

# ***Universities: 2015 Audit Snapshot***

Tabled 26 May 2016

This presentation provides an overview of the Victorian Auditor-General's report *Universities: 2015 Audit Snapshot*.

## Overview

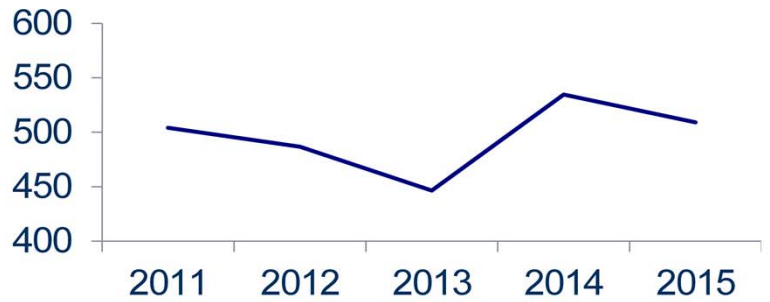


**8**  
Universities

**51**  
Controlled entities

Net surplus of  
**\$509.1 million**  
for the year to  
31 December 2015

\$ million



The university sector, comprised of the eight Victorian universities, generated a net surplus of \$509.1 million for the year to 31 December 2015. This continues a strong financial result for the sector, which has generated similar surpluses in each of the past five years.

## Financial sustainability of the sector

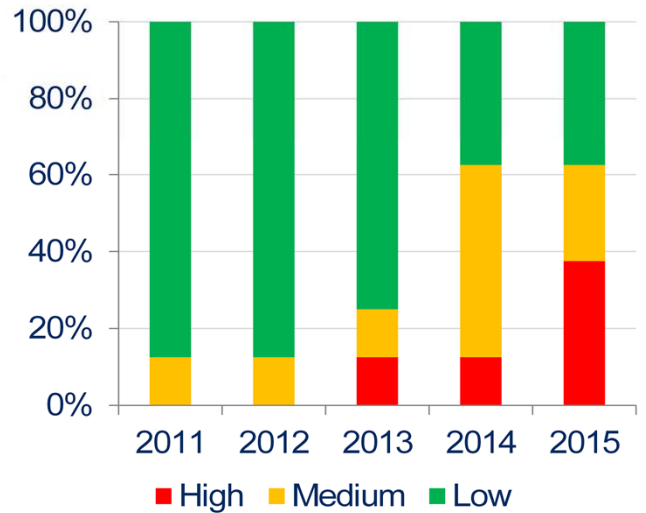
- **Low** overall financial sustainability risk
- Expenditure on new assets could mask spending on replacement assets

**5** universities have new student accommodation



Risk that assets may not be replaced or renewed in a timely manner

Universities' capital replacement risk indicators as at 31 December



We have assessed the sector as having a low financial sustainability risk.

However, our review has identified some longer-term risks regarding capital renewal. Five of the eight universities have recently built or are now building new student accommodation. Most of these buildings are now in use. This expenditure on new assets is potentially masking a lack of spending on replacement assets, and the sector is facing the longer-term risk that its asset base is not being replaced or renewed in a timely manner. Over time, this may result in some assets not being fully fit to provide the services required.

## Audit opinions

4



6 universities and 44 controlled entities received clear audit opinions for their 2015 financial reports



2 universities (Deakin University and the University of Melbourne) received qualified opinions due to treatment of grant funding

For the financial year ending 31 December 2015, Parliament and the public can have confidence in the financial reports of six universities and 44 controlled entities, who received clear audit opinions for their 2015 financial reports. The financial reports of seven controlled entities had not finalised their financial reports at the time of preparing this report.

Two universities received modified financial audit opinions. Both Deakin University and the University of Melbourne again received qualified audit opinions due to their treatment of grant funding, which did not comply with the Australian Accounting Standards. The universities have not resolved this issue in almost ten years.

The Australian Accounting Standards Board is currently considering a new accounting standard for the treatment of income by not-for-profit entities, and universities will be expected to implement the new standard.

## Control-related issues

18  
High

42  
Medium

38%

Issues related to  
the IT control  
frameworks

29%

Issues not  
resolved from  
prior years



**Universities should aim to resolve these issues as soon as possible to reduce the risk of undetected fraud and error occurring**

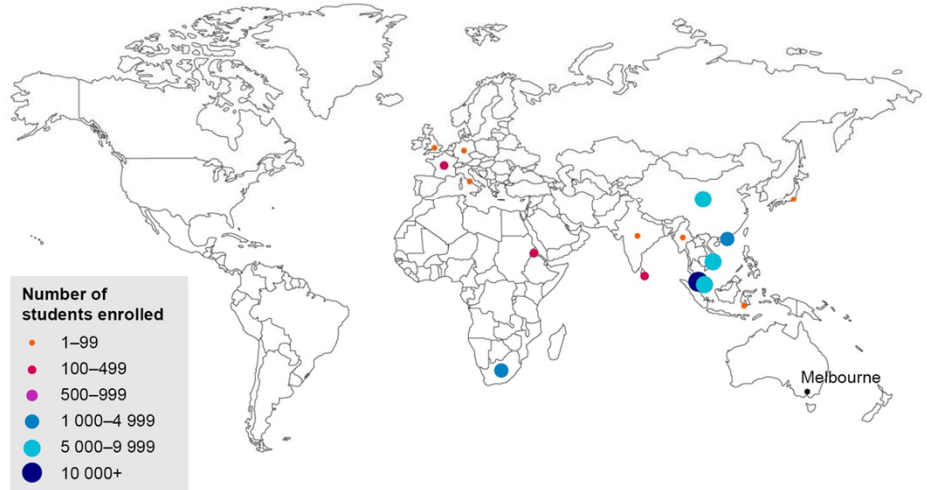
During the audits, we raised 60 high- and medium-risk issues relating to the control environments at the eight universities, with 38% of these relating to the IT control framework in place across the sector. Additionally, universities had not resolved 29 per cent of the issues raised by VAGO in prior years. Universities should aim to resolve these issues as soon as possible to reduce the risk of undetected fraud and error occurring.

## International operations

**41 136** 

students were enrolled in Victorian universities in 16 countries outside Australia at 31 December 2015.

It is important to maintain oversight of ventures to realise expected benefits and mitigate risks.



Victorian universities are looking to expand their engagement overseas in a number of ways, including through overseas-based courses that are offered through partnership institutions and overseas campuses. At 31 December 2015, 41 136 students were enrolled in Victorian universities in 16 countries outside Australia.

It is important that the university councils based in Victoria maintain appropriate oversight over these ventures to realise expected benefits, and to mitigate the risks to the university. This oversight can be improved, particularly regarding the identification and management of reputational and other risks.

## Recommendations

7



Ensure all audit findings are addressed in a timely manner



Review asset replacement and renewal plans



Document risk management relating to overseas-based students



Monitor qualitative and quantitative benefits of overseas activities

We made four recommendations aimed at ensuring that audit findings are addressed and that universities' physical assets are sufficiently maintained. We also addressed issues that may arise from offering courses overseas—we recommend that universities better manage the risks this may create and take steps to ensure they are realising the benefits expected from overseas activities.

The Department of Education & Training accepted all recommendations and has provided a detailed outline of how it intends to address each recommendation and by when it intends to achieve these actions. This is contained in Appendix E of the report.

The Auditor-General will monitor this progress over time.

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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