

# ***Technical and Further Education Institutes: 2015 Audit Snapshot***

Tabled 26 May 2016

This presentation provides an overview of the Victorian Auditor-General's report, *Technical and Further Education Institutes: 2015 Audit Snapshot*. This report details the outcomes of the 2015 financial audits of 11 technical and further education (TAFE) institutes and the 15 entities that they control that have finalised their financial and performance reports.

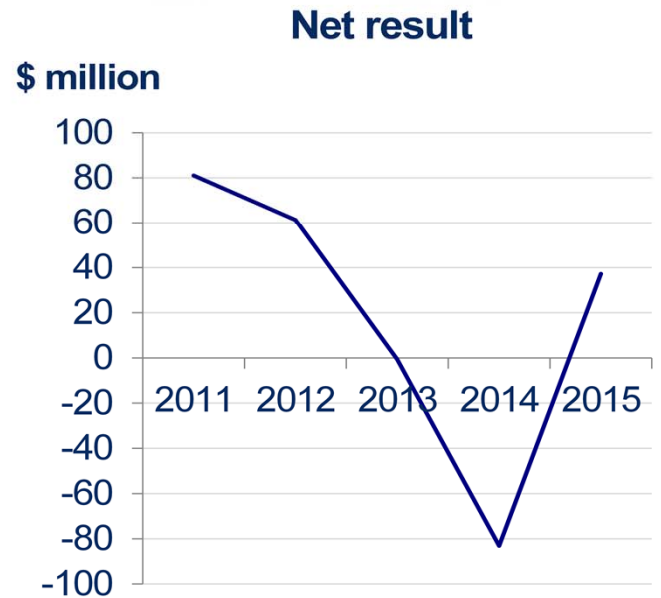
# Improved financial outcome in 2015

At 31 December 2015:  
\$37.2 million net **surplus**

At 31 December 2014:  
\$83.1 million net **deficit**

↑ Additional \$159.3 million in state-government funding in 2015

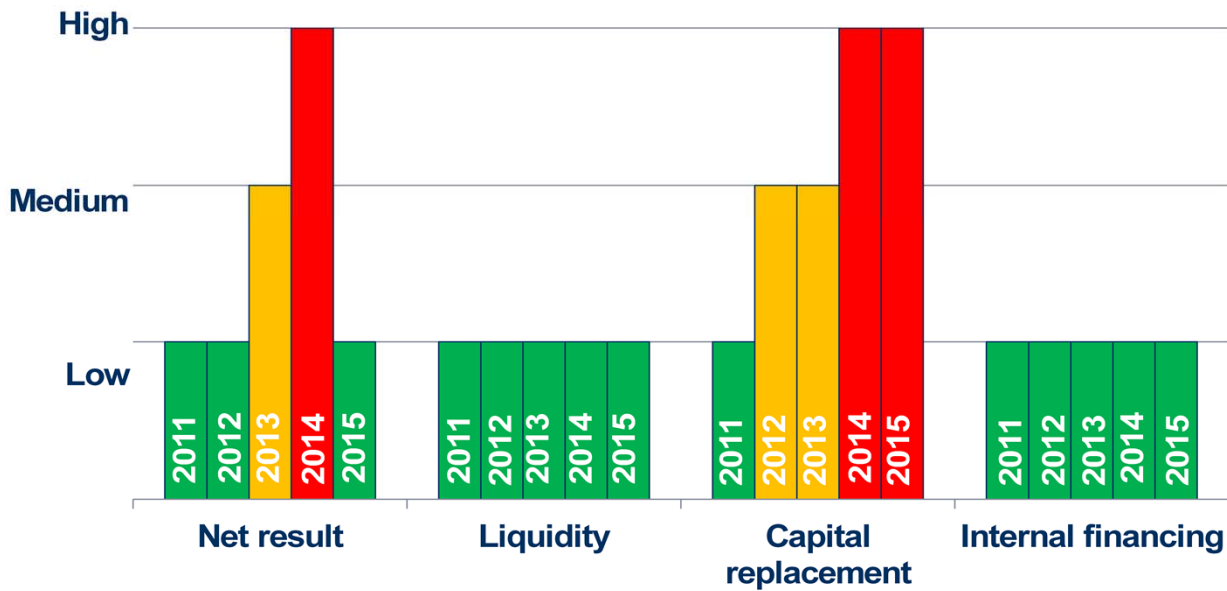
↓ \$27.6 million drop in payroll costs



It is pleasing to be able to report some positive trends coming from our review of the 2015 financial and performance reports for the TAFE sector. This is in contrast to our messages from the past two reports, where our financial sustainability indicators and the financial results for the sector were in decline.

This year, an additional \$159.3 million in state government-funded programs has increased revenue for the sector. This injection of additional funding late in the financial year has also meant an improved liquidity position at 31 December 2015. At the same time, the sector achieved an overall reduction in expenditure.

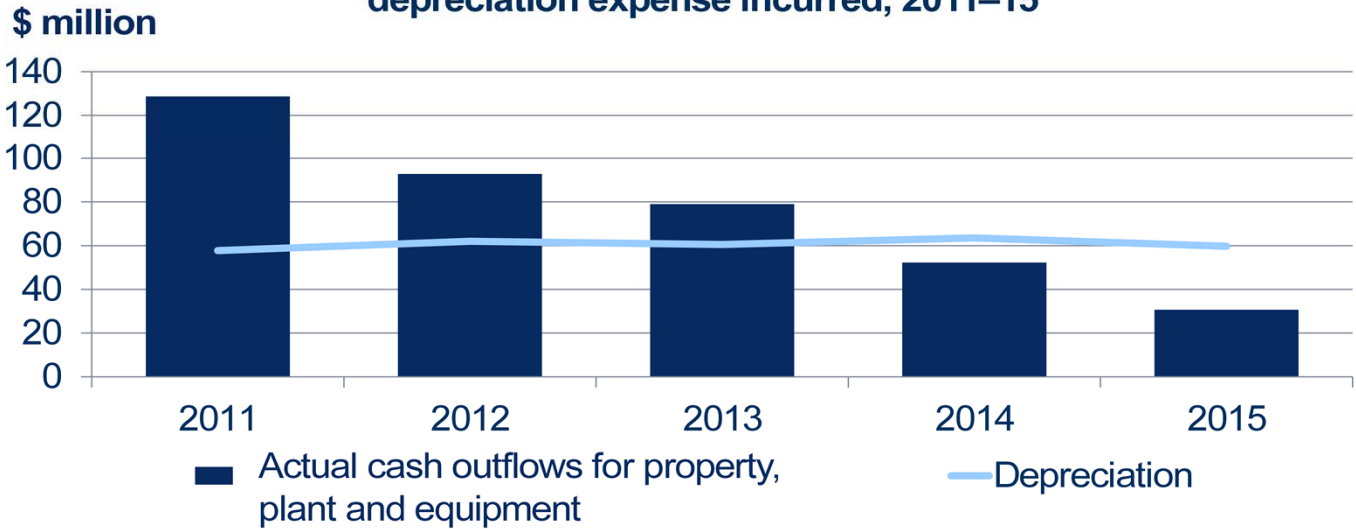
# Improved financial sustainability risk for 2015



However, financial sustainability risks remain.

# Continuing asset renewal and replacement risk

TAFE sector spending on property, plant and equipment against depreciation expense incurred, 2011–15



In particular, we have observed a continuing decline in spending on new assets and asset renewal when compared to asset consumption (as measured by the rate of depreciation). Over time, this could mean that assets might not be fully fit for purpose. TAFE institutes should manage this risk.

## Reporting on the Victorian TAFE sector

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### Included

11 TAFE institutes and  
15 entities they control



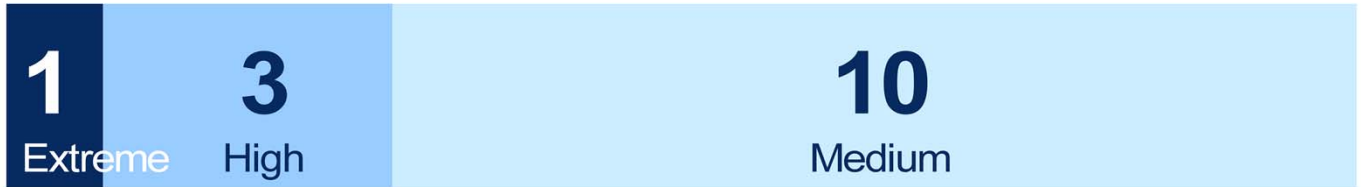
### Excluded

Federation Training

- 2014 and 2015 financial and performance reports not finalised

Although we note several positive findings from our audits, we also highlight some areas for attention. It is disappointing to have to report to Parliament again that the 2014 Federation Training financial report is not finalised. The statutory time frame for finalising the financial report was 22 March 2015. It is not acceptable for a financial report—a key financial accountability document—to remain unresolved for this length of time.

## Audit-identified issues



**4** Issues related to breaches of the *Standing Directions for the Minister of Finance*

**85%** Issues had been resolved from prior years



**TAFEs should resolve these issues as soon as possible to remove potential weaknesses in controls**

It is expected that TAFEs will act on the opportunities for improvement highlighted in this report—namely, improving the timely resolution of audit-identified issues so that weaknesses in controls or other areas of risk are addressed.

## Fraud control



- TAFEs' definition of fraud too narrow—focus on loss of physical assets
- No specific training for employees at higher risk of encountering fraud (e.g. procurement officers)
- Potential fraud risks are not being mitigated



**TAFEs should use IBAC's better practice materials to control fraud risk**

Also, TAFES should act to broaden how they view and mitigate fraud through their fraud control frameworks and increase staff awareness through training.

There are lessons to be learnt from the work of the Independent Broad-based Anti-Corruption Commission (IBAC). TAFEs should use IBAC's work and, importantly, apply the lessons through the suggested controls and better practice materials that IBAC has developed.

## New performance reporting framework

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New TAFE performance reporting framework:

- Four mandatory performance indicators
- Improved information about indicators
- Full implementation in 2016










**The Department of Education & Training and TAFEs are implementing recommendations made in our previous reports**

The Acting Auditor-General acknowledges the effort of the Department of Education & Training , along with TAFEs, to introduce a new performance reporting framework during 2015. This includes the reporting of four mandatory performance indicators by all TAFEs at 31 December 2015 and an improvement to information included in performance reports about the indicators. The Department of Education & Training has implemented the new framework in 2016.



## Recommendations

1. Ensure all audit findings are addressed in a timely manner 
2. Address longer-term financial sustainability issues 
3. Plan for, and monitor, asset replacement and renewal 
4. Integrate fraud control frameworks in other strategic activities 
5. Review fraud control policies and expand definition used 
6. Provide regular training on fraud policies and procedures 
7. Have systems and processes in place to capture all losses 

We made seven recommendations in this report. Some of those recommendations include that TAFEs:

- review their business model to ensure long-term financial sustainability issues are addressed
- plan for and monitor asset replacement and renewal
- review fraud policies and expand the definition of fraud, and
- provide regular training to staff on fraud policies and procedures.

For further information, please view the full report on  
our website: [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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