASB 118 Revenue while the staff of the Auditor-General’s Office believe that AASB 1004 Contribution is applicable. The University has agreed to undertake further analysis of the transactions and will obtain a review of its accounting treatment from a third party expert.

In respect to the Melbourne Business School Building Fund, the University advises that the parent the Melbourne Business School Limited, is proceeding to wind-up the Building Fund.

Hawthorn English Language Centre (Canada) Ltd had prepared its accounts in accordance with Canadian requirements. The Canadian auditor did not qualify the accounts. The Canadian auditor provided an unqualified audit report. The parent of this company advises that it intends to proceed with the wind-up of its Canadian subsidy.

Audit opinions on statements of performance management

In addition to the audit opinions issued on entity financial statements, we issued 18 audit opinions on statements of performance management prepared, for the first time in 2006, by TAFE institutes, TAFE divisions of Victorian universities and 2 other entities. All audit opinions were clear.

The performance statement of Swinburne University’s TAFE division was published in the university’s annual report, with the audit expected to be finalised in May 2007. Holmesglen Institute of TAFE chose not to respond to the Office of Training and Tertiary Education (OTTE) (formerly part of DET now with Department of Innovation, Industry and Regional Development) request to prepare this statement and have it audited, as it was not statutorily or ministerially based.

2.5.2 Timeliness of reporting

The preparation and publication of timely financial information is a major public accountability obligation of all entities. The usefulness of financial statements is directly related to their timeliness – the later they are produced and published after year-end, the less useful they become.

The required time frames for the preparation of financial statements of public sector entities are legislated. The *Financial Management Act 1994* requires entities to submit annual financial statements to the Auditor-General within 8 weeks of the end of the financial year. The *Audit Act 1994* requires an audit opinion to be provided within 4 weeks of receipt of signed financial statements. Consequently, certified and audited financial statements should be produced within 12 weeks of the end of the financial year.

In 2006, the timeliness of reporting by sector entities slipped, with a smaller percentage of entities than in 2005 completing their audited financial statements within 12 weeks (44 per cent compared with 54 per cent in 2005). This was a disappointing outcome, particularly given that timeliness of reporting in 2005 was adversely impacted by the additional demands of first-time implementation of Australian equivalents to International Financial Reporting Standards (A-IFRS), which were not present in 2006.

More entities had also not completed their audited statements within 16 weeks of balance date (19 per cent in 2006, compared with 16 per cent in 2005).

Figure 2C provides a summary of how the sector entities with other than 30 June 2006 balance dates met the 12-week statutory reporting requirement for 2006. Further details of these agencies are available in Appendix 2A.

Figure 2C
Timeliness of audited financial statements completed,
Education and Training sector

Number of weeks after end of financial year audited financial statements were finalised	2005		2006	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
8 weeks and less	8	7	5	4
8 to 10 weeks	13	17	8	10
10 to 12 weeks	45	54	42	44
12 to 14 weeks	22	73	39	76
14 to 16 weeks	14	84	6	81
Greater than 16 weeks	19	100	(a) 24	100
Total	121	-	124	-

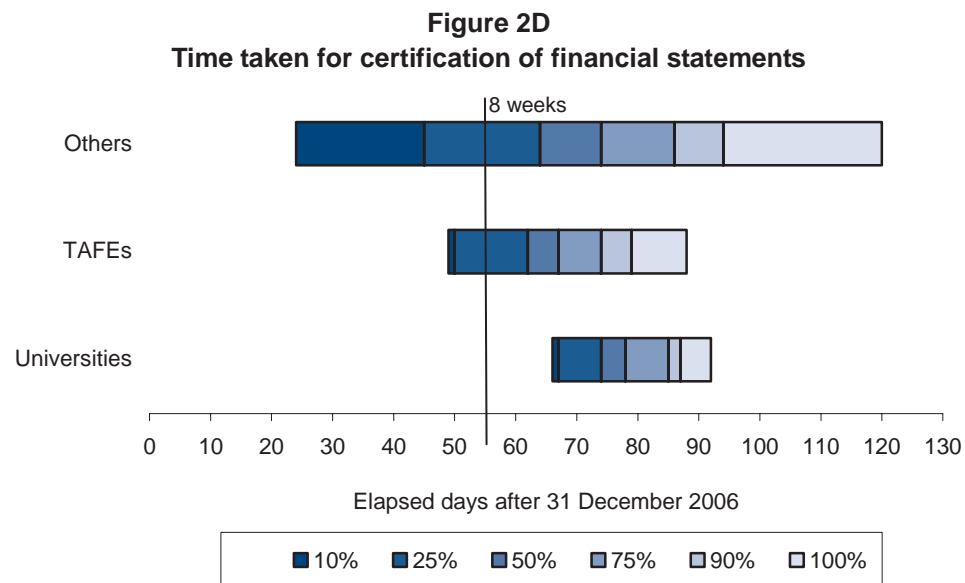
(a) Includes 14 entities whose financial statements were not finalised at 30 April 2007.

Source: Victorian Auditor-General's Office.

The major causes for the deterioration of the reporting timeliness in 2006 were subsidiary and associated entities taking longer to finalise their financial statements, and entity board meetings to consider and adopt financial statements not being appropriately scheduled to meet the reporting timelines.

Availability of certified financial statements

These delays are largely reflected in the time taken by entities to provide certified financial statements to audit. Figure 2D shows (in percentile bands) the number of elapsed days after 31 December 2006 that entities provided a signed set of financial statements to our Office.



Source: Victorian Auditor-General's Office.

For 2006, none of the universities submitted their signed financial statements to audit within 8 weeks (the statutory time frame). Five of the 8 universities submitted their signed financial statements to audit within 12 weeks, with one university submitting its final accounts just outside week 13. Victoria University led the sector by submitting signed financial statements 74 days (around 10.5 weeks) after 31 December 2006. The average time taken for universities to finalise their financial statements was just under 12 weeks (83 days).

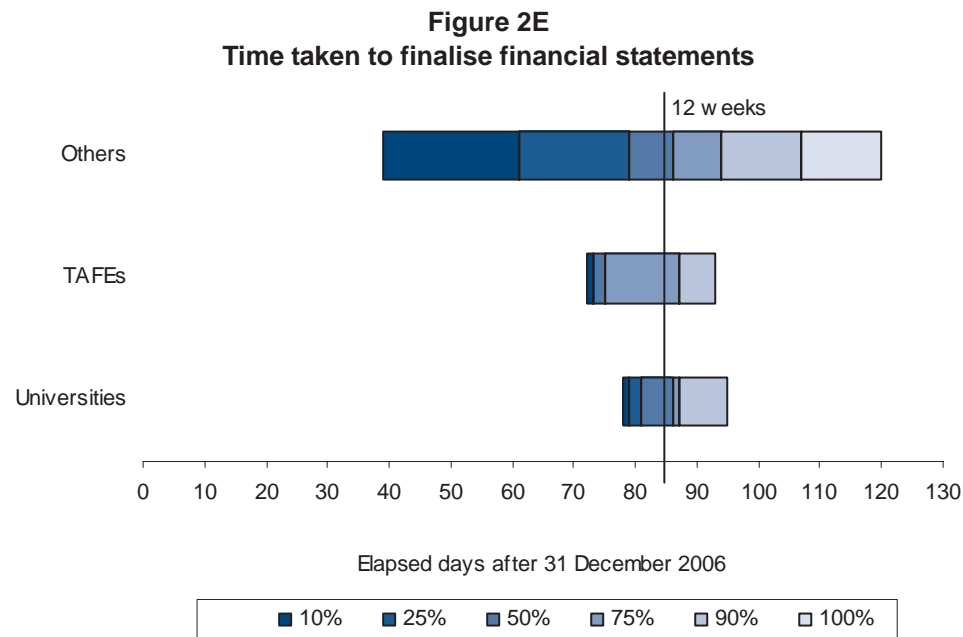
Two of the 14 TAFEs submitted their signed statements to audit within 8 weeks (the statutory time frame). Thirteen of the 14 submitted their signed statements to audit within 12 weeks, with the last TAFE submitting its final accounts just outside of week 12. Northern Melbourne Institute of Technical and Further Education led the sector, submitting its signed financial statements 50 days (around 7 weeks) after 31 December 2006.

Of the other subsidiary and associated entities, 17 per cent submitted their signed statements to audit within 8 weeks (the statutory time frame), with 74 per cent submitting their signed statements to audit within 12 weeks. Hawthorn English Language Centres (Canada) Ltd led this group of entities by submitting its signed financial statements 24 days (around 3 weeks) after 31 December 2006.

While, in total, only 16 per cent of entities submitted signed financial statements within the 8-week statutory time frame, it has been the practice of our Office to use the combined 12-week benchmark to measure overall timeliness. On this basis, we were able to complete the audit of certified financial statements received after 8 weeks from year-end in less than the 4 weeks allowed under the Audit Act, which helped lift the percentage of completed audited financial statements within the 12-week period to 44 per cent, as shown in Figure 2C.

Finalisation of audited financial statements

Figure 2E shows the elapsed days taken for 2006 financial statements to be finalised, including the issue of an audit opinion.



Source: Victorian Auditor-General's Office.

For 2006, 2 out of 8 universities had their financial statements finalised within 82 days (just under 12 weeks), with another 4 finalised within 88 days (around 12.5 weeks) and the last 2 within 95 days (around 13.5 weeks). The average elapsed time to finalise the financial statements of universities was 87 days (around 12.5 weeks). Victoria University was the first to have its audit opinion issued on 20 March 2007 - 11 weeks after year-end.

Ten of the 14 TAFEs had their financial statements finalised within 81 days (11.5 weeks), with another 2 finalised within 88 days (around 12.5 weeks) and the last 2 finalised within 93 days (just outside 13 weeks). The average elapsed time to finalise the TAFE financial statement was 80 days (around 11.5 weeks). Chisholm Institute of Technical and Further Education was the first among the TAFEs to have its audit opinion issued on 14 March 2007 - 10 weeks after year-end.

Of the other subsidiary and associated entities, 49 per cent had their financial statements finalised within 84 days (12 weeks) and 81 per cent had their financial statements finalised within 95 days (around 13.5 weeks). The average elapsed time to finalise these financial statements was just over 12 weeks (86 days). The Australian National Academy of Music Ltd and Australian National Academy of Music Foundation Ltd led the other agencies and were first to have their audit opinion issued, on 8 February 2007 - 5 weeks after year-end.

The overall average elapsed time to finalise the financial statements of sector entities was 12 weeks.

Agencies should seek to continually improve their financial report preparation processes, to achieve shorter reporting time frames.

Recommendation

- 2.1 Agencies failing to meet the legislated reporting time frames should review their financial reporting processes, to remove delay points and non-value-adding activities.

RESPONSE provided by the Secretary, Department of Innovation, Industry and Regional Development

The department supports this recommendation.

The department is concerned that the reporting performance slipped in 2006 and will address the issue with all universities and TAFE institutes requesting compliance to timelines.

2.5.3 Quality of financial reporting

The timeliness of draft financial statement availability is an early indicator in the financial reporting cycle of how well an entity will meet its reporting deadline. Another indicator is the quality of the draft provided. The earlier the receipt of the draft financial statements, the higher the probability than an agency will meet the 8-week statutory target.

Indicators of quality of the draft financial statements submitted for audit review include:

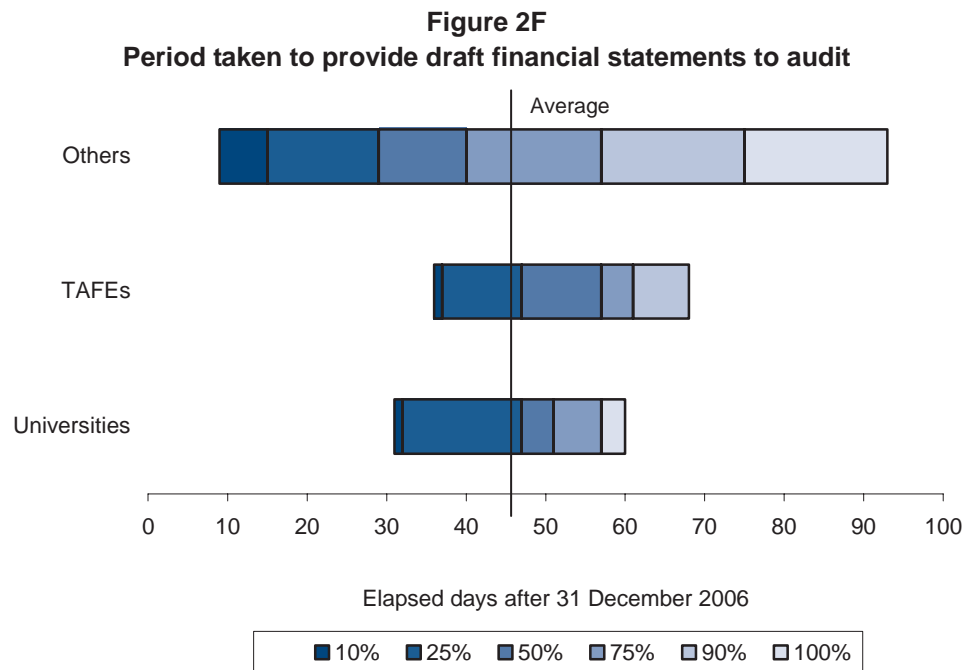
- number of drafts required prior to finalisation
- number and value of significant adjustments, corrections and additional amended disclosures required as a result of the audit process.

Ideally, only one draft would be required. However, in practice, entities usually need to adjust their initial draft accounts several times, either as a result of the audit process or following their own identification of errors or omissions.

For 2006, the quality of the draft financial statements that the entities presented for audit was generally satisfactory. Entities generally used the model financial statements developed for the university and TAFE sectors to determine their financial disclosures and presentation. Generally, any corrections/amendments to the drafts were minor and the statements were prepared to comply with the Australian accounting standards.

Timeliness of draft financial statements

Figure 2F shows (in percentile bands) the number of elapsed days after 31 December 2006 that agencies provided a first draft set of financial statements to our Office.



Source: Victorian Auditor-General's Office.

For 2006, 10 per cent of universities submitted their draft statements for audit within 32 days (around 4.5 weeks) of 31 December 2006, 50 per cent within 54 days (around 8 weeks) and all within 60 days (around 8.5 weeks). Ten per cent of TAFE agencies submitted their draft statements for audit within 37 days (around 5 weeks) of 31 December 2006, 50 per cent within 57 days (around 8 weeks) and all others within 68 days (around 10 weeks). Ten per cent of subsidiaries and other associated entities submitted their draft statement for audit within 15 days (2 weeks) of 31 December 2006, 50 per cent within 40 days (around 6 weeks) and all others within 93 days (around 13 weeks).

The average elapsed time in 2006 was 46 days (around 6.5 weeks). Melbourne Enterprises International Ltd, Melbourne Information Management Pty Ltd and MUP Services Pty Ltd were the first to submit draft statements for audit - 9 days after 31 December 2006.

As highlighted in my February 2007 report on the *Results of financial statement audits for agencies with 30 June 2006 balance dates*, entities can take several steps to help ensure/improve the cost-effectiveness, quality and timeliness of financial reporting. These include:

Before year-end

- Prepare a project plan that includes requisite human and financial resources, assigns responsibility, and sets time frames that have been agreed with the external auditor.
- Review actual and proposed changes to accounting standards, Financial Reporting Directions and other pronouncements to identify significant accounting and reporting issues, and obtain agreement with the external auditor to any changes in accounting policy or controversial reporting practices.
- Prepare a “shell” set of financial statements, preferably in conjunction with a “hard close” at an interim reporting date.

After year-end

- Establish a rigorous review of significant variances between actual results against forecast and budgeted outcomes, to identify any omissions or errors.
- Establish a cascading system of supporting accountability “sign-off” by executive managers with responsibility for components of the financial statements.
- Institute a quality assurance review of the draft financial statements prior to submission for audit, preferably by internal audit or other independent, suitably qualified professionals.
- Submit the draft statements to the audit committee for review and endorsement prior to finalisation.

The later financial reporting time frames achieved by Education and Training sector entities in 2006 signal the importance for all entities to ensure that, in their future planning associated with financial reporting, a more purposeful approach is warranted.

2.6 University and TAFE institute control environments

Each entity’s governing body is responsible for the development and maintenance of its internal control structure. Internal controls are needed to provide an effective and efficient vehicle for the delivery of reliable, accurate and timely external and internal reporting. This is to achieve compliance with the applicable laws and regulations, and to ensure the availability of high quality information which is used for the business development strategies of the entity. Internal control consists of:

- the control environment
- the entity’s risk assessment process

- the information system, including the related business processes, relevant to financial reporting, and communication
- control activities
- monitoring of controls.

While the main purpose of financial statement audits is to add credibility to entities' financial statements through the audit opinion, audits also assess the adequacy of entities' financial control and governance processes.

Any weaknesses in internal controls that the audit identifies will not result in a qualified audit opinion unless they give rise to significant uncertainty about the financial information being reported. There are often other control procedures or audit processes that can be used to mitigate the risk of material error. However, an audit may bring such weaknesses to the attention of the entity so it can rectify them.

2.6.1 General controls

Overall, our audits confirmed that entities' systems of internal control were adequate. We did, however, identify opportunities to further strengthen internal controls at many entities, including:

- strengthening access to electronic files used for electronic fund transfers to third parties, to prevent unauthorised amendments
- improving reconciliation processes over accounts payable, payroll and cash balances
- segregating incompatible functions, especially in relation to payment processing
- monitoring compliance with entity purchasing and employment policies
- monitoring of employee leave balances, to ensure timely action is taken to reduce excessive balances in line with entity policies
- improving controls over the accuracy of underlying accounting records.

These issues have been brought to the attention to the relevant entities' management, and entities are in the process of addressing them.

We will continue to review control issues as part of our future audits and make appropriate recommendations for improvements with the affected entities.

On a positive note, I acknowledge the work underway within the TAFE sector to improve its understanding and management of fraud risk. The sector, together with OTTE, has initiated a project to research and identify fraud control best practice to help educate sector participants on:

- the current TAFE fraud environment
- what is at risk
- areas of better practice
- opportunities for policy and process enhancement.

The outcomes of this work are expected to be available and communicated across the sector during the second quarter of 2007. This is a commendable step towards the proactive management of this risk.

2.6.2 Information systems controls

Entities rely heavily on information systems (IS) to produce reliable and accurate information for the preparation of financial statements, and to run various systems that affect the operations of the entity. Strong IS controls help to maintain the integrity, confidentiality and availability of not only the financial information in the entity's systems but also other areas that promote the smooth operational running of the entity. Assessment of an entity's IS controls is an important part of the audit process.

IS security controls are needed to protect the confidentiality, integrity and availability of data and systems. Inadequate security can lead to unauthorised access to, or release of, sensitive information. It can also impair the production of reliable data for use in financial reporting.

Our audits found that sector entities had established appropriate IS controls over most aspects of IS operations. However, areas were noted that required further attention. The majority of the control weaknesses identified by audit were in the areas of systems security and access (including user and systems administrator access) but, to a large extent, there were mitigating manual controls.

During our financial statement audits, we found opportunities for improvement in the following areas of IS security:

- use of common logon accounts for numerous systems, and excessive users with administrative access rights to various systems
- weaknesses in standards applied to the setting, renewal and retention of passwords
- storage of data files containing electronic fund transfer information held on shared network drives, which increased the risk for information tampering
- poor user access review processes
- lack of formalised systems access policies and procedures.

In most cases, the universities and TAFE institutes have commenced action to address these concerns.

Reliable financial reporting also requires that entities establish change management control practices to ensure that changes to financial systems are authorised, tested, implemented and accepted, and that systems function as intended. We found that most sector entities had established adequate procedures to document changes to networks and applications.

IS continuity planning is designed to ensure that an entity can maintain operations and recover its financial systems in the event of a disaster or a major system interruption. We also found that most entities had adequate business continuity and disaster recovery plans in place for critical business processes and systems.

2.7 Financial standing of Victoria's universities

2.7.1 Financial standing

Victoria has 8 publicly-funded universities. The annual revenues of these entities, including the associated companies, trusts and joint ventures, exceed \$4 billion. Figure 2G shows the key components of university revenues, for 2005 and 2006.

Figure 2G
Victorian universities, revenue by source

Revenue	2005		2006		Movement (%)
	(\$m)	(%)	(\$m)	(%)	
Commonwealth Government funding	1 941	47	2 140	48	11
Victorian Government funding	294	7	336	8	15
Fees and charges	1 075	26	1 190	27	11
Other income	803	20	760	17	(6)
Total revenue from ordinary activities	4 113	100	4 426	100	8

Source: Victorian Auditor-General's Office, from entities' audited financial statements.

Figure 2G shows that university funding from the Commonwealth Government, mainly for higher education activities, increased by \$199 million or 11 per cent in 2006. During the same period, funding from the Victorian Government increased by \$42 million or 15 per cent, and the universities raised additional revenues from fees and charges of \$115 million or 11 per cent. International student fees accounted for 62 per cent (2005, 62 per cent) of the total fees and charges.

Figure 2H provides a summary of financial results for the 4 single-sector universities and for the higher education divisions of the 4 dual-sector universities, for 2005 and 2006.

Figure 2H
Summary financial results, universities and dual-sector universities' higher education divisions

Entity	Operating results from continuing operations		Net cash inflows (outflows) from operating activities		Positive (negative) working capital position (a)	
	2005	2006	2005	2006	2005	2006
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
University (stand-alone) -						
Deakin University	28	58	57	91	(5)	38
La Trobe University	22	(8)	35	19	23	12
Monash University	43	30	45	84	(120)	(164)
The University of Melbourne	76	84	195	165	(41)	(59)
University (dual-sector) -						
RMIT University	22	47	46	51	(59)	(13)
Swinburne University of Technology	4	21	24	24	23	32
University of Ballarat	9	12	21	26	13	25
Victoria University	9	10	29	14	39	39
Total	213	254	452	474	(127)	(90)

(a) The 2005 figures differ from those published in our June 2006 *Report on the results of financial statement audits for agencies with other than 30 June 2005 balance dates, and other audits* because the classification basis for employee benefit liabilities was changed to comply with international accounting standards. Consequently, a portion of the employee benefit liability balance that was previously included as part of non-current liabilities was reclassified to current liabilities - with the 2005 comparative figures adjusted.

Figure 2H shows that the aggregate financial performance and working capital position of the universities sector improved in 2006, compared with the previous year. This was mainly due to increased grants from the Commonwealth Government, and from a higher level of fees and charges collected.

Except for La Trobe University, all universities generated operating surpluses from their operating activities. The negative operating result reported by La Trobe University for 2006 was mainly due to reduced operating revenues in the year and additional expenditure relating to the reorganisation of student services and other reforms brought forward by the university - resulting in higher costs (such as redundancy payments). All universities and higher education divisions within dual-sector universities reported positive operating cash flows, indicating that sufficient operating revenues were generated to finance their operating activities in the year.

Monash University, The University of Melbourne and RMIT University recorded negative working capital positions – experiencing an excess of current liabilities over current assets. However, these results need to be considered in the following context:

- While Monash University reported a negative working capital position, it holds sufficient non-current “available-for-sale” assets (forming part of its non-current assets) that could be realised, if required, to meet working capital requirements.
- Similarly, The University of Melbourne’s working capital position is mitigated by the fact that it holds non-current available-for-sale assets with a consolidated value of \$1.27 billion. These are also available, if required, to meet working capital shortfalls.
- RMIT University reported a negative working capital position, largely due to changes in the classification of employee benefit liabilities required by AASB 119 *Employee Benefits*. Under these changes, current liabilities include a portion of employee benefit entitlements which are not expected to be settled within 12 months, but for which the university does not have an unconditional right to defer to a future period. The reported working capital deficiency has reduced from \$59 million in 2005 to \$13 million in 2006 and the entity has continued to improve its operating results. On a consolidated basis, the university has a positive working capital and a healthy surplus of \$54.8 million (2005, \$28.7 million).

Financial standing of universities’ controlled entities

Figure 2I presents summary financial results for major university subsidiaries - having revenues greater than \$10 million. As Figure 2I shows, most of these entities achieved a surplus for 2006.

Figure 2I
Summary financial information for university subsidiaries with revenue of greater than \$10 million, for year ended 31 December 2006 (\$'000)

Entities	Revenue	Expenses	Surplus/ (deficit)	Assets	Liabilities	Equity
Deakin University -						
Callista Software Services Pty Ltd	10 562	11 176	(614)	4 747	2 681	2 066
The Australian Professional Associations Service Company Pty Ltd	10 244	7 488	2 756	4 072	258	3 814
Monash University -						
Monash College Group Pty Ltd	38 219	36 760	1 459	21 725	11 312	10 413
Monash University Foundation Trust	14 258	418	13 840	153 403	1 993	151 410
Monash IVF Pty Ltd	29 292	20 589	8 703	14 453	65 33	7 920
RMIT University -						
RMIT International Pty Ltd	16 973	18 964	(1 991)	4 535	6 176	(1 641)
RMIT International University Vietnam	15 449	14 025	1 424	32 013	16 210	15 803
RMIT Training Pty Ltd	16 761	15 143	1 618	13 551	8 516	5 035
Swinburne University -						
Swinburne Ltd	14 851	2 596	12 255	53 066	7 310	45 756
The University of Melbourne -						
Melbourne Business School Ltd	51 134	47 168	3 966	165 196	15 103	150 093
MU Student Union Limited	17 821	16 312	1 509	8 243	2 272	5 971
UMEE Ltd	19 189	18 210	979	34 309	9 955	24 354
Victorian College of the Arts	28 946	28 358	588	123 290	19 370	103 920

Source: Audited 2006 financial statements for the listed entities.

While Callista Software Services Pty Ltd and RMIT International Pty Ltd reported operating surpluses in 2005, these entities reported deficits in 2006. The operating deficit by Callista Software Services Pty Ltd was caused by a once-off litigation expense. However, the company projects a surplus by 2007. While the company incurred an operating deficit in the year, it reported a healthy working capital position at 31 December 2006.

RMIT International Pty Ltd also reported an operating deficit in 2006, mainly due to the transfer of its international students and business development operations to RMIT University, which resulted in additional costs (such as staff redundancies) in the year. It was also required to write-off several receivables associated with one of its programs which was assessed to be irrecoverable.

Monash University in South Africa

Our previous reports on the financial performance of university-controlled entities have also commented on the operations of Monash University's South Africa project, which has generated considerable operating losses over recent years. This project involved the construction in 2000 and 2001 of a campus at Roodepoort, 20 kilometres north-west of central Johannesburg, and its operation by subsidiaries to deliver educational services. The South African campus is wholly-owned and managed by Monash University.

The Monash University South Africa group has continued to generate operating deficits to 2006. Over the past 7 years, expenditure has been higher than the revenues generated due to significant start-up costs, lower than expected student numbers and high operating costs. Figures 2J and 2K show the project's financial results from 2000 to 2006.

Figure 2J
Monash Educational Enterprises and Monash South Africa Ltd, summary financial information (\$'000) (a)

Year	Operating (loss)	Revenue	Expenditure	Assets	Liabilities	Equity
2000 (b)	(2 497)	5	(2 502)	1 039	3 536	(2 497)
2001 (b)	(2 710)	3 744	(6 454)	2 385	7 592	(5 207)
2002 (b)	(9 802)	1 155	(10 957)	2 992	18 002	(15 010)
2003 (b)	(8 559)	4 199	(12 758)	2 736	26 305	(23 569)
2004	(8 338)	4 913	(13 251)	4 671	40 319	(35 648)
2005	(7 609)	3 697	(11 306)	4 043	45 100	(41 057)
2006 (c)	(5 563)	9 837	(15 400)	3 787	44 313	(40 526)
Total	(45 078)	27 550	(72 628)	-	-	-

(a) The financial results and balances of Monash Educational Enterprises and Monash South Africa Ltd have been combined to show the consolidated results.

(b) Foreign exchange gains and losses have been included in either revenue or expenditure for 2000 to 2003.

(c) The 2006 figures have been taken from the entity's latest financial statements, which are yet to be certified.

Source: Financial statements for Monash Educational Enterprises and Monash South Africa Ltd.

Figure 2K
Monash Property South Africa Pty Ltd, summary financial information (\$'000)

Year	Operating surplus (loss)	Revenue	Expenditure	Assets	Liabilities	Equity
2000 (a)	(22)	36	(58)	6 468	6 489	(21)
2001 (a)	694	1 979	(1 285)	9 807	5 074	4 733
2002 (a)	(2 081)	661	(2 742)	16 785	10 925	5 860
2003 (a)	(74)	2 427	(2 501)	24 951	18 056	6 895
2004	(324)	1 209	(1 533)	32 279	18 868	13 411
2005	116	1 616	(1 500)	32 169	17 047	15 122
2006 (b)	(1 134)	1 389	(2 523)	39 563	21 452	18 111
Total	(2 825)	9 317	(12 142)	-	-	-

(a) Foreign exchange gains and losses have been included in either revenue or expenditure for 2000 to 2003.

(b) The 2006 figures have been taken from the entity's latest financial statements, which are yet to be audited.

Source: Financial statements for Monash Property South Africa Pty Ltd.

Monash University's total exposure to the project at 31 December 2006 was a net deficiency of \$22.4 million (2005, \$26.3 million), being the combined (negative) equity of Monash Educational Enterprises, Monash Property South Africa Pty Ltd and Monash South Africa Ltd. The reduction in the university's exposure to this project during 2006 was mainly due to increased revenues from student fees - which increased from \$2.4 million in 2005 to \$6.5 million in 2006.

The university has prepared long-term financial projections for the project and considers it a long-term investment. The financial performance of the project has been closely monitored by the university's council and, for 2006, was consistent with its projections. The latest financial projections indicate that the project will generate positive returns by 2014.

2.8 Financial standing of Victoria's TAFE institutes

2.8.1 Financial standing

In our previous reports to Parliament on the results of financial statement audits, we have assessed the financial standing of TAFE institutes (and other public sector entities) against 4 indicators, as described in Figure 2L.

Figure 2L
Indicators of financial performance

Indicator	Notes
Operating result for year	A deficit results if an entity's revenues do not cover its operating costs. Ongoing deficits might indicate the entity is underfunded or unable to contain its costs.
Operating result (excluding capital grants, depreciation and amortisation)	A TAFE institute is given a capital grant when one of its assets needs replacing (rather than given funds to match its depreciation expense). This causes fluctuations in operating results because capital grants rise and fall from year-to-year. Excluding these grants, and depreciation and amortisation costs "normalises" the operating result.
Net cash flows from operating activities (excluding capital grants)	In line with accounting standards, capital grants are classified as inflows from operating activities, but the resultant asset acquisitions are classified as outflows from investing activities. Excluding capital grants normalises the net cash flows from operating activities.
Working capital position	Negative working capital can suggest that a TAFE institute will not be able to pay its debts as and when they fall due.

Source: Victorian Auditor-General's Office.

Figure 2M shows the aggregate key financial information for TAFE institutes at 31 December 2006, compared with the past 2 years, using the above indicators.

Figure 2M
TAFE institutes, summary financial results (\$m)

	2004	2005	2006
Operating result -			
Operating surplus/(deficit)	39	57	115
Operating surplus/(deficit), excluding capital grants, depreciation and amortisation	28	57	91
Net cash flows from operating activities, excluding capital grants	59	78	87
Working capital -			
Current assets less current liabilities (a)	101	54	95
Ratio (a)	1.93	1.29	1.46

(a) The 2005 figures differ from those published in our June 2006 *Report on the results of financial statement audits for agencies with other than 30 June 2005 balance dates, and other audits* because the classification of employee benefit liabilities has changed to comply with new accounting standards - requiring adjustments to be made to comparative figures.

Source: Summary information was drawn from audited financial statements of TAFE institutes.

The overall financial performance and condition of the TAFE sector is sound. There has been steady improvement in the operating result. The sector's operating cash flows and working capital position have also seen a healthy improvement – with the working capital ratio of the sector at 31 December 2006 standing at 1.46, indicating that sufficient resources will be available to the sector to meet the financial obligations expected to fall due during the coming 12 months.

For 2006, all TAFE institutes had positive results for the first 3 indicators of financial performance. However, 2 TAFE institutes, Holmesglen Institute of TAFE and RMIT University (TAFE Division), reported a negative working capital position.

While Holmesglen Institute of TAFE reported a negative working capital balance, it held sufficient investments (forming part of its non-current assets) that could be called upon to meet any short-term shortfall. While RMIT University (TAFE Division) also reported a working capital deficiency, on a consolidated basis RMIT University had a positive working capital.

TAFE institute performance statements

Our June 2006 *Report on the results of financial statement audits for agencies with other than 30 June 2005 balance dates, and other audits*, acknowledged the positive work by the department, in collaboration with TAFE institutes, to develop performance indicators for the sector for reporting in 2006. To ensure that the requirement for TAFE institutes to report on the agreed performance indicators was codified in the state's financial accountability framework, we recommended that the department through the responsible minister mandate the application of Financial Reporting Direction (FRD) 27 *Presentation of Reporting and Performance Information* to TAFE institutes for 2006.

FRD 27 (issued under the authority of the *Financial Management Act 1994*) requires the prescribed entities to include in their annual reports:

- performance targets and indicators set by the responsible minister
- actual results for the financial year against the targets and indicators
- an explanation of any significant variations between the actual results and the performance targets and indicators.

In November 2006, the Department of Education and Training requested all TAFE institutes to prepare performance statements including certain key performance indicators (KPIs), for publication in their annual report. More specifically, TAFE institutes were asked to include 8 recommended and 4 optional KPIs in their annual reports. The recommended KPIs were:

- module load completion rate
- participation of 15 to 24 year olds
- participation of 25 to 64 year olds
- total cost per student contact hour
- working capital ratio
- net operating margin
- revenue per equivalent full-time staff
- energy consumption.

The optional KPIs were:

- student contact hours
- participation of 15 to 19 year olds
- disability numbers
- Aboriginality numbers.

We audited the performance statements produced by the institutes to assess whether they were prepared in accordance with the department's requirements, and fairly presented actual performance against the prescribed performance indicators. The results were as follows:

- We issued clear audit opinions on the performance statements of 13 stand-alone TAFE institutes, 3 dual-sector universities and 2 other educational agencies which prepared them. The performance statement of Swinburne University's TAFE division was published in the university's annual report, with the audit expected to be finalised in May 2007. Holmesglen Institute of TAFE did not prepare the requested statement, citing that the reporting requirement was neither ministerial or legislative. This institute considered the KPIs were not a true measurement of its business.
- The late issue of the new reporting requirement by the department (only one month prior to year-end) placed additional pressures on TAFE institutes to meet their reporting timetable - given that some performance information was not readily available, requiring additional effort to gather and analyse historical data over several years.
- The usefulness of a number of performance indicators was limited – for example, the energy consumption KPI did not take into account increased consumption over the 7-year period measured due to changes in the physical size of an institute's campus over the period.
- OTTE allowed variations in the reporting methods adopted by institutes, thereby reducing the overall comparability of the indicators across the sector.

Recommendations

- 2.2 The department, in conjunction with TAFE institutes, should build on the outcomes of the 2006 performance reporting cycle to enhance the quality of performance measures for 2007.
- 2.3 OTTE, through the responsible minister, should mandate the application of FRD 27 *Presentation of Reporting and Performance Information to Victorian TAFE institutes*.

RESPONSE provided by the Secretary, Department of Innovation, Industry and Regional Development

The department intends to review the 2006 performance indicators with the TAFE Institutes by mid-2007 to confirm that the current set is able to be objectively measured and is being reported consistently across all institutes. The timing of the review will allow any changes to be effected in TAFE management reporting in the second half of 2007 prior to inclusion in 2007 Annual Reports.

Appendix 2A
Audit status: Education and Training sector

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES									
UNIVERSITIES									
Deakin University -	22 Mar. 2007	✓	28 Mar. 2007			•			
Callista Software Services Pty Ltd	23 Mar. 2007	✓	5 Apr. 2007			•			
Canopi Network Pty Ltd	23 Mar. 2007	✓	5 Apr. 2007			•			
The Australian Professional Association Services Company Ltd (formally known as Australian Human Resources Institute Pty Ltd)	23 Mar. 2007	✓	5 Apr. 2007			•			
Unilink Ltd	23 Mar. 2007	✓	5 Apr. 2007			•			
La Trobe University -	25 Mar. 2007	✓	5 Apr. 2007			•			
La Trobe International Pty Ltd	23 Mar. 2007	✓	5 Apr. 2007			•			
La Trobe University Housing Ltd	23 Mar. 2007	✓	12 Apr. 2007					•	
La Trobe University Union	23 Mar. 2007	✓	12 Apr. 2007					•	
Medical Centre Development Pty Ltd	15 Mar. 2007	✓	5 Apr. 2007			•			
Monash University -	19 Mar. 2007	✓	27 Mar. 2007			•			
Monash College Group Pty Ltd	9 Feb. 2007	✓	15 Mar. 2007			•			
Monash Digital Media Pty Ltd (a)	8 Mar. 2007	✓	23 Mar. 2007			•			
Monash ED Pty Ltd (b)	8 Mar. 2007	✓	23 Mar. 2007			•			
Monash Health Research Precinct Pty Ltd	3 Apr. 2007	✓	5 Apr. 2007					•	
Monash Investment Holdings Pty Ltd	8 Mar. 2007	✓	23 Mar. 2007			•			
Monash Investment Trust	8 Mar. 2007	✓	23 Mar. 2007			•			
Monash IT Pty Ltd (c)	8 Mar. 2007	✓	23 Mar. 2007		•				
Monash International SRL	14 Feb. 2007	✓	27 Mar. 2007					•	

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES – continued									
UNIVERSITIES – continued									
Monash University - continued									
Monash IVF Pty Ltd	27 Mar. 2007	✓	12 Apr. 2007					•	
Monash Property Management Pty Ltd	8 Mar. 2007	✓	23 Mar. 2007		•				
Monash University Foundation	8 Mar. 2007	✓	23 Mar. 2007		•				
Monash University Foundation Pty Ltd	8 Mar. 2007	✓	23 Mar. 2007		•				
Monash Reproductive Health Enterprises Pty Ltd	27 Mar. 2007	✓	30 Mar. 2007				•		
Monash Reproductive Pathology and Genetics Pty Ltd	27 Mar. 2007	✓	30 Mar. 2007				•		
Monash Ultrasound Pty Ltd	27 Mar. 2007	✓	30 Mar. 2007				•		
Montech Pty Ltd	8 Mar. 2007	✓	23 Mar. 2007			•			
Utemis Pty Ltd (d)	8 Mar. 2007	✓	23 Mar. 2007			•			
VERNet Pty Ltd	26 Apr. 2007	✓	30 Apr. 2007						•
Wesley Monash IVF Pty Ltd	27 Mar. 2007	✓	30 Mar. 2007				•		
Wesley Monash IVF Joint Venture	27 Mar. 2007	✓	30 Mar. 2007				•		
RMIT University -	28 Mar. 2007	✓	29 Mar. 2007						•
Meltech Services Ltd	24 Apr. 2007	✓	30 Apr. 2007						•
RMIT Foundation	23 Mar. 2007	✓	10 Apr. 2007					•	
RMIT Innovation Ltd	30 Apr. 2007	✓	30 Apr. 2007						•
RMIT International Pty Ltd									
Audit report contained an “emphasis of matter”: <i>Attention drawn to the need for continuing financial support from RMIT University.</i>	27 Feb. 2007	✓	23 Apr. 2007						•
RMIT International University Vietnam	19 Apr. 2007	✓	27 Apr. 2007						•

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES - continued									
UNIVERSITIES – continued									
RMIT University – continued									
RMIT Training Pty Ltd	15 Mar. 2007	✓	21 Mar. 2007		•				
RMIT Vietnam Holdings Pty Ltd	16 Apr. 2007	✓	27 Apr. 2007						•
Spatial Vision Innovations Pty Ltd	27 Feb. 2007	✓	7 Mar. 2007		•				
Swinburne University of Technology -	2 Apr. 2007	✓	5 Apr. 2007			•			
Br (Vic) Pty Ltd (e)	2 Apr. 2007	✓	4 Apr. 2007			•			
National Institute of Circus Arts Ltd	21 Mar. 2007	✓	23 Apr. 2007						•
Swinburne Graduate School of Integrative Medicine Pty Ltd (f)	4 Apr. 2007	✓	4 Apr. 2007				•		
Swinburne (Holdings) Pty Ltd	4 Apr. 2007	✓	4 Apr. 2007				•		
Swinburne Intellectual Property Trust	4 Apr. 2007	✓	4 Apr. 2007				•		
Swinburne Ltd	4 Apr. 2007	✓	4 Apr. 2007				•		
Swinburne Student Amenities Association Ltd	4 Apr. 2007	✓	4 Apr. 2007				•		
Swinburne Ventures Ltd	4 Apr. 2007	✓	4 Apr. 2007				•		
The University of Melbourne -									
<i>Reason for qualification: Grant income recognised as liabilities rather than as income, as required by AASB 1004 Contributions.</i>	26 Mar. 2007	x	27 Mar. 2007					•	
Australian International Health Institute (The University of Melbourne) Ltd	13 Feb. 2007	✓	27 Feb. 2007		•				
Australian National Academy of Music Foundation Ltd	7 Feb. 2007	✓	8 Feb. 2007					•	
Australian National Academy of Music Ltd	7 Feb. 2007	✓	8 Feb. 2007						•

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES - continued									
UNIVERSITIES - continued									
The University of Melbourne - continued									
Australian Music Examination Board (Vic) Ltd	8 Feb. 2007	✓	13 Feb. 2007	•					
Hawthorn Edinburgh Limited	9 Feb. 2007	✓	28 Mar. 2007		•				
Hawthorn English Language Centres (Canada) Ltd									
Reason for qualification: <i>Inappropriate application of "going concern" principle to the preparation of its financial statements.</i>	24 Jan. 2007	x	30 Apr. 2007						•
Melbourne Business School Building Fund									
Reason for qualification: <i>Unable to assess the completeness of cash donations as inherent risk in collecting this type of revenue cannot be mitigated by further internal controls.</i>	13 Mar. 2007	x	19 Mar. 2007			•			
Melbourne Business School Foundation	13 Mar. 2007	✓	19 Mar. 2007			•			
Melbourne Business School Foundation Ltd	13 Mar. 2007	✓	19 Mar. 2007			•			
Melbourne Business School Ltd	13 Mar. 2007	✓	19 Mar. 2007			•			
Melbourne University Publishing Ltd	20 Feb. 2007	✓	27 Feb. 2007		•				
Melbourne Ventures Pty Ltd	20 Mar. 2007	✓	21 Mar. 2007			•			
Meanjin Company Ltd									
Reason for qualification: <i>Grant income recognised as liabilities rather than as income, as required by AASB 1004 Contributions.</i>	20 Feb. 2007	x	27 Feb. 2007					•	
Melbourne Enterprise International Ltd	15 Feb. 2007	✓	15 Feb. 2007	•					
Melbourne Information Management Pty Ltd	9 Feb. 2007	✓	15 Feb. 2007						•

Appendix 2A
Audit status by sector: Education and Training - continued

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES - continued									
UNIVERSITIES - continued									
The University of Melbourne - continued									
Mt Eliza Graduate School of Business and Government Limited	13 Mar. 2007	✓	19 Mar. 2007		•				
MU Student Union Limited	21 Mar. 2007	✓	23 Mar. 2007		•				
MUP Services Pty Ltd	15 Feb. 2007	✓	21 Mar. 2007		•				
MU Private (NZ) Ltd									
Audit report contained an “emphasis of matter”: Attention drawn to the need for continuing financial support from UMEEE Ltd.									•
UMEE Ltd	14 Feb. 2007	✓	30 Apr. 2007						•
Victorian College of the Arts	1 Mar. 2007	✓	9 Mar. 2007		•				
University of Ballarat -	23 Mar. 2007	✓	17 Apr. 2007						•
Inskill Ltd	21 Mar. 2007	✓	22 Mar. 2007			•			
School of Mines and Industries Ballarat Ltd	20 Mar. 2007	✓	22 Mar. 2007			•			
Victoria University -	20 Mar. 2007	✓	22 Mar. 2007			•			
Victoria University – AFIC College Ltd	15 Mar. 2007	✓	20 Mar. 2007			•			
Victoria University Enterprises Pty Ltd	20 Mar. 2007	✓	21 Mar. 2007			•			
Victoria University Foundation	7 Mar. 2007	✓	20 Mar. 2007			•			
Victoria University Foundation Ltd	5 Mar. 2007	✓	20 Mar. 2007			•			
Victoria University International Pty Ltd	5 Mar. 2007	✓	20 Mar. 2007			•			
Victoria University of Technology (Singapore) Pty Ltd	7 Mar. 2007	✓	20 Mar. 2007			•			
	7 Mar. 2007	✓	20 Mar. 2007			•			

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements			Timeliness of audited financial statement completion						
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks	
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES – continued										
TAFES										
Bendigo Regional Institute of TAFE	15 Mar. 2007	✓	16 Mar. 2007	•						
Box Hill Institute of TAFE -	1 Mar. 2007	✓	21 Mar. 2007	•						
Box Hill Enterprises Ltd	1 Mar. 2007	✓	21 Mar. 2007	•						
Central Gippsland Institute of TAFE	8 Mar. 2007	✓	29 Mar. 2007				•			
Chisholm Institute of TAFE -	8 Mar. 2007	✓	14 Mar. 2007	•						
Caroline Chisholm Education Foundation	8 Mar. 2007	✓	14 Mar. 2007	•						
East Gippsland Institute of TAFE	20 Mar. 2007	✓	28 Mar. 2007				•			
Gordon Institute of TAFE -	29 Mar. 2007	✓	3 Apr. 2007				•			
Gordon Foundation Ltd	29 Mar. 2007	✓	3 Apr. 2007				•			
Gordon Foundation Trust	29 Mar. 2007	✓	3 Apr. 2007				•			
GOTEC Limited	29 Mar. 2007	✓	3 Apr. 2007				•			
Goulburn Ovens Institute of TAFE	15 Mar. 2007	✓	19 Mar. 2007			•				
Holmesglen Institute of TAFE	8 Mar. 2007	✓	14 Mar. 2007	•						
Kangan Batman Institute of TAFE -	19 Mar. 2007	✓	3 Apr. 2007				•			
John Batman Consultancy and Training Pty Ltd	19 Mar. 2007	✓	3 Apr. 2007				•			
Northern Melbourne Institute of TAFE	19 Feb. 2007	✓	16 Mar. 2007			•				
South West Institute of TAFE	15 Mar. 2007	✓	16 Mar. 2007			•				
Sunraysia Institute of TAFE -	3 Mar. 2007	✓	14 Mar. 2007			•				
Sunraysia Institute of TAFE Community Child Care Centre Inc	2 Mar. 2007	✓	5 Mar. 2007		•					

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
COMPLETED AUDITS – 31 DECEMBER 2006 BALANCE DATES - continued									
TAFEs – continued									
William Angliss Institute of TAFE -	8 Mar. 2007	✓	22 Mar. 2007		•				
Angliss Consulting Pty Ltd	20 Mar. 2007	✓	2 Apr. 2007			•			
Angliss Multimedia Pty Ltd	20 Mar. 2007	✓	2 Apr. 2007			•			
Angliss Solutions Pty Ltd	20 Mar. 2007	✓	2 Apr. 2007			•			
Wodonga Institute of TAFE	20 Feb. 2007	✓	14 Mar. 2007		•				
OTHERS									
Adult Multicultural Education Services	26 Feb. 2007	✓	2 Mar. 2007		•				
Centre for Adult Education	28 Mar. 2007	✓	2 Apr. 2007			•			
Driver Education Centre of Australia Ltd -	7 Mar. 2007	✓	21 Mar. 2007		•				
DECA Ltd (formerly Transport Education and Training Australia Ltd)	7 Mar. 2007	✓	30 Apr. 2007						•
International Fibre Centre Ltd	16 Mar. 2007	✓	12 Apr. 2007				•		
COMPLETED AUDITS – OTHER BALANCE DATES (30 JUNE 2006)									
TAFE Development Centre Limited	15 Feb. 2007	✓	27 Feb. 2007						
VCAMM Limited	12 Feb. 2007	✓	16 Feb. 2007						
INCOMPLETE AUDITS – AT 30 APRIL 2007 (31 DECEMBER 2006 BALANCE DATES UNLESS OTHERWISE STATED)									
UNIVERSITIES									
Deakin University associated entities									
DeakinPrime USA (1 Jan. 2005 to 31 Oct. 2005)									Financial statements yet to be submitted.

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements		Timeliness of audited financial statement completion						
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
INCOMPLETE AUDITS – AT 30 APRIL 2007 (31 DECEMBER 2006 BALANCE DATES UNLESS OTHERWISE STATED) - continued									
UNIVERSITIES – continued									
Monash University associated entities									
LearningFast Inc. (1 Jan. 2004 to 31 Dec. 2004)			Financial statements yet to be submitted.						•
(1 Jan. 2005 to 31 Dec. 2005)									
(1 Jan. 2006 to 31 Dec. 2006)									
Monash Commercial Pty Ltd			Financial statements yet to be submitted						•
Monash Educational Enterprises			Financial statements yet to be submitted						•
Monash Learningfast Pty Ltd (1 Jan. 2005 to 31 Dec. 2005)			Financial statements yet to be submitted.						•
(1 Jan. 2005 to 31 Dec. 2006)									
Monash Property South Africa Pty Ltd			Financial statements yet to be submitted.						•
Monash South Africa Ltd			Financial statements yet to be submitted.						•
Monyx Education Services Pty Ltd			Financial statements yet to be submitted.						•
Monyx Pty Ltd			Financial statements yet to be submitted.						•
Monyx Services Pty Ltd			Financial statements yet to be submitted.						•
RMIT University associated entities									
RMIT Union			Financial statements yet to be submitted.						•

Appendix 2A
Audit status: Education and Training sector - continued

Entity	Financial statements		Timeliness of audited financial statement completion						
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
INCOMPLETE AUDITS – AT 30 APRIL 2007 (31 DECEMBER 2006 BALANCE DATES UNLESS OTHERWISE STATED) - continued									
TAFES									
Holmesglen Institute of TAFE associated entity									
Holmesglen International Training Services Pty Ltd	Certified financial statements yet to be submitted.								•
DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT									
International Training Australia Pty Ltd	Financial statements yet to be submitted.								•
DEPARTMENT FOR VICTORIAN COMMUNITIES									
AMES Vietnam	Audited financial statements to be finalised.								•
OTHER									
Telematics Course Development Fund	Certified financial statements yet to be submitted.								•
Total			5	8	42	39	6	24	
(a) Monash Digital Media Pty Ltd ceased operations on 6 February 2006. Financial statements cover the period from 1 January 2006 to 6 February 2006.									
(b) Monash ED Pty Ltd ceased operations on 17 March 2006. Financial statement cover the period from 1 January 2006 to 17 March 2006.									
(c) Monash IT Pty Ltd ceased operations on 14 January 2007. Financial statements cover the period from 1 January 2006 to 14 January 2007.									
(d) Utemis Pty Ltd ceased operations on 17 December 2006. Financial statements cover the period from 1 January 2006 to 17 December 2006.									
(e) Br (Vic) Pty Ltd ceased operations on 21 May 2006. Financial statements covered the period from 1 January 2006 to 21 May 2006.									
(f) Swinburne Graduate School of Integrated Medicine Pty Ltd ceased operations on 21 May 2006. Financial statements cover the period from 1 January 2006 to 21 May 2006.									

3 Alpine resorts

At a glance

Background

There were 5 alpine resort management boards required to prepare financial statements for the financial year ended 31 October 2006.

Key findings

- Notwithstanding variability in financial results over the past 3 year years, the larger alpine resorts (Falls Creek, Mt Buller and Mt Stirling, and Mt Hotham) have generated sustainable financial outcomes. However, the financial performance and standing of the smaller alpine resorts (Lake Mountain and Mt Baw Baw) continue to deteriorate and require close monitoring by the respective management boards and the Department of Sustainability and Environment.
- Poor practices and inadequate documentation supporting personal expenditure reimbursement payments for senior staff and board members across the 5 alpine resorts were noted.
- All 5 audit opinions issued on the financial statements of these entities were clear.

Key recommendation

3.1 Alpine resort management boards should review and update their policies and procedures relating to personal expenditure reimbursements, so that expenditure is clearly related to business purposes and supported by appropriate documentation.

3.1 Introduction

There are 5 alpine resort management boards with 31 October balance dates.

3.2 Audit conclusions

We issued clear audit opinions on the financial statements of all these entities.

The volatile seasonal conditions have affected the financial performance of the smaller alpine resorts of Lake Mountain and Mt Baw Baw, and to a lesser extent the larger alpine resorts of Falls Creek, Mt Buller and Mt Stirling, and Mt Hotham. Given the impact of this seasonal volatility, the long-term financial viability of the state's alpine resort management boards will require close monitoring.

Our examination of personal expenditure reimbursements for senior staff and board members across the 5 alpine resorts identified poor practices and inadequate documentation supporting payments made. Given the inherent risks associated with this type of expenditure, it is important that entities establish unequivocal policies and controls.

3.3 Sector overview

Five alpine resort management boards are established in Victoria under the *Alpine Resorts (Management) Act 1997* to manage the alpine resorts at Falls Creek, Mt Buller and Mt Stirling, Lake Mountain, Mt Baw Baw and Mt Hotham. The objectives of these boards are to:

- plan for the proper use and development of the land they manage
- develop resorts that primarily provide quality alpine recreation and tourism experiences in all seasons of the year
- conduct their business in an ecological, economically, culturally and socially responsible manner.

These entities are required to prepare annual financial statements as at 31 October of each year, and have them audited by the Auditor-General.

3.4 Results of audits

3.4.1 Audit opinions issued

Clear audit opinions were issued on the financial statements of the 5 alpine resort management boards for the financial year ended 31 October 2006.

3.4.2 Timeliness of reporting

Figure 3A provides a summary of how the alpine resort management boards met the 12-week statutory reporting requirement for 2006. Further details for these entities is available in Appendix 3A.

Figure 3A
Timeliness of audited financial statements, Alpine resort management boards

Number of weeks after end of financial year audited financial statements were finalised	2005		2006	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
12 to 14 weeks	-	-	3	60
14 to 16 weeks	3	60	2	100
Greater than 16 weeks	2	100	-	-
Total	5	-	5	-

Source: Victorian Auditor-General's Office.

In 2005, completion of the alpine resort management board financial statements was delayed due to several factors, including delays in entities' completion of quality draft financial statements for audit, and the need to resolve a number of contentious technical issues.

Severe bushfires in the alpine region in late 2006 impacted on the ability of resort staff to also finalise their 2006 financial statements within the required timelines. Finance staff at a number of alpine resort management boards faced competing priorities during the bushfires and some were temporarily relocated. This resulted in delays in completing draft financial statements for audit. In some instances, audit site visits also required rescheduling due to staff safety considerations during the height of the bushfires.

In addition, 2006 was the first year that alpine resort management boards were required to implement the Australian equivalents to International Financial Reporting Standards (A-IFRS). The adoption of A-IFRS required additional effort from these entities to perform transitional accounting tasks, and meet the new presentation and disclosure requirements.

After taking these factors into account, the time taken to report is not considered excessive. All entities finalised their audited financial statements within 16 weeks of balance date.

3.4.3 Entity control environments

Except for the matter outlined below, our audits confirmed that the control environments of these entities, and the internal control systems we examined, were generally satisfactory.

Expenditure reimbursement arrangements

As part of our 2006 financial audit program, we conducted an audit of personal expenditure reimbursement arrangements for senior staff and board members across the alpine resorts.

Our examination found that policies and procedures had either not been established for expenditure reimbursement claims, or were deficient in some respects - including that documented procedures and claimable amounts were outdated; types of allowable expense claims were not specified; and authorisation arrangements were not clearly outlined.

Partly due to these deficiencies, and the failure in some instances to follow established procedures, we found a number of issues across the sector relating to expenditure reimbursements, including:

- tax invoices not provided to support expense claims
- expense claims not appropriately authorised
- reimbursement claims not submitted in a timely manner
- board member claims paid prior to approval or examination
- inconsistencies in amounts claimed for mileage and travel claim expenses
- lack of documentation to support claims
- a refund of \$1 100 to a board member for attending a political fundraising event.

These deficiencies demonstrate a need for sector entities to improve procedures and controls over expenditure reimbursement claims.

Recommendation

- 3.1 Alpine resort management boards should review and update their policies and procedures relating to personal expenditure reimbursements, so that expenditure is clearly related to business purposes and supported by appropriate documentation.

RESPONSE provided by the Secretary, Department of Sustainability and Environment

The department supports the recommendation that the agencies review and update their policy and procedures, as they relate to expenditure review arrangements. The department will ensure that advice on guideline development will be provided to the management boards.

In relation to the financial standing of the management boards, the Government has committed to undertake a review of the strategic direction and the management model for Lake Mountain and Mt Baw Baw management boards in the context of climate change, access to resources and their financial position.

RESPONSE provided by the Chief Executive Officer, Mt Hotham Alpine Resort Management Board

We have noted the comments in relation to the audits for the alpine resorts for the financial year ending 31 October 2006 including the acknowledgment of the work undertaken to continue the sustainability of the financial outcomes of Mt Hotham.

In regards to the number of issues across the sector relating to expenditure reimbursements, only two issues relate to Mt Hotham and they are with regards to the non-provision of tax invoices with expense claims and expense claims not appropriately authorised. We have taken action to correct these matters.

3.5 Financial standing of alpine resort management boards

The alpine resort management boards are required by their enabling legislation to be largely self-sufficient. Their main revenue sources are service charges, gate fees and site rentals. In addition, the boards receive capital works grants from the Victorian and Commonwealth governments.

In previous years, we raised concerns regarding the financial viability of alpine resorts, primarily the smaller resorts whose finances are subject to substantial volatility associated with seasonal conditions. In 2004, pursuant to legislative changes, one of the smaller resorts, Mt Stirling, was amalgamated into the larger resort of Mt Buller to form the current 5 management boards. Under these legislative changes, all alpine resort management boards were also required to establish:

- a seasonal snow drought fund to maintain cash flow during poor snow seasons
- a capital investment fund to finance asset maintenance and replacement.

As the past 2 snow seasons have been poor, the 2 remaining smaller alpine resort management boards, Lake Mountain and Mt Baw Baw, have yet to establish these funds.

Figure 3B shows that, in 2006, both these boards posted operating losses in excess of \$300 000 and had negative working capital balances. In 2006, support payments totalling \$2.8 million were made by the Department of Sustainability and Environment (DSE) to these boards. By comparison, no support payments were required in 2004. The trend across the 3 years from 2004 to 2006 shows a general deterioration in the financial performance, financial position and net cash flows from the operations of both Lake Mountain and Mt Baw Baw, with a continuing reliance on DSE support payments.

Figure 3B provides a summary of financial results for the 5 alpine resort management boards, for the 3-year period 2004 to 2006.

Figure 3B
Financial viability of alpine resort management boards (\$'000)

Board	Operating result			Net current assets			Net cash flow from operations		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Falls Creek	12	352	(91)	1 828	2 156	1 859	1 017	1 101	420
Lake Mountain	1 187	(976)	(333)	110	(713)	(813)	1 551	(537)	237
Mt Baw Baw	1 472	182	(385)	781	78	(139)	1 788	373	436
Mt Hotham	717	355	620	322	1 318	435	1 090	1 081	1 601
Mt Buller and Mt Stirling (a)	1 561	896	1 213	2 435	4 091	5 066	2 088	2 360	3 018
Total	4 949	809	1 024	5 476	6 930	6 408	7 534	4 378	5 712

(a) Effective from 1 November 2004, the *Alpine Resorts (Management) Act 1997* was amended to disband the Mt Buller and the Mt Stirling boards and establish the Mt Buller and Mt Stirling Alpine Resort Management Board. The 2004 figures are aggregated to allow comparison.

Source: Victorian Auditor-General's Office.

Figure 3B shows that, overall, the larger resorts of Falls Creek, Mt Buller and Mt Stirling, and Mt Hotham have generated sustainable financial outcomes, notwithstanding a variability in financial results between years - impacted by volatility in seasonal conditions. A key factor contributing to these outcomes has been that the 3 larger boards have shown a stronger capacity to generate income via alternative revenue streams, such as increased site rentals, contributions from developers and from increased product diversity. Our review of their financial statements also indicated that a reduction in operating expenditures has assisted the 3 larger boards in maintaining their financial performance during the past 2 poor snow seasons.

Given the above financial outcomes, and the inherent volatility associated with changing seasonal conditions, it is apparent that DSE will need to continue to closely monitor the long-term financial viability of the alpine resort management boards.

Appendix 3A
Audit status: Alpine resort management boards (Sustainability and Environment sector)

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Falls Creek Alpine Resort Management Board	8 Feb. 2007	✓	8 Feb. 2007			●			
Mount Baw Baw Alpine Resort Management Board	24 Jan. 2007	✓	31 Jan. 2007			●			
Mount Buller and Mount Stirling Alpine Resort Management Board (a)	8 Feb. 2007	✓	19 Feb. 2007				●		
Mount Hotham Alpine Resort Management Board	7 Feb. 2007	✓	8 Feb. 2007			●			
Lake Mountain Alpine Resort Management Board	12 Feb. 2007	✓	16 Feb. 2007				●		
Total						3		2	

(a) Effective from 1 November 2004, the *Alpine Resorts (Management) Act 1997* was amended to disband the Mt Buller and the Mt Stirling boards, and establish the Mt Buller and Mt Stirling Alpine Resort Management Board.

4 Other entities

At a glance

Background

There were 6 other entities with balance dates other than 30 June 2006 that were required to prepare financial statements and have them audited - 2 medical registration boards, the Anti Cancer Council of Victoria and 3 "shell" companies of the former Tricontinental group.

There were also 4 other entities with 30 June 2006 or earlier balance dates.

Key findings

- All 6 audit opinions issued on the financial statements of entities with other than 30 June 2006 balance dates were clear.
- Four other entities with 30 June 2006 or earlier balance dates had not discharged their accountability obligations.

Key recommendation

- 4.1 Outstanding financial statements of HumeNET Limited, the Trustees of the Fawkner Crematorium and Memorial Park, Evivar Medical Pty Ltd and VCPO Limited should be finalised and submitted for audit.

4.1 Introduction

There were 6 other small entities with other than 30 June 2006 balance dates, across several ministerial portfolios, and 4 entities with 30 June 2006 or earlier balance dates which are yet to submit financial statements for audit.

4.2 Results of audits

4.2.1 Audit opinions issued

At 30 April 2007, we had issued clear audit opinions on the financial statements of all 6 entities with other than 30 June balance dates.

We were awaiting the receipt of final draft financial statements from the Trustees of the Fawkner Crematorium and Memorial Park for the year ended 30 June 2006, draft financial statements from Evivar Medical Pty Ltd for the year ended 30 June 2006 and VCPO Limited for the year ended 30 June 2005, when the company was placed into voluntary liquidation.

Completion is also awaited of the financial statements of an entity within the Human Services portfolio, HumeNET Limited, which has a 30 June balance date. HumeNET Limited has not yet completed financial statements for any financial period since its establishment in October 2003. The timely completion and publication of audited financial statements is a fundamental tenet of accountability and a core responsibility of the governing board. The entity's failure to discharge its accountability responsibilities for several years reflects poorly on its governance arrangements. Management have advised that they are now progressing the preparation of the required financial statements.

Recommendation

- 4.1 Outstanding financial statements of HumeNET Limited, the Trustees of the Fawkner Crematorium and Memorial Park, Evivar Medical Pty Ltd and VCPO Limited should be finalised and submitted for audit.

RESPONSE provided by the Secretary, Department of Human Services

Evivar Medical Pty Ltd: The company's 2005-06 accounts were consolidated and audited as part of Melbourne Health. However, there was a misunderstanding that the company's financial statements required separate audit certification. These statements will be submitted in June 2007.

HumeNET Limited: The company has been working closely with the Auditor-General's agent and expects to have all outstanding statements submitted by the end of June 2007.

RESPONSE provided by the Secretary, Department of Human Services - continued

Trustees of the Fawkner Crematorium and Memorial Park: The Trust has been working closely with Auditor-General's staff and the Trust Administrator expects to submit 2005-06 financial statements by the end of June 2007.

4.2.2 Timeliness of reporting

Figure 4A provides a summary of how the 6 entities met the 12-week statutory reporting requirements for 2006. Further details of these agencies are available in Appendix 4A.

Figure 4A
Timeliness of audited financial statements completed, other sector entities

Number of weeks after end of financial year audited financial statements were finalised	2005		2006	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
8 to 10 weeks	-	-	3	50
10 to 12 weeks	1	17	-	50
12 to 14 weeks	-	17	2	83
14 to 16 weeks	2	50	-	83
Greater than 16 weeks	3	100	1	100
Total	6	-	6	-

Figure 4A shows that the timeliness of financial reporting by the 6 entities improved in 2006, with 3 completing their audited financial statements within 10 weeks of their balance dates (none on 2005), and a further 2 entities within 14 weeks.

4.2.3 Entity control environments

Our audits confirmed that the control environments of these entities, and the internal control systems we examined, were generally satisfactory.

Appendix 4A
Audit status: Human Services sector

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
HEALTH									
Anti-Cancer Council of Victoria	24 Apr. 2007	✓	30 Apr. 2007						•
Medical Practitioners Board of Victoria	21 Dec. 2007	✓	21 Dec. 2006				•		
Psychologists Registration Board of Victoria	22 Mar. 2007	✓	26 Mar. 2007				•		
Total							2		1
INCOMPLETE AUDITS – AT 30 APRIL 2007									
Eviar Medical Pty Ltd (formerly known as Virtual Virology Pty Ltd) (1 July 2005 to 30 June 2006)				<i>Financial statements yet to be submitted.</i>					
HumeNET Limited (30 Oct. 2003 to 30 June 2004)				<i>Financial statements yet to be submitted.</i>					
(1 Jul. 2004 to 30 June 2005)				<i>Financial statements yet to be submitted.</i>					
(1 Jul. 2005 to 30 June 2006)				<i>Financial statements yet to be submitted.</i>					
Trustees of the Fawcner Crematorium and Memorial Park (1 July 2005 to 30 June 2006)				<i>Financial statements yet to be submitted.</i>					

Appendix 4B
Audit status: Department of Innovation, Industry and Regional Development sector

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
INCOMPLETE AUDIT – AT 30 APRIL 2007									
VCPO Limited (a)									

(a) The company was placed into voluntary liquidation during 2004-05. At the date of preparing this report, the department had undertaken to complete the 2004-05 and the 2005-06 financial statements as soon as possible.

Appendix 4C
Audit status: Treasury and Finance sector

Entity	Financial statements			Timeliness of audited financial statement completion					
	Statements signed by management	Clear opinion issued	Auditor-General's report signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Securities Finance Corporation Ltd (a)	5 Mar. 2007	✓	9 Mar. 2007		●				
Tricontinental Corporation Ltd (a)	5 Mar. 2007	✓	9 Mar. 2007		●				
Tricontinental Holdings Ltd (a)	5 Mar. 2007	✓	9 Mar. 2007		●				
Total					3				

(a) Company in voluntary liquidation since 22 December 2005 and expected to be deregistered in 2007.

Auditor-General's reports

2006-07

Report title	Date issued
Review of major public cemeteries (2006:5)	July 2006
Vocational education and training: Meeting the skill needs of the manufacturing industry (2006:6)	July 2006
Making travel safer: Victoria's speed enforcement program (2006:7)	July 2006
Results of special audits and other investigations (2006:8)	August 2006
Condition of public sector residential aged care facilities (2006:9)	August 2006
Government advertising (2006:10)	September 2006
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2005-06 (2006:11)	September 2006
Results of financial statement audits for agencies with 30 June 2006 balance dates (2007:1)	February 2007
Giving Victorian children the best start in life (2007:2)	May 2007
State Investment in Major Events (2007:3)	May 2007
Maintaining Victoria's Rail Infrastructure Assets (2007:4)	May 2007
Follow-up of Selected Performance Audits Tabled in 2003 and 2004 (2007:5)	June 2007

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