



Report 27: 2022-23 | 30 June 2023

FINANCIAL AUDIT RESULTS

# Universities and TAFEs 2022



**Office of the Auditor General  
Western Australia**

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(to assist people with hearing and voice impairment)

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ISSN: 2200-1913 (print)  
ISSN: 2200-1921 (online)

***The Office of the Auditor General acknowledges the traditional custodians throughout  
Western Australia and their continuing connection to the land, waters and community.  
We pay our respects to all members of the Aboriginal communities and their cultures,  
and to Elders both past and present.***

Cover image: Edith Cowan University

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## WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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### **Financial Audit Results – Universities and TAFEs 2022**

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Report 27: 2022-23  
30 June 2023

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **FINANCIAL AUDIT RESULTS – UNIVERSITIES AND TAFES 2022**

This report has been prepared under the provisions of section 24 of the *Auditor General Act 2006* and includes:

- opinions and results of audits on controls, financial statements and key performance indicators of WA's four universities and five TAFEs for the year ended 31 December 2022
- opinions and results of audits of university subsidiaries
- key financial indicators commonly used to analyse financial health and graduate survey results for the tertiary education sector.

I wish to acknowledge the assistance provided by the senates, governing councils, vice chancellors, managing directors, chief executive officers, chief finance officers and others during the conduct of the annual financial audit program and in finalising this report.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
30 June 2023

# Contents

Auditor General's overview.....	5
2022 tertiary reporting cycle at a glance.....	6
Executive summary .....	8
Key findings.....	8
Recommendations .....	9
Audit opinions for universities and TAFEs .....	10
Clear opinions were issued for all universities and TAFEs.....	10
Adjusted and unadjusted audit differences .....	12
Management and reporting issues at universities and TAFEs.....	14
Financial control and reporting issues .....	14
Information systems control issues.....	16
Recommendation .....	17
Other significant matters identified .....	18
Recommendations .....	21
Universities' financial and other performance in 2022 .....	23
Selected significant financial transactions .....	23
Key financial ratios of universities.....	24
Equivalent Full Time Student Load for universities .....	27
Universities' graduate survey information .....	28
Graduate satisfaction of undergraduate students .....	28
Post graduate employment of domestic undergraduate students .....	28
TAFEs' financial and other performance in 2022.....	30
Selected significant financial transactions .....	30
TAFE student enrolments.....	32
Cost per student curriculum hours.....	33
TAFE student and graduate survey information .....	34
TAFE student satisfaction.....	34
TAFE graduate achievement and destination ratings .....	34

Matter of significance paragraphs.....	36
Emphasis of matter paragraphs.....	36
Audit work completed for State government entities.....	37
Appendix 1: Other audit opinions issued since 22 December 2022.....	38
Appendix 2: Universities' and TAFEs' expenditure and sources of revenue.....	39

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## Auditor General's overview

This report summarises the results of the annual audits of the four public universities, their subsidiaries and the five TAFEs for the 31 December 2022 reporting year. The report also contains the results of a small number of other annual audits of entities issued.

We issued clear (unqualified) opinions for all the universities and TAFEs on their financial statements, controls and key performance indicators.



The COVID-19 pandemic continued to have an impact (both positively and negatively) on university and TAFE staff, students, operations and finances in 2022. Adaptations made by entities earlier in the pandemic became bedded down as both students and staff learned to work within new systems. The results summarised in this report indicate that entities have been largely successful in meeting the challenge.

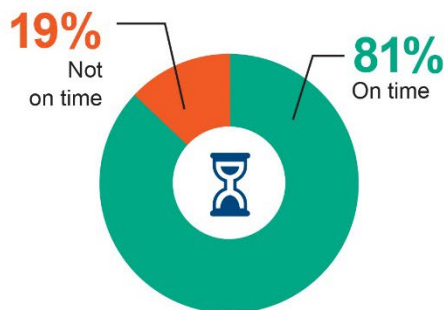
We found expenditure, revenue and financial reporting to be the main areas where the universities and TAFEs had financial control weaknesses. Sixty-nine percent of our findings were rated as moderate and of sufficient concern to warrant prompt action to prevent them from escalating to significant or high risk. Thirty-nine percent of these control weaknesses were unresolved issues from the previous year.

Of particular concern are ongoing control issues in entities' information systems. Globally, cyber security is becoming a primary concern of all organisations that deal with sensitive information, and educational entities are not exempt. Recent data leaks from Medibank and Optus highlight the seriousness of this threat. It is therefore disappointing that our information systems auditors identified 134 IT control weaknesses, an increase on the 124 reported last year. Even more concerning, 59% were unresolved issues from the previous year, up from 49% in 2021. While many of these were rated moderate or minor, I again recommend that executive management in each entity gives priority to monitoring the confidentiality, integrity and availability of information systems.

I wish to thank my staff and the staff in the audited entities who contributed to the audit process and outcomes.

## 2022 tertiary reporting cycle at a glance

### Auditing universities and TAFEs



Audits completed within the prescribed period (90 days from year end statutory deadline)



4 university entities  
5 TAFE entities  
7 subsidiaries



6 emphasis of matter across nine entities for 2022



Tertiary sector realised total revenue of

**\$3.4 billion**

Universities (\$2.8 billion)  
TAFEs (\$582 million)



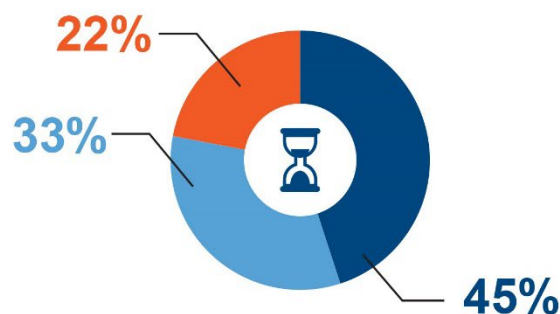
We audited

**\$9.9 billion**

of total tertiary sector net assets  
Universities (\$8.5 billion)  
TAFEs (\$1.4 billion)

### Timeliness of financial statements (page 11)

- On or before agreed date
- Within 16 days of agreed date
- More than 16 days after agreed date



### Audit results



**\$30.2 million**  
adjusted errors



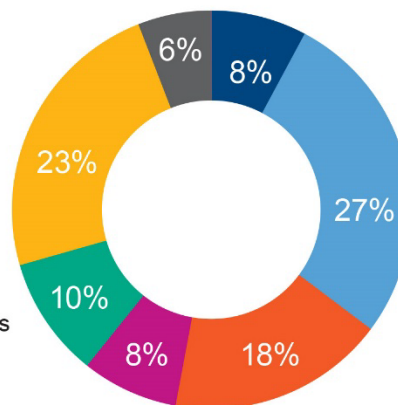
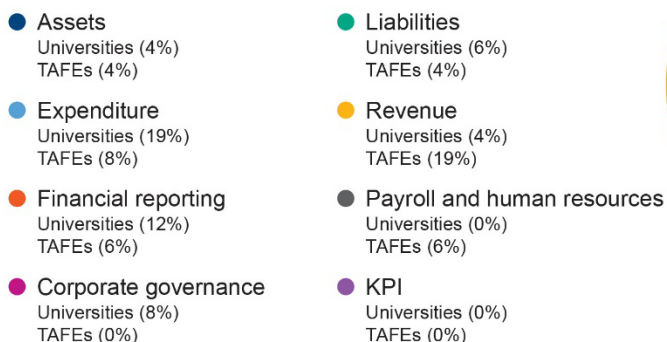
**\$5.1 million**  
unadjusted errors



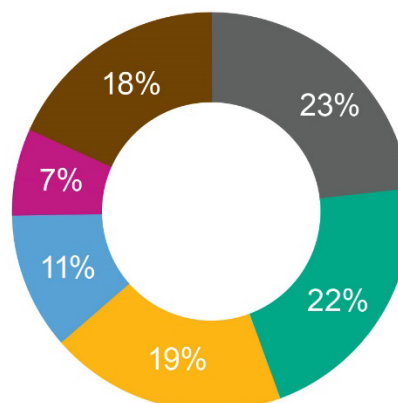
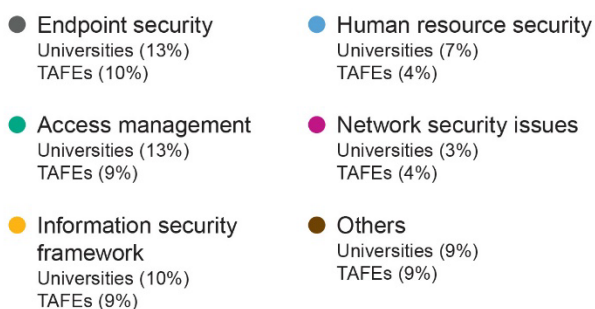
There was **1 entity** which had no audit errors

## 51 management control issues (page 14)

During 2022, we alerted 9 entities to control weaknesses that needed their attention: 5 were rated as significant, 35 moderate and 11 minor



## 134 information system control issues (page 16)



## Financial reporting, accountability and audit matters



Financial controls  
(page 14)



Information systems controls  
(page 16)



Continuing impact of COVID-19  
(page 18)



Universities' financial performance  
(page 23)



TAFEs' financial performance  
(page 30)

## Executive summary

The *Auditor General Act 2006* requires the Auditor General to annually audit the financial statements, controls and key performance indicators (KPIs) of universities and TAFEs. This report contains the findings from the financial audits of universities and TAFEs for the reporting period ending on 31 December 2022 and the results of a small number of other annual audits of statutory authorities and cemetery boards.

Western Australia's public tertiary education sector comprises four public universities and five TAFEs (two metropolitan and three regional). The universities had combined assets of \$8.5 billion (up marginally from last year's \$8.2 billion) and the TAFEs had \$1.4 billion at 31 December 2022 (\$1.3 billion in 2021). The sector's total revenue in 2022 was \$3.4 billion, down slightly from \$3.5 billion reported last year. Universities' revenue was \$2.8 billion, down from \$3 billion in 2021 due to reduced income from course fees and charges, investments and grants. TAFEs revenue was \$582 million, up from \$544 million in 2021 mainly due to income from the State Government. Further details of the sector's revenue and expenditure are included in Appendix 2.

University and TAFE management need to continue to keep appropriate accounts and records to ensure the sector produces timely and accurate financial reports. This requires an effective internal control system to identify irregularities in electronic environments and manual procedures, and help prevent, detect and investigate errors and fraud.

A clear (unqualified) audit opinion generally indicates that satisfactory financial controls are in place. It also indicates that financial statements are materially complete, accurate, comply with relevant legislation and applicable accounting standards, and fairly represent performance during the year and the financial position at year end.

## Key findings

- We issued clear audit opinions:
  - on the financial statements, controls and KPIs of the four universities and the five TAFEs (page 11)
  - on the financial statements of seven university subsidiaries and requested audits (page 12)
  - for six other State government entities. (page 37)

## Training hours delivered by tertiary sector

- Hours of training delivered by the five TAFEs declined by 11% from 2021 levels. In 2022, TAFEs delivered a total of 21.2 million training hours compared with 23.8 million in 2021. The decline ranged from 8% at South Regional TAFE to 19% at North Regional TAFE. While training hours decreased, costs per hour increased between 19% and 25%, with North Regional TAFE again notable for the largest change. (page 19)
- These results reflect reduced teaching hours against fixed costs and increased employee benefits, including salary increases and one-off cost of living payments. Lower teaching hours were caused by a number of factors, including the COVID-19 pandemic, a reduction in demand for institutional training (fee for service revenue) due to low unemployment and competition from universities for school leavers. (page 33)
- While the data is not directly comparable, impacts on universities from factors in the operating environment, including COVID-19 response measures, appear less severe. Declines in full-time equivalent student numbers averaged 6% while total expenses

increased an average of 7% and average costs per full-time equivalent student increased by 13%. (page 18)

## Management issues

- There were 51 financial and management control weaknesses identified at universities and TAFEs, a slight increase compared to 49 last year. Regrettably 39% were unresolved from the previous year, a significant increase compared to 22% reported last year. (page 14)
- We identified 134 information systems control issues at the universities and TAFEs, an increase from 124 last year. The continuing increase in these control issues is particularly concerning considering recent high profile data leaks from other Australian entities. Even more concerning is the increase in unresolved information control issues (59%) compared to the prior year (49%). (page 16)

This trend in unresolved prior year findings (i.e. an increasing percentage) is consistent with our observations from the State government sector audits for 2021-2022<sup>1</sup>. While there are various factors contributing to this all entities need to prioritise addressing audit findings as timely as possible to improve governance and prevent errors and fraud.

## Impacts of COVID-19 in 2022

- COVID-19 continued to impact student numbers, supply chains and labour. Financial results were also affected by the absence of the one-off Research Block Grant provided as COVID-19 relief in 2021. International student Equivalent Full Time Student Load continued to be affected though numbers have begun to recover. (page 18)

## Financial and performance measures

- The universities mostly rated low to medium risk for their performance against financial indicators again in 2022, though the ratios indicated slightly higher financial risk levels than in 2021. (page 24)
- We have summarised significant financial transactions of universities and TAFEs noted during our audits. Key financial ratios and information commonly used for assessing financial performance are also presented. (pages 23 and 30)
- The results of university and TAFE student and graduate surveys are presented to show performance measures for each institution. (pages 28 and 34)

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## Recommendations

1. Universities, TAFEs and other entities should address identified financial management, KPI and information systems control weaknesses in a timely manner to ensure the ongoing integrity of their financial and system controls and external reporting.
2. Universities should continue the practice of advising the OAG promptly of any proposed changes to approved strategic outcomes/objectives, services and/or KPIs so any OAG feedback can be considered before submission to the university's governing body for approval.
3. Once approved, KPIs should be reported against until such time as they are formally revised/modified or replaced.

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<sup>1</sup> Office of the Auditor General, [Financial Audit Results - State Government 2021-22](#), OAG, Perth, 2022.



## Audit opinions for universities and TAFEs

University and TAFE management are responsible for keeping proper accounts and records to enable the timely and accurate preparation of financial reports.

An effective internal control system should operate to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and to alert management to irregularities in procedures. They also assist universities and TAFEs to prevent, detect and investigate errors and fraud.

The Auditor General is required to issue an audit opinion for each university and TAFE to the responsible Minister. The opinion relates to:

- Financial statements – reasonable assurance that the financial statements and supporting notes are based on proper accounts, fairly presented in all material respects and comply with relevant legislation and applicable accounting standards. The vast majority of State government financial statements are general purpose and, as a minimum, must comply with Australian Accounting Standards and, for most, with the Treasurer's Instructions.
- Controls – reasonable assurance on the design and implementation of control systems and procedures relating to the receipt, expenditure and investment of money as well as the acquisition and disposal of property and the incurring of liabilities. The controls audit examines whether, in all material respects, financial transactions comply with the State's financial framework.

The scope of this opinion addresses the specific requirements of the *Auditor General Act 2006* and is not as broad as it would be if required to address all aspects of Australian Auditing Standard ASAE 3150 *Assurance Engagements on Controls*. To issue our opinion, we test the design and implementation of key controls.

- KPIs – reasonable assurance that the KPIs are relevant, appropriate and fairly present in all material respects the performance of the entity in achieving its desired outcomes. Our audits include testing manual and computerised processes for collecting and reporting the KPIs, and verifying the accuracy and completeness of the information reported.

Some universities use subsidiary companies to conduct activities on their behalf. The audit opinions we issue for these subsidiaries relate to financial statements only as they are not required to submit KPIs.

Similarly, universities may request the Auditor General be appointed to conduct the audit of their interests in associated companies, trusts or other ventures. These interests are marked with \* in Table 4.

It should be noted that the audit opinions relate to historical information reported in the financial statements and KPIs and are not predictive of future performance.

## Clear opinions were issued for all universities and TAFEs

For the year ended 31 December 2022, we issued clear audit opinions on the financial statements, controls and KPIs of all universities and TAFEs. University and TAFE audit opinions are included in their annual reports which are tabled in Parliament.

Audit opinion issued on	Type of entity	Number issued	Entities audited
Financial statements, controls and KPIs	Universities	4	4
	TAFEs	5	5
	Statutory authorities	3	3
Financial statements only	Subsidiary entities	7	7
	Cemetery boards	3	3

Source: OAG

**Table 1: Number and type of entity audit opinions issued**

**Key for Tables 2, 3 and 4**

Type of audit opinion		Audit readiness	
Clear	✓	On or before agreed date	🕒
Clear opinion with emphasis of matter or matter of significance	✓	Within 16 days of agreed date	🕒
Qualified or a disclaimer of opinion	✗	More than 16 days after agreed date	🕒

UNIVERSITIES Opinion on financial statements, controls and KPIs	Type of opinion	Opinion issued	Audit readiness
Curtin University (Curtin)	✓	17/03/2023	🕒
Edith Cowan University (ECU)	✓	21/03/2023	🕒
Murdoch University (Murdoch)	✓	16/03/2023	🕒
The University of Western Australia (UWA)	✓	14/03/2023	🕒

Source: OAG

**Table 2: Audit opinions issued for universities**

TAFEs Opinion on financial statements, controls and KPIs	Type of opinion	Opinion issued	Audit readiness
Central Regional TAFE	✓	10/03/2023	🕒
North Metropolitan TAFE	✓	15/03/2023	🕒
North Regional TAFE	✓	14/03/2023	🕒
South Metropolitan TAFE	✓	15/03/2023	🕒
South Regional TAFE	✓	14/03/2023	🕒

Source: OAG

**Table 3: Audit opinions issued for TAFEs**

For the year ended 31 December 2022, we issued clear audit opinions on the financial statements of all universities' subsidiaries and interests in associated companies, trusts or other ventures. The financial results are included in the financial reports of their controlling university. Annual reports of these subsidiaries and interests are not required to be tabled in Parliament.

UNIVERSITIES' SUBSIDIARIES AND OTHER INTERESTS Opinion on financial statements	Type of opinion	Opinion issued
<b>Murdoch</b>		
Alan and Iris Peacocke Research Foundation*	✓	17/03/2023
Innovative Chiropractic Learning Pty Ltd	✓	17/03/2023
Murdoch Retirement Services Pty Ltd	✓	17/03/2023
<b>UWA</b>		
Perth USAsia Centre Limited*	✓	29/03/2023
The University Club of Western Australia Pty Ltd	✓	14/04/2023
UWA Accommodation Services Pty Ltd	✓	19/04/2023
UWA Sport Pty Ltd	✓	20/04/2023

Source: OAG

\* Interests in associated companies, trusts or other ventures.

Note: On 26 November 2022, UWA deregistered The Young Lives Matter Foundation UWA Ltd.

**Table 4: Audit opinions issued for universities' subsidiaries and other interests with a 31 December 2022 year end**

## Adjusted and unadjusted audit differences

When it comes to preparing financial statements, audit differences are an indication of the robustness of an entity's processes in preventing errors. An excessive number of audit differences can also impact the overall timeliness and efficiency of the audit.

An audit difference is a variance between what an entity reports, presents or discloses and what it should. Under Australian Auditing Standards, our Office records all audit differences, other than those which are clearly insignificant. An entity can choose to correct the audit difference (adjusted) or leave it (unadjusted).

At the end of the audit, we assess if unadjusted differences are individually and/or collectively material to the financial statements. If audit differences are material, then we will ask the entity to adjust, and if they do not, we will consider qualifying our audit opinion. Entities generally seek to make audit adjustments to avoid a qualification. These adjusted numbers then also need to be audited, adding costs and causing time delays.

This is the first year we have externally reported adjusted and unadjusted audit differences. The values reported below are the aggregate values of differences identified by our audits.

There was one entity, Central Regional TAFE, which had no audit differences.

### Adjusted

In 2022, seven entities accounted for 20 audit differences:



Value	Universities	TAFEs	Total number 2022	Nominal value (000's) - \$
Less than \$250,000	0	8	8	1,318
\$250,000 to \$500,000	0	1	1	382
\$500,000 to \$1 million	2	1	3	1,874
\$1 million to \$4 million	2	2	4	9,883
\$4 million or greater	1	3	4	16,769
<b>Total number and value of differences</b>	<b>5</b>	<b>15</b>	<b>20</b>	<b>30,226</b>

Source: OAG

**Table 5: Adjusted audit differences for tertiary sector entities in 2022**

Of the 20 audit differences adjusted, eight were greater than \$1 million.

The common areas where adjusted audit differences were identified included:

- incorrect recognition of accrued liabilities
- incorrect application of accounting standards
- reclassification between various categories of the statement of financial position.

## Unadjusted

In 2022, we identified four unadjusted audit differences at two entities.

Value	University	TAFE	Number 2022	Nominal value (000's) - \$
Less than \$500,000	0	0	0	0
\$500,000 to \$1 million	2	0	2	1,239
\$1 million to \$4 million	2	0	2	3,865
<b>Total number and value of differences</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>5,104</b>

Source: OAG

**Table 6: Unadjusted audit differences for tertiary sector entities in 2022**

The common areas where unadjusted audit differences were identified included:

- correction of prior year accounting errors
- incorrect classification of grants received.

There are various reasons why errors are not adjusted, the most common being it is not material to the financial statements overall, or that it may not be efficient or possible within statutory timeframes to process an adjustment late in the audit process.

If we consider that an unadjusted misstatement is material, then we will issue a qualified audit report on the financial statements.

We encourage entities to review their financial statement preparation processes as well as guidance included in our better practice guide<sup>2</sup> to prevent errors in financial statements.

<sup>2</sup> Office of the Auditor General, [Western Australian Public Sector Financial Statements - Better Practice Guide](#), OAG, Perth, 2021.

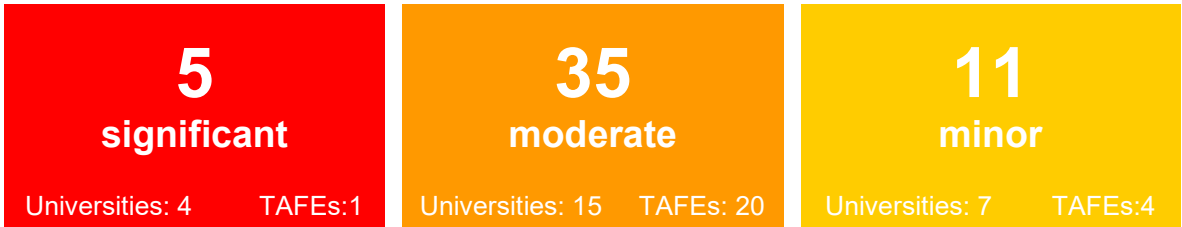
# Management and reporting issues at universities and TAFEs

## Financial control and reporting issues

Every entity is required to develop and maintain adequate systems of internal control to ensure legislative compliance, and accurate recording and reporting of financial information and KPIs. These control systems reduce the risk of error and fraud and provide assurance to management and auditors that management reports and financial statements are materially correct.

During our audits, we assess compliance with key aspects of legislation, current best practice and the ability of internal control systems and procedures to record and report reliable financial information and KPIs.

We reported 51 financial and management control weaknesses to the universities (26) and TAFEs (25) for 2022, across three risk categories



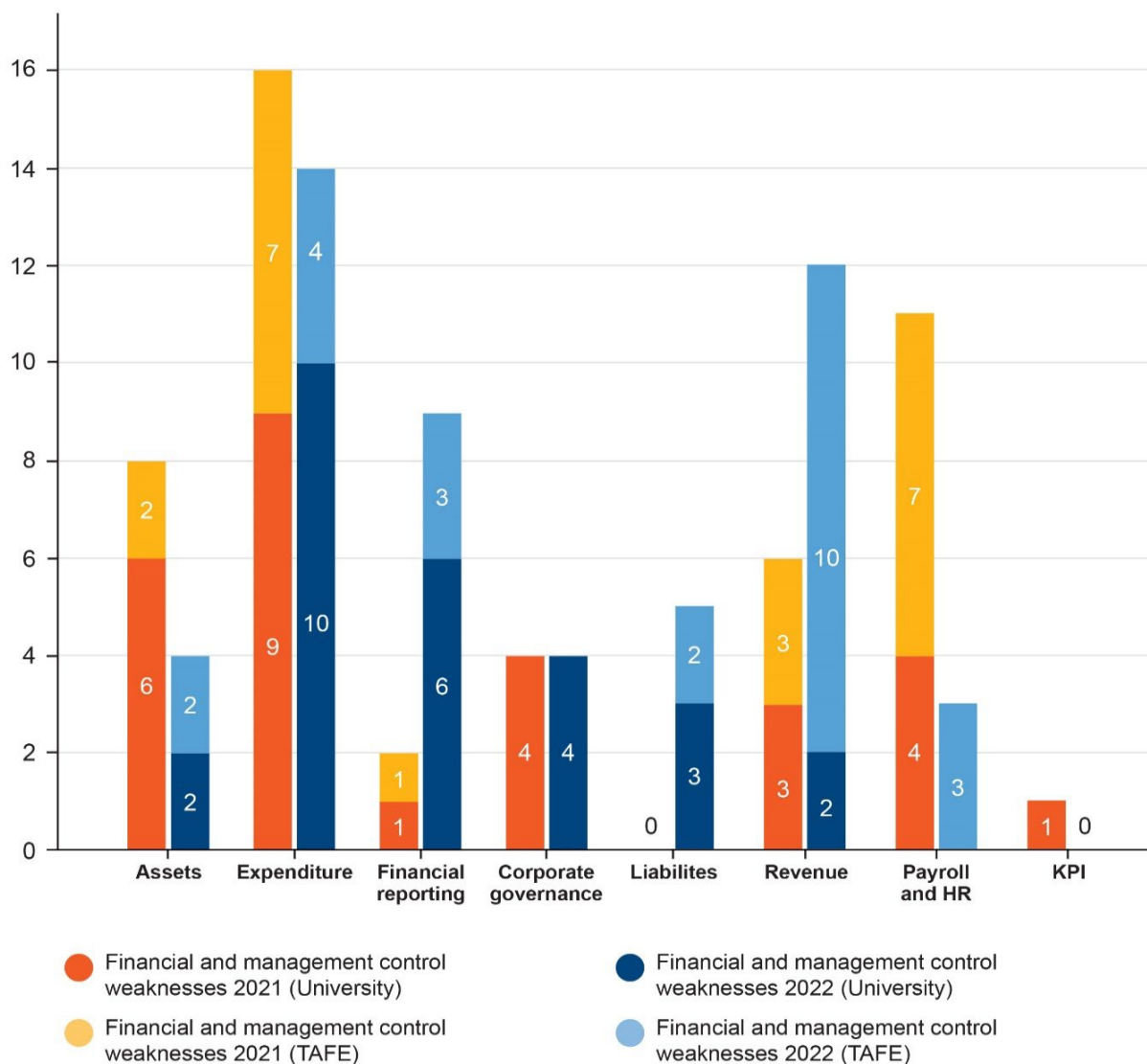
Source: OAG

**Figure 1: Number of financial and management control findings by risk category**

This was a small increase from the 49 (universities 29, TAFEs 20) reported for 2021. The number of significant issues remained at five in 2022 (universities four, TAFEs one), consistent with 2021.

Forty of the control weaknesses were rated as moderate or significant risk (78%), meaning they were of sufficient concern to warrant taking corrective action as soon as possible. Of these, universities had 19 (four significant and 15 moderate) and TAFEs had 21 (one significant and 20 moderate). These matters require procedural improvements and if the moderate risks are not addressed, they could escalate to significant.

Disappointingly, 20 (39%) were unresolved prior year issues, significantly more than last year (22%). Universities had 11 (22%) unresolved prior year issues and TAFEs had nine (17.6%).



Source: OAG

**Figure 2: Financial and management control weaknesses for 2021 and 2022**

Across the major categories we found instances of:

- unclear or undocumented delegations and approval processes
- policies not being updated or finalised
- untimely preparation and review of reconciliations
- failure to calculate long service leave liabilities
- lack of evidence for student concession eligibility and WA residency
- concessions not being correctly recorded in systems
- issues remaining unresolved from prior years.

## Information systems control issues

Each year we audit the design, implementation and operating effectiveness of information systems controls at universities and TAFEs. These audits provide insights about the extent to which controls enable reliable and secure processing of financial and key performance information.

In 2022, we identified 134 (universities 87, TAFEs 47) information systems control weaknesses across the four universities and five TAFEs. This is up slightly from the 124 issues (universities 61, TAFEs 63) we identified in 2021. Seventy-nine issues (59%) were unresolved issues from the previous year (an increase from 49% in 2021). We rated 65% of the weaknesses as moderate (universities 40%, TAFEs 25%) and the remaining 35% (universities 16%, TAFEs 19%) as minor. Entities should action moderate findings as soon as practicable.

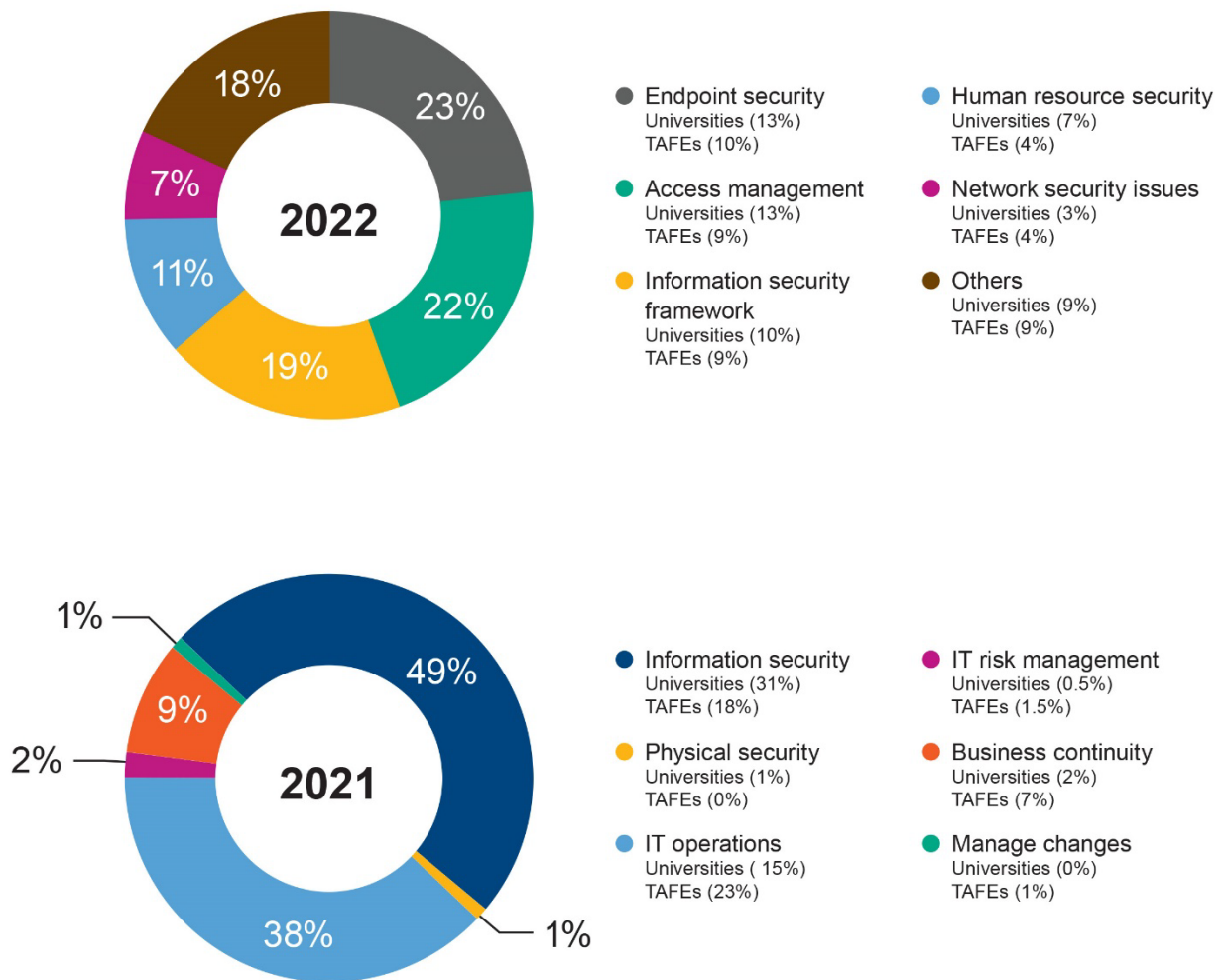
Of the 134 weaknesses identified, the majority related to information and cyber security controls:

- 23% (universities 13%, TAFEs 10%) related to controls to protect endpoints (end user and servers). These included system vulnerabilities, protection against malicious code and system hardening
- 22% (universities 13%, TAFEs 9%) related to access management issues including poor management of privileged accounts, weak passwords, lack of multi-factor authentication, timely access revocation and monitoring user activity
- 19% (universities 10%, TAFEs 9%) related to information security framework weaknesses including inadequate policies and processes to govern information and cyber security
- 11% (universities 7%, TAFEs 4%) related to human resource security issues. These included inadequate screening policies and background checks for staff, and procedures for onboarding and offboarding not being followed
- 7% (universities 3%, TAFEs 4%) related to network security issues. These included penetration tests not being performed, lack of network segregation and unauthorised devices.

This year we separated the security category into sub-categories (refer to the above bullet points). There is no historic reference for these as in prior years everything was under one category called security. The above results are consistent with our prior year findings where we also found security to be the area needing improvements.

Information systems control weaknesses have the potential to compromise the confidentiality, integrity and availability of key business systems and therefore need to be managed and actioned promptly.

Figure 3 shows the distribution of our findings across the five most significant control categories we assessed during our audits.



Source: OAG

*Note: Categories have been changed for 2022 and a breakdown between universities and TAFEs is now shown. For 2022 only the top five categories have been shown, the others category includes physical security, change management, business continuity, IT operations and risk management.*

**Figure 3: Information systems audit findings in 2021 and 2022**

More information on our information systems audit results is included in our Information Systems Audit Report<sup>3</sup>.

## Recommendation

1. Universities, TAFEs and other entities should address identified financial management, KPI and information systems control weaknesses in a timely manner to ensure the ongoing integrity of their financial controls and external reporting.

<sup>3</sup> Office of the Auditor General, [Information Systems Audit - State Government 2021-22](#), OAG, Perth, 2023.

## Other significant matters identified

A number of other matters of significance have been identified that provide context and background to key findings. These are briefly outlined below.

### Continuing impact of COVID-19 on the tertiary education sector

Our previous two reports<sup>4</sup> on this sector recognised the ongoing effect of COVID-19 on sector operations. The sector continued to be impacted after the reopening of the State border, originally planned for 5 February 2022 but delayed until 3 March 2022. North Regional TAFE for example noted that community transmission in the north-west of the State following the border reopening led to staff and student absenteeism that affected training delivery. More generally, the adaptations introduced in response to COVID-19 continued to have impacts across the sector in 2022. Examples include:

- reductions in face-to-face learning and in-person, paper-based examinations
- ongoing development of online learning and working options
- deferral and cancellation of events
- changes to work-based placements, apprenticeships and traineeships
- support for incoming and returning students to help meet costs caused by the delayed border re-opening.

### *Universities' student numbers, student fees and revenue*

Universities measure their student numbers as Equivalent Full Time Student Load (EFTSL). EFTSL declined by an average of 6% across the public universities in 2022, in a range of 1% to 10%. Despite this, after all four universities experienced decreases in course fee revenue in 2021 – in one case by nearly a quarter – three universities had year-on-year increases, albeit small, in 2022. These increases ranged between 2% and 4% in 2022. However, only UWA has recovered to 2020 levels of course fee revenue and none have yet reached levels they enjoyed in 2019 before the pandemic.

All universities reported a decrease in total income in 2022. This was mainly a result of investment income being substantially lower in 2022 but was also caused by lower Australian government contributions. These had been boosted by a one-off contribution in 2021 to ease the immediate financial pressure on higher education providers during the COVID-19 pandemic. For ECU, the 2021 income also included a one-off capital grant of \$40.5 million from the State Government for the ECU City Campus development project at Perth City Link in the Perth Central Business District.

Below are some examples of how the university sector continued to be impacted:

- ECU – In 2022, international student numbers began to recover but had yet to return to pre-pandemic levels. Travel disruption and visa delays in the first half of 2022 continued to impact onshore student numbers, with online and flexible study plans preferred by many international students.
- ECU - Implementation of ECU's Disability Employment Strategy 2019–2023 was delayed because of the pandemic's impact on funding. ECU has assumed the COVID-

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<sup>4</sup> Office of the Auditor General, [Financial Audit Results - Universities and TAFEs 2021](#), OAG, Perth, 2022 and Office of the Auditor General, [Audit Results Report - 2020 Financial Audit of Universities and TAFEs](#), OAG, Perth, 2021.

19 pandemic will continue over a five-year period and has developed scenarios to meet the challenge.

- Murdoch – The university's student enrolments decreased further in 2022. There was a \$12.9 million decrease in Australian grant funding in 2022 largely due to reductions in Commonwealth Grants Scheme, Higher Education Loan Program and Education Research funding. This funding is generally tied to student enrolment numbers.
- Curtin – While 2022 fee income from international students was largely unchanged from 2021, Australian grant funding declined by \$17.5 million due to a one-off additional Research Support Program funding received last year.
- UWA – Overall student enrolments increased at UWA again in 2022, but the EFTSL declined slightly. International enrolments also increased slightly. The university offered a welcome grant to international students travelling to Perth to commence study on-campus for first time to help them with the cost of travel, quarantine and adjustment to life studying in Perth. The total amount paid for 2022 was \$1.4 million. However, despite student numbers largely holding up, Australian grant funding declined by \$49.6 million compared with 2021.
- UWA subsidiaries:
  - UWA Accommodation Services – Grant income increased by \$181,402 (3%) compared with the prior year due to higher occupancy rates in National Rent Affordability Scheme (NRAS) dwellings given that travel bans were lifted on 3 March 2022 which facilitated international students to study onshore. This was still 6% lower than the pre-COVID-19 levels of 2019.
  - The University Club of Western Australia – Income received from the Australian government dropped significantly as the JobKeeper allowance ended. The club received JobKeeper in 2020 and 2021 but not in 2022.
  - UWA Sport Pty Ltd – Income from the student services and amenities fee rose slightly to \$1.6 million from \$1.5 million in 2021. UWA Sport receives a portion of this fee from all UWA enrolled students for student health and fitness, UWA affiliate sport clubs, student competitive sports, high performance programs, student developments and sports events.

### *TAFEs' training hours, student fees and revenue*

Consistent with prior years, 2022 student enrolment numbers for TAFEs were not available from the Australian Department of Education (DoE) in time for this report and have not been obtained directly from TAFEs. However, training hours are linked to student numbers and provide a reliable indicator of performance.

Total TAFE training hours decreased from 23.8 million in 2021 to 21.2 million in 2022 (11%). The hours of training delivered by each TAFE for the years 2018 to 2022 are shown in Table 19.

TAFEs reported an across-the-board decrease in training hours delivered in 2022 after an increase of a similar size in 2021. Increased enrolments during the pandemic had likely been due to the Lower Fees, Local Skills (LFLS) initiative under which course fees were reduced by up to 72% across a total of 180 courses. TAFEs saw enrolments in LFLS eligible courses increase by 21%, driving a 10% increase in total training hours from 2021. The decline in 2022 therefore could be seen as a return to the pre-COVID-19 norm but a more comprehensive analysis would be needed to confirm this.

Revenue from student fees declined for all TAFEs by between 10% and 20%, contributing to a decline in total revenue from non-State sources for three TAFEs. One TAFE achieved the



same result as the previous year, and one experienced an increase in revenue from non-State sources of 8%. These two results were primarily the result of Australian government grants and contributions. However, increases in revenue from the State Government of between 3% and 13% resulted in net increases in total revenue for four TAFEs of between 4% and 10% above 2021 levels. One TAFE had a net decrease in total revenue of 1%.

Below are some examples of the impacts to the TAFE sector:

- North Metropolitan TAFE received and recognised \$4.4 million in Australian grant revenue for the Home Care Workforce Support Program.
- South Metropolitan TAFE – an increase in other current liabilities is mainly due to a \$6.6 million refund due to the Department of Training and Workforce Development (DTWD) under the Delivery and Performance Agreement (DPA) after achieving only 89% of targeted student curriculum hours (SCH).
- South Regional TAFE – additional State funding of \$2.8 million effectively extinguished the TAFE's 2022 DPA refund liability of \$2.3 million caused by under-delivery of agreed training hours.

### *Student support*

To ensure continuity of learning as the pandemic continued into 2022, the sector provided ongoing support for students to mitigate COVID-19 impacts.

For example, Curtin provided \$78,000 of financial hardship support to eligible students while Murdoch extended its digital on-ramp initiative with additional support measures for international students who were unable to study onshore in Australia.

### *Management of leave liabilities*

Annual leave and long service leave liabilities of the universities decreased by 4.8% and increased by 3.8% for TAFEs in 2022, with a combined total liability across all universities and TAFEs of \$362.7 million at year end, a reduction of 3.1% overall.

### **Accounting for the franking credits attached to the in-specie dividend received in 2021 from the restructure and wind-up of Education Australia Limited**

In 2021, each of the Western Australian universities recognised a \$22.6 million franking credit from the Australian Tax Office (ATO) in relation to a fully franked dividend from a distribution of IDP Education Limited (IDP) shares to Australian universities. This followed the winding up of Education Australia Limited, an entity owned by the universities, that part owned IDP.<sup>5</sup>

However, on 7 March 2023, the ATO issued a position paper indicating that it did not agree that the 38 universities across Australia were entitled to a franking credit in relation to the in-specie distribution of IDP shares. The ATO position is based on its view that the universities did not obtain immediate custody and control of IDP shares and are therefore ineligible for a franking credit under section 207-122 of the *Income Tax Assessment Act 1997*.

The WA universities are of the view that they are entitled to a franking credit, a position that is supported by independent legal advice. At the time of our audits, they were in the process of preparing a formal response to the ATO. We have determined that there were appropriate disclosures in the financial statements in relation to this matter.

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<sup>5</sup> Office of the Auditor General, [Financial Audit Results – Universities and TAFEs 2021](#), OAG, Perth, 2022, pp 16-18.



## Variation in university KPIs

Section 61(1) of the *Financial Management Act 2006* requires KPIs to be prepared and included in a university annual report. Universities report KPIs to provide an overview of the critical or material aspects of outcome achievement and service delivery as stated in Treasurer's Instruction 904U *Key Performance Indicators for Universities* (TI 904U). There are commonalities in strategic outcomes between universities such as graduate outcomes, research, sustainable operations, people and culture and student experience. However, the KPIs used can vary in number and type between universities. For outcome achievement for research, universities report the following KPIs:

University	Effectiveness	Efficiency
<b>UWA</b>	<ul style="list-style-type: none"><li>Research income</li><li>Publications and outputs – Excellence in Research Australia (ERA)<sup>6</sup> eligible</li></ul>	<ul style="list-style-type: none"><li>PhD completions</li></ul>
<b>Curtin</b>	<ul style="list-style-type: none"><li>Total research income</li><li>Completion numbers for Higher Degree by Research (HDR) students</li></ul>	<ul style="list-style-type: none"><li>Publications per research only staff and teaching and research staff</li></ul>
<b>Murdoch</b>	<ul style="list-style-type: none"><li>Total research income</li><li>Engagement income</li></ul>	N/A
<b>ECU</b>	<ul style="list-style-type: none"><li>Research publications</li><li>Research completions</li></ul>	<ul style="list-style-type: none"><li>Research publications</li><li>Research completions</li></ul>

Source: OAG

**Table 7: University KPIs for research outcome achievement**

TI 904U requires changes that discontinue, add to or modify approved strategic outcomes/objectives, services and/or KPIs require prior approval of the university's governing body and require explanation in the annual report. Importantly, once approved the KPIs need to be reported against until such time as they are formally revised/modified or replaced.

## Recommendations

2. Universities should continue the practice of advising the OAG promptly of any proposed changes to approved strategic outcomes/objectives, services and/or KPIs so any OAG feedback can be considered before submission to the university's governing body for approval.
3. Once approved, KPIs should be reported against until such time as they are formally revised/modified or replaced.

## Best practice for financial reporting and controls

Most universities and TAFEs were again timely in submitting their financial statements for audit. Five submitted their financial statements on the same date or earlier than the previous year. The quality of financial statements was also generally good however none met all of

<sup>6</sup> Australia's national research assessment, Excellence in Research for Australia (ERA), identifies and promotes excellence across the full range of research in Australia's higher education institutions. It is administered by the Australian Research Council.

our best practice criteria. Although UWA submitted high quality statements and met most of the other best practice criteria, it submitted them one day after the agreed date.

Our criteria for achieving best practice status includes:

- clear (unqualified) opinions on the financial statements, controls and KPIs
- being audit ready by 31 January
- good quality financial statements and KPIs, supported by reliable working papers and submitted for audit within the agreed timeframe
- management resolution of the impact, if any, of new or revised accounting standards and presentation issues (before the audit process begins)
- key staff available during the audit process
- actioning of any prior year audit findings in particular, any significant control weaknesses we identified.

Timely preparation of good quality financial statements and KPIs, and being audit ready, enables entities to release resources for other important tasks. Four entities (two universities and two TAFEs) submitted on time, three entities (one university, two TAFEs) were within 16 days and two entities (one university, one TAFE) was between 17-38 days of agreed timeframe.

# Universities' financial and other performance in 2022

## Selected significant financial transactions

Details of significant 2022 financial transactions that we noted during our audits are listed below. While most of this information is reported in each university's annual report, we have included it here for the convenience of Parliament. Reporting here is not meant to imply that we have any residual concern with these transactions.

### Assets and liabilities

The Edith Cowan University Hold Trust subsidiary received a \$22.8 million franking credit from the ATO in relation to the fully franked in-specie distribution of IDP shares. However, as noted on page 20, the ATO has issued a position paper indicating that it did not agree that universities were entitled to this franking credit.

Murdoch's property, plant and equipment increased by \$140.9 million in 2022, taking the total to \$895.8 million. Most was due to an additional \$110 million in construction costs associated with the Boola Katijin building. The building was finalised and opened on 14 February 2023. There was also an increase in the valuation of the St Ives retirement village.

Murdoch also disclosed that there was a decrease of \$11.7 million in receivables arising from more active debtor management and the timing of student payments.

Curtin's investment portfolio suffered a loss of \$61.6 million due to a decrease in fair value as opposed to a gain of \$23 million in 2021. This decrease was partly offset by a net addition of \$20 million in other financial assets during the year.

UWA reported an increase in contract liabilities of \$20 million, or 14% from the previous year, attributable to the increased deferral of research grant income under AASB 15 *Revenue From Contracts With Customers* to match expenditure over time. The increase is attributable to a multitude of research grants.

### Revenue

In 2022 ECU received a further \$55 million from the State towards the Perth City Campus and recognised \$22 million in revenue and \$52 million in deferred capital grants. This brings the total revenue recognised for the project to \$28 million at 31 December 2022.

Curtin reported a significant decrease in investment revenue of \$110 million (123%) compared to last year. A one-off dividend of \$33 million received last year from Education Australia Limited contributed to this change as did the investment portfolio loss of \$61.6 million referred to above.

Murdoch experienced a \$12.9 million decrease in Australian funding in 2022 largely due to reductions in Commonwealth Grants Scheme, Higher Education Loan Program and Education Research funding.

UWA's Australian grants decreased by \$49 million or 12% mainly due to:

- a \$44 million reduction attributable to one-time Research Block Grant receipted in 2021 (Higher Education COVID-19 relief response)
- a \$4.5 million reduction in Australian Research Council grant funding, primarily due to reduction in Linkage, Infrastructure, Equipment and Facilities project funding

- \$8 million lower Commonwealth Grant Scheme funding due to \$3 million reduction in Transition Fund Loading<sup>7</sup> (2021: \$8 million, 2022: \$5 million) and a change in the volume and impact of the Job Ready Graduates scheme which had a higher reliance on student payments for non-STEM<sup>8</sup> courses
- These decreases were offset by other grant funds.

UWA's net investment revenue and income has dropped \$184 million due to investment losses in 2022 as a result of the global economic conditions.

## Expenditure

Curtin experienced an increase in other expenses of \$53.9 million (21%), mainly due to:

- staff costs increasing by \$10.2 million due to hiring of contract staff to support Curtin's IT team
- outsourced work increasing by \$13.6 million due to payments made to its third-party web service provider for development of its digital platform. This is a cloud platform that would enable Curtin to advance its vision of web-based virtual learning
- fees and commissions increasing by a net \$11.6 million mainly due to \$12 million of operating costs relating to service concession arrangements
- scholarships, grants and prizes increasing by \$14.7 million mainly due to \$9 million of accommodation scholarships and \$3 million in educational scholarships (international students only) offered to the students during the year.

UWA's grants distributed expenses have decreased by about \$20 million, or 19%, made up of small decreases and:

- \$8 million of grant payments to medical research institutes primarily associated with one time Research Block Grants funding paid in 2021
- \$12 million in grant payments to medical research institutes associated with a reduction in research grant funding to the Telethon Kids Institute.

## Key financial ratios of universities

The DoE uses several benchmark indicators to assess the financial performance of universities. These measures include liquidity, diversity of revenue sources, dependence on international student fees, operating result and borrowings to equity ratio. In the following tables we have provided data for information only. We have not attempted to analyse results.

We have used each university's audited financial statements<sup>9</sup> to show performance against these indicators for the five years ending 31 December 2022. Table 8 summarises the risk ratings inferred by these indicators (2021 comparatives are in brackets).

2022 – Summary of universities' ratios	
<b>Liquidity/current ratio</b>	2 universities rated as low risk, 1 as medium risk, 1 as high risk (2021: 3 rated as low risk, 1 as high risk)

<sup>7</sup> Transition Load Funding provided funding to support eligible providers following the commencement of the *Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Act 2020*.

<sup>8</sup> Science, Technology, Engineering, Mathematics. Student fees for STEM courses are typically higher than for non-STEM courses because they require more equipment and infrastructure.

<sup>9</sup> Financial ratios are calculated using the university's figures, not their consolidated results.

2022 – Summary of universities' ratios	
<b>Diversity of revenue</b>	2 universities rated as low risk and 2 as high risk (2021: 1 rated as low risk and 3 as medium risk)
<b>Operating results</b>	2 out of 4 universities reported an operating surplus (2021: all 4 reported a surplus)
<b>Borrowings to equity ratio</b>	1 university rated as low risk, 1 as medium and 2 as high risk (2021: 2 universities rated as low risk, 1 as medium and 1 as high risk)
<b>Dependence on international students</b>	1 university rated as medium risk, 3 as low risk (2021: 1 rated as medium risk, 3 as low risk)

Source: OAG calculated from audited annual financial statements using DoE benchmarks

*Note: These ratings are based on criteria set by the DoE.*

**Table 8: University financial risk inferred by selected 2022 financial performance ratios**

### Liquidity/current ratio

The liquidity or current ratio assesses an entity's ability to meet their debts when they fall due. The traditional accounting formula is current assets divided by current liabilities.

DoE considers a ratio of more than one low risk and below 0.75 high risk. Based on this rating, ECU and Murdoch were low risk, Curtin medium risk and UWA high risk.

Liquidity/current ratio	2018	2019	2020	2021	2022	Trendline 2018 ↔ 2022
Curtin	1.3	1.0	0.9	1.1	0.93	
ECU	1.4	1.3	2.1	2.0	2.6	
Murdoch	1.6	1.1	1	1.7	1.4	
UWA	0.6	0.7	0.6	0.5	0.6	

Source: OAG calculated from audited annual financial statements

**Table 9: Liquidity ratio for universities**

As the liquidity ratio recognises current assets only, each university's liquidity ratio would improve if their non-current liquid assets were included in the calculation. For example, if non-current liquid assets were included, UWA would not be considered high risk.

### Diversity of revenue – dependence on Australian government funding

Universities can reduce their financial risk by diversifying their revenue sources. Each university has a different capacity to generate revenue, depending on factors such as location, size, courses offered, extent of research activity, perceived standing and student profiles.

For its 2022 benchmarking DoE considered universities with 55% or less of revenue received from Australian government funding low risk and between 55% and 65% medium risk. Australian government financial assistance includes the Commonwealth Grant Scheme and other grants, HECS-HELP and FEE-HELP payments and funding delivered through the Research Support Program. For 2022, UWA and Murdoch were low risk while Curtin is medium risk and ECU is high risk, when assessed on this indicator.

Diversity of revenue (dependence on Australian government funding)	2018	2019	2020	2021	2022	Trendline 2018 ↔ 2022
Curtin	60%	57%	63%	62%	65%	
ECU	61%	58%	60%	59%	66%	
Murdoch	55%	52%	54%	56%	53%	
UWA	51%	47%	51%	48%	50%	

Source: OAG calculated from audited annual financial statements

**Table 10: Diversity of revenue (dependence on Australian government funding) ratio**

## Operating result

Universities are not-for-profit organisations, but their operating result is a useful measure of financial performance. Large deficits or a trend of consecutive deficits indicates a need for review and analysis.

Two out of four universities reported a surplus for 2022.

Operating result (%)	2018	2019	2020	2021	2022	2022 Net operating result (000's)	Trendline 2018↔ 2022
Curtin	3.0%	8.0%	-0.1%	11.4%	-4.0%	-\$36,120	
ECU	5.0%	8.0%	5.0%	15.0%	8.0%	\$35,460	
Murdoch	2.7%	5.0%	-3.0%	4.0%	-6.0%	-\$20,768	
UWA	3.0%	11.0%	6.0%	17.6%	2.0%	\$19,359	

Source: OAG calculated from audited annual financial statements

**Table 11: Operating result as a percentage of total operating revenue**

## Borrowings to equity ratio

Legislation permits universities to finance their activities by borrowing. DoE considers universities with 7% or less of their equity represented by borrowings to be low risk. Greater than 10% rates as high risk.

Curtin remained low risk, while UWA is medium risk, and ECU and Murdoch are high risk on this indicator.

Borrowings to equity ratio	2018	2019	2020	2021	2022	Trendline 2018↔ 2022
Curtin	0.0%	0.4%	0.6%	0.6%	0.5%	
ECU	8.3%	17.5%	16.0%	38.0%	34.6%	
Murdoch	0.4%	0.7%	0.8%	1.7%	11.1%	
UWA	7.3%	6.0%	9.0%	8.0%	7.8%	

Source: OAG calculated from audited annual financial statements

*Note: Curtin's borrowings exclude amounts for the Chemistry Centre (WA), as offset by lease revenue.*

**Table 12: Borrowings to equity ratio**

## Dependence on overseas student fees

Universities can diversify their revenue sources by encouraging overseas students to study their courses. However, the general view is that universities should not be overly dependent on this source of income.

For its 2022 benchmarking DoE considered universities with 15% or less of operating revenue from fee-paying overseas students as low risk, and between 15% and 25% as medium risk. Based on these criteria, ECU rates as medium risk, while Murdoch, Curtin and UWA are considered low risk.

Overseas student fees ratio	2018	2019	2020	2021	2022	Trendline 2018↔ 2022
Curtin	18%	17%	18%	14%	15%	
ECU	23%	24%	25%	18%	21%	
Murdoch	16%	21%	21%	14%	14%	
UWA	16%	14%	14%	12%	13%	

Source: OAG calculated from audited annual financial statements

**Table 13: Fees from overseas students as a proportion of total operating revenue**

## Equivalent Full Time Student Load for universities

Table 14 shows the EFTSL for the universities from 2019 to 2022, and the percentage of these enrolments relating to international students. All universities reported an increase in the proportion of enrolments by international students in 2022, likely because of the ongoing impacts of COVID-19. Murdoch remains the most vulnerable to changes in the market for international students with by far the largest proportion of its EFTSL coming from overseas.

EFTSL	2019		2020		2021		2022*	
	EFTSL	% Inter'l	EFTSL	% Inter'l	EFTSL	% Inter'l	EFTSL	% Inter'l
Curtin	34,727	29	34,949	28	34,566	26	33,239	28
ECU	19,756	24	20,164	24	19,295	20	17,903	22
Murdoch	17,408	40	17,352	38	15,465	37	13,864	39
UWA	18,967	24	18,717	23	19,759	21	19,560	22

Source: OAG based on data from the Australian government

*\* Note: Not all annual reports contained all EFTSL data. Therefore, some 2022 data was provided directly by the university, extracted from the DoE's Tertiary Collection of Student Information portal. The table updates data for previous years based on information provided by the universities but the variations are not material.*

**Table 14: EFTSL (all students) and percentage of EFTSL that are international students**

## Universities' graduate survey information

This section presents survey results of students graduating from university. These survey results are not usually reported in each university's annual report.

Tables 15 and 16 present graduate responses to the Graduate Outcome Survey, a national online course evaluation survey conducted by the Social Research Centre on behalf of DoE. Graduates are surveyed approximately four months after completing their courses. The 2022 information relates to students who completed their studies in 2021. It is worth noting that three universities exceeded the national average.

### Graduate satisfaction of undergraduate students

Table 15 shows the percentage of graduates who were satisfied with their overall undergraduate study experience.

Overall graduate satisfaction	2018	2019	2020	2021	2022
Curtin	80.5%	83.5%	82.2%	79.9%	78.2%
ECU	84.0%	83.5%	84.5%	83.2%	83.9%
Murdoch	80.2%	83.0%	83.8%	76.2%	77.5%
UWA	75.2%	76.0%	75.1%	72.7%	75.0%
WA university average	81.1%	82.5%	82.6%	79.3%	79.8%
National university average	79.7%	80.0%	80.7%	77.8%	77.4%

Source: OAG based on Graduate Outcome Survey data from the DoE

*Note: Averages include private universities. For WA this means the University of Notre Dame is included.*

**Table 15: Graduate satisfaction survey results for university undergraduates**

### Post graduate employment of domestic undergraduate students

Table 16 shows the percentage of domestic undergraduate level graduates in employment, including full-time, part-time or casual, in the year after graduation. The numerator includes those graduates who are employed, irrespective of whether they want to work more hours.

Domestic undergraduate employment	2018	2019	2020	2021	2022
Curtin	87.2%	86.4%	86.6%	87.7%	90.6%
ECU	82.4%	83.1%	80.9%	82.8%	88.0%
Murdoch	84.0%	82.4%	78.8%	82.7%	89.6%
UWA	83.4%	80.9%	79.7%	83.7%	86.7%
WA university average	85.4%	84.2%	83.3%	85.2%	89.1%
National university average	87.2%	87.0%	85.3%	85.0%	88.5%

Source: OAG based on Graduate Outcome Survey data from the DoE

*Note: Averages include private universities. For WA this means the University of Notre Dame is included. Data is for domestic undergraduates only.*

**Table 16: Graduate destination survey results for university graduates**



Note that the universities differ in their student cohorts in ways that could make direct comparisons misleading. These differences include proportions of foreign and domestic students, socio-economic background, school leavers and mature age applicants, numbers of students, entry requirements and course type.

# TAFEs' financial and other performance in 2022

## Selected significant financial transactions

Listed below are significant 2022 financial transactions we noted during our TAFE audits. While most of this information can be found in each TAFE's annual report, we have included it here for the convenience of Parliament. Reporting here is not meant to imply that we have any residual concern with these transactions.

### Assets

Central Regional TAFE recorded an increase in property, plant and equipment of \$9.4 million (8%) mainly driven by building additions (\$5.2 million) and valuations increments (\$5.8 million). Contributed equity rose by 6% from a capital appropriation of \$7.798 million received during the year, and reserves grew by 53% following revaluation of land and building assets.

North Regional TAFE recorded an increase in property, plant and equipment of \$10.9 million compared to 2021. This is mainly attributed to the gain in the revaluation of buildings of \$14.4 million and offset by the depreciation expense for the year.

North Regional TAFE's reserves increased by \$14.5 million compared to 2021. This is mainly attributed to the gain from the revaluation of buildings of \$14.4 million, due to stronger economic conditions during 2022 as well as the increased cost of building materials and tradespeople impacted by COVID-19 supply restrictions.

South Metropolitan TAFE also reported an 8% increase in property, plant and equipment. The \$24.6 million increase is mainly due to the \$23.7 million revaluation of land, buildings and artwork, \$6.7 million of asset transfers from DTWD, and \$3.5 million of additional assets, offset by \$9.3 million depreciation.

South Regional TAFE reported a \$9 million increase in reserves (78%) following revaluation of building assets. Property, plant and equipment increased by \$6.7 million (6%) mainly driven by additions to assets under construction and building revaluations (\$9 million) offset by building depreciation of \$4.1 million.

### Revenue

North Metropolitan TAFE received a Commonwealth Home Care Community Grant of \$4.4 million through the Department of Health for the Home Care Workforce Support Program. During 2022 the total spending on the project was \$415,424.

North Regional TAFE reported an increase in grant income of \$3.1 million, driven by slightly higher DPA income and \$1 million in support funding from DTWD.

South Regional TAFE reported a \$6.9 million (14%) increase in grants and subsidies driven by DPA variations.

### Expenditure

Following the registration of the Western Australian TAFE Lecturers' General Agreement 2021, in December 2022, all teaching staff were eligible for backpay and a one-off cost of living payment. The cost of living component was paid in 2022 and the backpay component was accrued in the 2022 accounts and paid in 2023. TAFEs received supplementary funding from DTWD through their DPA variation in 2022.

Similarly, following the registration of Public Sector CSA Agreement 2022 in February 2023, all non-teaching staff were also eligible for backpay and a one-off cost of living payment. Both these components have been accrued in the 2022 accounts and paid in 2023.

However, the related DPA funding supplement from DTWD was received by TAFEs in 2023 and will be reflected as revenue in that year.

North Regional TAFE reported employee benefits expense increased by \$1 million compared to 2021 as a result of salary increases, associated back pay and cost of living payments. South Metropolitan TAFE and South Regional TAFE also reported increases in employee benefits of \$11.4 million (9%) and \$5.75 million (13%) respectively.

In addition, increased expenditure commitments by North Metropolitan TAFE totalling \$4.5 million were largely due to new purchases for security equipment and management (\$1.6 million), printing equipment (\$1 million), provision of online study resources (\$0.8 million) and creche workers (\$0.5 million).

## Liabilities

North Metropolitan TAFE assessed its obligations under the *Long Service Leave Act 1958* to provide long service leave for casual employees. It had not accrued long service leave for casual employees due to the quality of the data and calculations. Instead, a contingent liability disclosure note briefly explaining the reasons for the inability to estimate this provision was added to the financial statements.

North Regional TAFE reported that other current liabilities increased by \$1.4 million compared to 2021. This is mainly attributed to the \$1 million repayable to DTWD for Government Regional Officers' Housing underspending and \$1 million of unspent grant funding for multiple programs offset by \$0.5 million repayable to DTWD for not achieving the target SCH under the DPA.

In addition, North Regional TAFE's payables increased by \$2.3 million compared to 2021. This is mainly attributed to a \$1.4 million accrual of salary increases for lecturers (\$0.5 million) and non-lecturers (\$0.3 million) and cost of living payments (\$0.5 million) following acceptance of the State Government wages offer in December 2022.

South Metropolitan TAFE reported an increase in other current liabilities, mainly due to a \$6.6 million refund due to DTWD under the DPA after achieving only 89% of the targeted SCH.



Source: South Metropolitan TAFE

**Figure 4: Djena Bidi Koora Koora Mila – Pathways from Past to Future**

## TAFE financial results and liquidity

We have used TAFEs' audited financial statements to present their financial results. In 2022, all TAFEs reported increased operating deficits over 2021 results, as shown in Table 17.

Surplus/(Deficit) financial results (\$ millions)	2018	2019	2020	2021	2022
Central Regional TAFE	(9.3)	(5)	(2.5)	(3)	(3.2)
North Metropolitan TAFE	(7.8)	(12.4)	(9)	(6.6)	(16.6)
North Regional TAFE	(3.1)	(5.2)	1.9	(4.6)	(6.2)
South Metropolitan TAFE	(4)	(7.1)	(13.9)	(3.8)	(6.4)
South Regional TAFE	(5.3)	(3.6)	(5.6)	(6.3)	(8.3)

Source: OAG from audited annual financial statements

*Note: TAFEs are not funded for depreciation and amortisation which are reported in their income statements. The total of these costs for all TAFEs was \$41.5 million in 2021 and \$46.5 million in 2022.*

**Table 17: Financial results of TAFEs**

Despite the operating deficits, no TAFE had a high-risk liquidity ratio at 31 December 2022. The liquidity or current ratio is a traditional way of assessing an entity's ability to meet its debts as and when they fall due. A ratio of more than 1 is generally accepted as low risk. Table 18 shows that on this basis, the two metropolitan TAFEs were low risk. However, care should be taken in concluding on the broader financial position of an entity solely on this indicator which compares current assets to current liabilities.

Liquidity/current ratio at year end	2018	2019	2020	2021	2022
Central Regional TAFE	1.3	0.8	0.5	0.6	0.8
North Metropolitan TAFE	1.6	1.3	1.3	1.4	1.3
North Regional TAFE	1.9	1.1	1.01	0.6	0.7
South Metropolitan TAFE	1.8	1.5	1.2	1.3	1.1
South Regional TAFE	1.8	1.4	1.1	0.9	0.7




Source: OAG calculated from audited annual financial statements

**Table 18: Liquidity/current ratios for TAFEs**

## TAFE student enrolments

As mentioned previously, enrolment numbers were not available in time for this report but SCH are a useful alternative. In 2022, a total of 21.2 million SCH of training was delivered by the five TAFEs through their DPA with DTWD. Overall, this was a 10.9% decrease on the 2021 delivery of 23.8 million SCH but ranged from 8% at South Regional TAFE to 19% at North Regional TAFE. SCH is the measure used to report the quantum of training delivered by TAFEs.

DPA hours delivered	2018	2019	2020	2021	2022	Change from 2021	Trendline 2018 ↔ 2022
Central Regional	1,857,162	1,890,188	1,753,856	2,081,579	1,879,709	-10%	
North Metropolitan	8,559,701	8,466,292	8,768,179	9,628,745	8,567,715	-11%	
North Regional	1,101,631	978,071	913,032	1,123,866	906,775	-19%	

DPA hours delivered	2018	2019	2020	2021	2022	Change from 2021	Trendline 2018 ↔ 2022
South Metropolitan	7,464,046	7,226,171	7,630,080	8,430,675	7,522,656	-11%	
South Regional	2,480,070	2,444,591	2,452,698	2,566,061	2,348,279	-8%	
<b>TOTAL</b>	<b>21,462,610</b>	<b>21,005,313</b>	<b>21,517,845</b>	<b>23,736,728</b>	<b>21,225,134</b>	<b>-11%</b>	





Source: OAG from audited annual KPIs

**Table 19: Hours of DPA training delivered**

## Cost per student curriculum hours

The cost per SCH is a key financial performance measure that provides a high-level indication of efficiency. It is calculated by dividing the total cost of services by the total number of SCH of training delivered, including both DPA and other training delivered.

Many factors influence this measure, so this data alone should not be used to compare TAFEs. Factors can include regional location and economic conditions, the relative cost of different courses offered, student demographics, non-cash transactions such as depreciation, resources received free of charge and asset revaluation decrements. Cost of living payment and backpay resulting from the recently signed awards for teaching and non-teaching staff is also a contributing factor in the increase in cost per SCH for all TAFEs in 2022.

Cost per SCH (\$)	2018	2019	2020	2021	2022	Change from 2021	Trendline 2018 ↔ 2022
Central Regional TAFE	30.4	28.8	32.7	29.0	34.4	19%	
North Metropolitan TAFE	17.7	18.0	17.8	18.2	22.0	21%	
North Regional TAFE	52.3	54.6	45.6	54.5	68.1	25%	
South Metropolitan TAFE	17.7	19.7	20.2	19.1	22.9	20%	
South Regional TAFE	22.7	22.8	23.9	24.1	29.8	24%	

Source: OAG from audited annual KPIs

**Table 20: Cost per student curriculum hours**

All TAFEs reported a significant increase in cost per SCH for 2022, ranging from 19% at Central Regional TAFE to 25% at North Regional TAFE. This reflects reduced teaching hours against fixed costs and increased employee benefits, including salary increases and one-off cost of living payments. Lower teaching hours were caused by a number of factors, including the COVID-19 pandemic, a reduction in demand for institutional training (fee for service revenue) due to low unemployment and competition from universities for school leavers.

# TAFE student and graduate survey information

## TAFE student satisfaction

DTWD conducts the student satisfaction survey for TAFEs. This annual survey is a measure of the quality of the service provided by TAFEs.

The student satisfaction rating reports the percentage of satisfied and very satisfied respondents to the survey. Table 21 compares satisfaction ratings provided by students studying in the last four years against the State average of our TAFEs including the Western Australian Academy of Performing Arts (WAAPA).<sup>10</sup> The result shows that student satisfaction has declined only slightly during the COVID-19 pandemic. Figures are from the TAFEs audited KPIs.

Student satisfaction rating (%)	2018	2019	2020	2021	2022
Central Regional TAFE	92.0	92.6	91.6	89.0	84.3
North Metropolitan TAFE	85.3	83.5	85.6	86.4	84.1
North Regional TAFE	93.1	91.1	88.9	89.9	89.4
South Metropolitan TAFE	87.8	87.7	86.8	85.5	85.0
South Regional TAFE	90.3	91.7	92.1	91.8	90.3
State average for TAFEs and WAAPA	88.2	87.5	87.6	87.3	85.7

Source: OAG from audited annual KPIs

*Note: The student satisfaction results are from an annual survey of students who are funded under the National Agreement of Skills and Workforce Development and exclude international full fee-paying students, students undergoing training through a school-based program (vocational education and training in schools), students who are in a correctional facility and students aged less than 15 years.*

**Table 21: Student satisfaction survey results for TAFE students**

## TAFE graduate achievement and destination ratings

The National Centre for Vocational Education Research also surveys TAFE graduates at the end of each year. The aim of the survey is to measure vocational education and training graduates' employment, further study and other opinions of the training undertaken. Tables 22 and 23 show the results published in 2018 to 2022 for TAFE graduates who completed their TAFE courses during 2017 to 2021 respectively. Figures in the tables below are from the TAFEs audited KPIs.

### TAFE graduate achievement

The graduate achievement rating is an indicator of the extent to which TAFE graduates consider they have fully or partly achieved their main reason for undertaking their training. The result shows that graduate achievement has improved over the course of the COVID-19 pandemic.

Graduate achievement rating (%)	2018	2019	2020	2021	2022
Central Regional TAFE	87.2	87.7	84.4	88.1	88.9
North Metropolitan TAFE	76.9	79.0	78.1	82.7	85.4
North Regional TAFE	92.4	83.3	86.0	88.9	88.8

<sup>10</sup> WAAPA is part of ECU and is included in this survey.

Graduate achievement rating (%)	2018	2019	2020	2021	2022
South Metropolitan TAFE	79.5	76.8	78.6	82.5	86.2
South Regional TAFE	84.1	79.6	82.1	86.6	87.2
TAFE Australia	82.1	81.9	81.8	83.8	85.7

Source: OAG from audited annual KPIs

**Table 22: TAFE graduate achievement survey results**

It is perhaps worth noting that while student satisfaction has fallen during the course of the pandemic, graduate achievement has risen. This could reflect a negative student experience of increased online and remote learning on the one hand, and a buoyant job market for graduates on the other. The graduate destination results (Table 23) tend to support this hypothesis but further investigation would be needed to confirm it.

### TAFE graduate destination

The graduate destination indicator is the proportion of graduates in employment and shows the extent to which TAFE is providing relevant and quality training that improved graduates' employability.

Graduate destination rating (%)	2018	2019	2020	2021	2022
Central Regional TAFE	78.9	79.3	75.0	75.0	79.9
North Metropolitan TAFE	64.1	61.2	55.9	65.3	73.5
North Regional TAFE	88.4	84.4	73.8	78.7	84.2
South Metropolitan TAFE	68.4	66.3	59.3	68.1	76.1
South Regional TAFE	75.1	75.3	65.5	73.7	79.7
TAFE Australia	72.4	71.3	65.7	70.3	75.6

Source: OAG from audited annual KPIs

*Note: The graduate destination indicator saw a large decrease in rating Australia wide in 2020. One reason for this significant change is the inclusion of students aged 15 to 17 years and students pursuing vocational education and training in schools in the 2020 survey for the first time.*

**Table 23: TAFE graduate destination survey results**



## Matter of significance paragraphs

We may include a matter of significance paragraph in our auditor's report to bring a specific matter to the attention of readers for the following reasons:

- where a matter in relation to the financial statements or KPIs is undisclosed or not apparent
- where the Under Treasurer has approved an exemption not to report a KPI.

Curtin received approval from the Council for not conducting the 2022 staff survey as the survey instrument is being redesigned. Consequently, the key performance effectiveness indicator No. 7.1 Staff Engagement Survey Results was not reported for the year ended 31 December 2022.

## Emphasis of matter paragraphs

If a matter is appropriately presented or disclosed in the financial report but, in our judgement, is of such importance that it should be drawn to the attention of readers, we may include an emphasis of matter paragraph in our auditor's report.

For 2022, as we did in 2021, we drew attention to the notes in the subsidiary entities', noted below, financial report describing the basis of accounting. This related to restriction on distribution and use and the application of ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks.

We did not modify our auditor's opinion but included an emphasis of matter in the auditor's reports to state that the financial report for these entities were prepared for the purpose of fulfilling the entity's reporting requirements. As a result, the financial report may not be suitable for another purpose.

This was relevant to the following subsidiary entities:

- Alan and Iris Peacocke Foundation
- Innovative Chiropractic Learning Pty Ltd
- Murdoch Retirement Services Pty Ltd
- UWA Accommodation Services Pty Ltd
- UWA Sport Pty Ltd
- The University Club of Western Australia Pty Ltd.



# Audit work completed for State government entities

## Other audit opinions issued

In addition to the tertiary education sector audits reported above, we issued a further 15 opinions for State government entities since 30 November 2022. The six included in this report are for three statutory authorities and three cemetery boards that have historically been included in equivalent reports. These six entities all received clear audit opinions (Appendix 1). The other nine were significantly delayed audits and are reported in *State Government 2021-22 – Part 3: Final Results*.

## Matter of significance paragraphs

We may include a matter of significance paragraph in our auditor's report to bring a specific matter to the attention of readers for the following reasons:

- where a matter in relation to the financial statements or KPIs is undisclosed or not apparent
- where the Under Treasurer has approved an exemption not to report a KPI.

The Legal Contribution Trust received approval from the Under Treasurer under section 68(4) and 70(1) of the *Financial Management Act 2006*, that it is not required to report KPIs for the final reporting period ended 21 October 2022. Consequently, KPIs were not reported in the final report for the period ended 21 October 2022.

## Appendix 1: Other audit opinions issued since 22 December 2022

31 December 2022 reporting date Statutory authorities Opinion on financial statements, controls and KPIs	Reporting date	Opinion issued
Legal Contribution Trust – 1 July 2022 to 21 October 2022	21/10/2022	28/03/2023
The ANZAC Day Trust	31/12/2022	26/04/2023
Western Australian Institute of Sport	31/12/2022	10/03/2023

Source: OAG

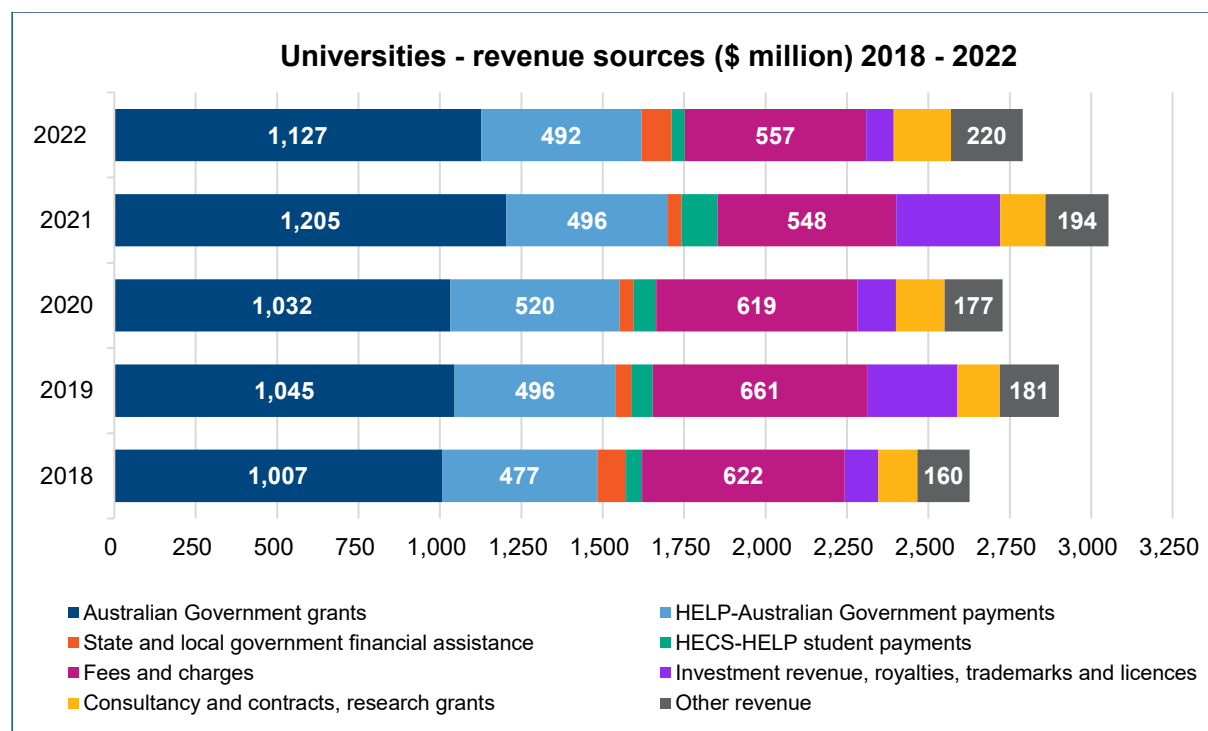
30 June 2022 reporting date – audits completed since November 2022 Opinion on financial statements	Reporting date	Opinion issued
Albany Cemetery Board*	30/06/2022	24/02/2023
Bunbury Cemetery Board*	30/06/2022	16/05/2023
Geraldton Cemetery Board*	30/06/2021	04/05/2023

Source: OAG

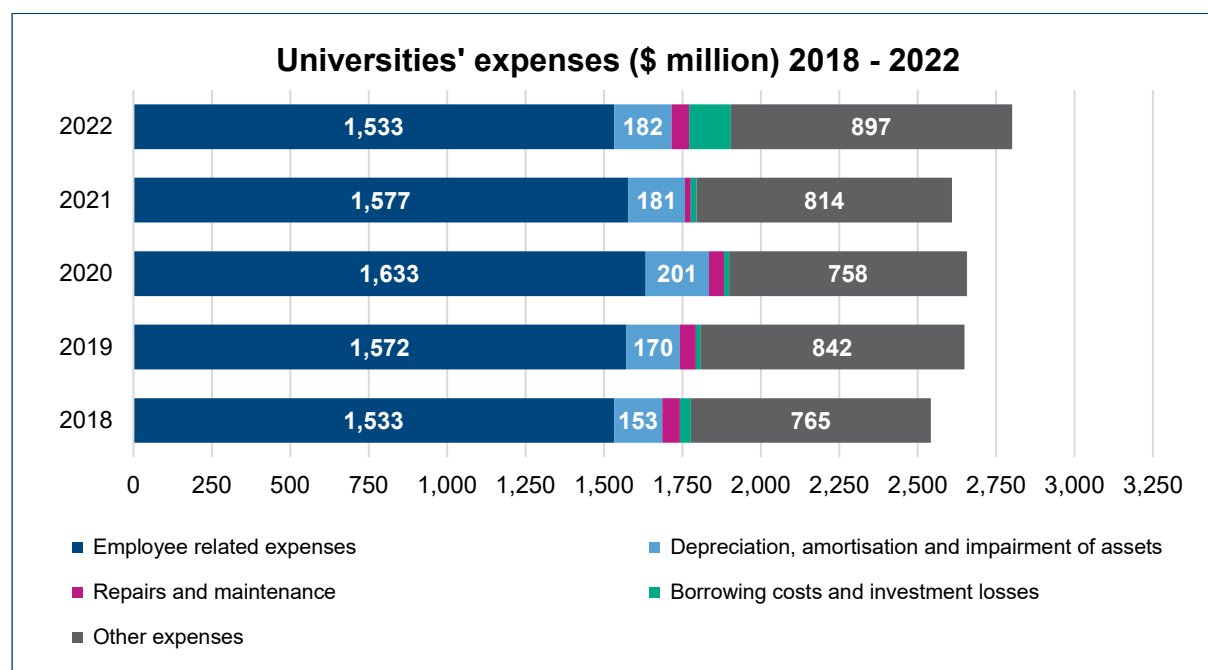
\* There is no statutory deadline for the boards to submit their financial statement for years ending on 30 June. Cemetery boards are audited under the Cemeteries Act 1986.

## Appendix 2: Universities' and TAFEs' expenditure and sources of revenue

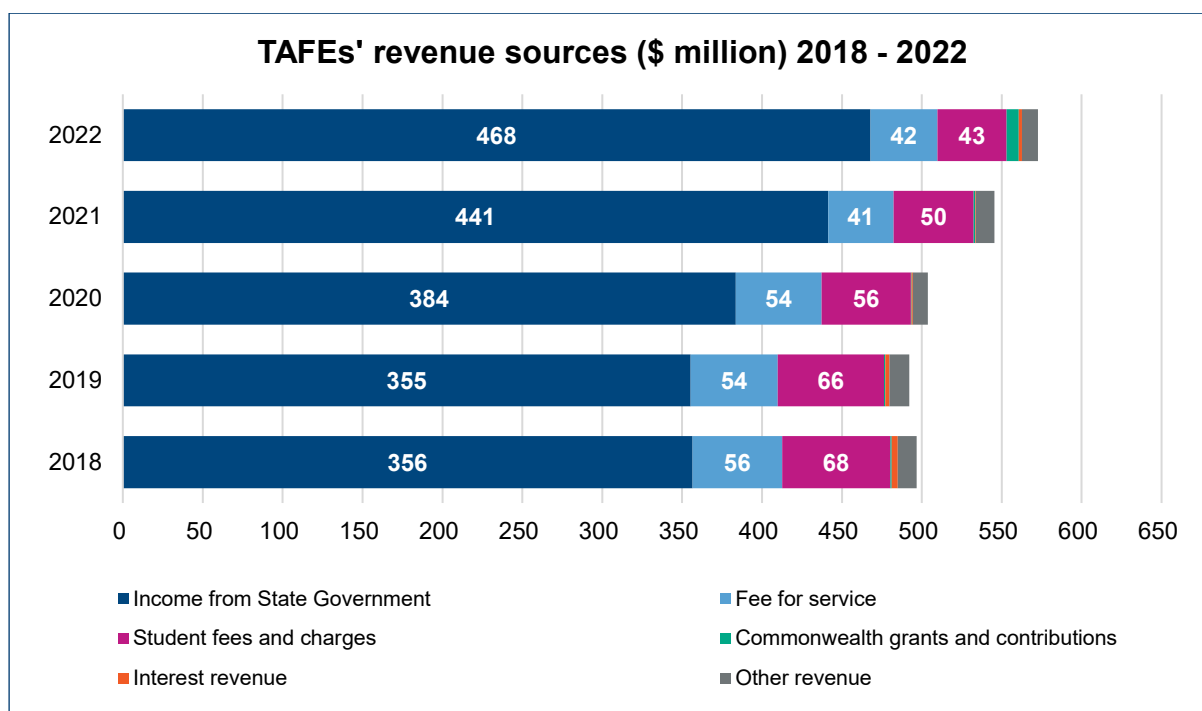
The following breakdown of total revenue sources and total expenses by categories for the past five years for the universities and TAFEs are provided for the information of Parliament.



Source: OAG calculated from annual financial statements of universities

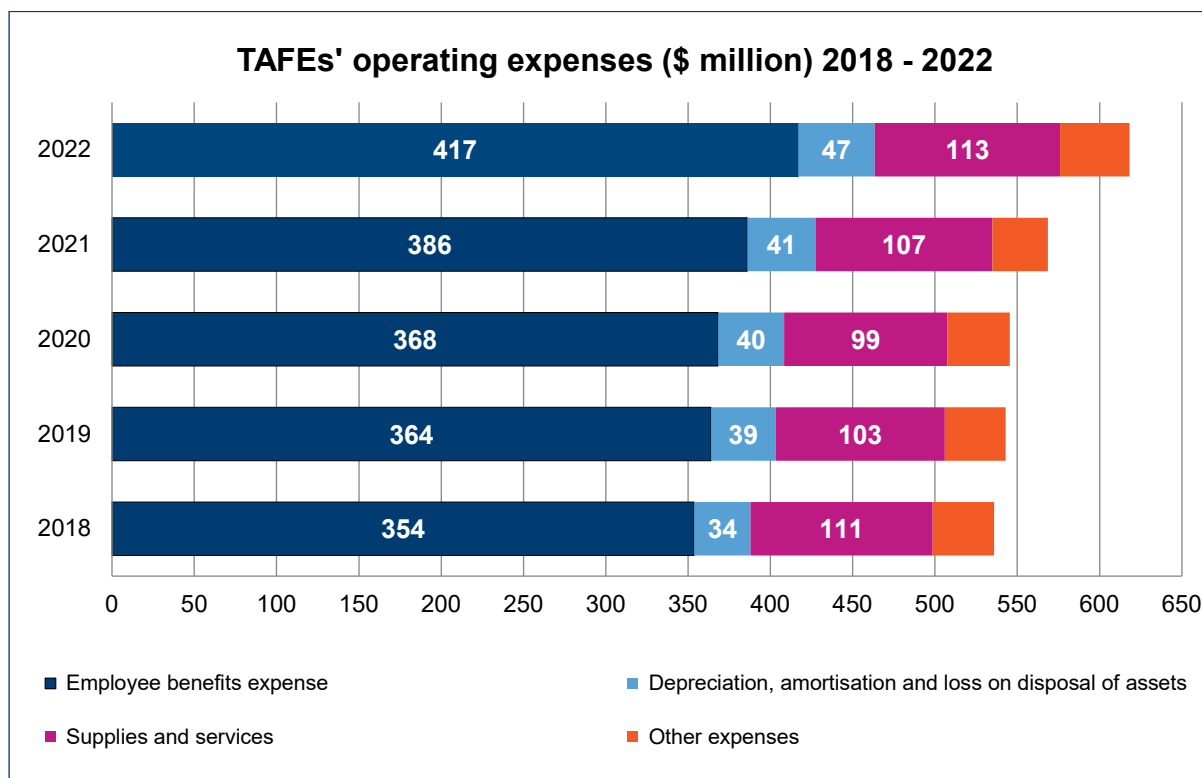


Source: OAG calculated from annual financial statement of universities



Source: OAG calculated from annual financial statements of TAFEs

*Note: From 2021 Fee for Service Revenue – International Student fees are classified as Income from Other Public Sector Agencies, which are not reflected in this table.*



Source: OAG calculated from annual financial statements of TAFEs

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## Auditor General's 2022-23 reports

Number	Title	Date tabled
26	Audit Readiness – Better Practice Guide	30 June 2023
25	Traffic Management System	14 June 2023
24	Security Basics for Protecting Critical Infrastructure from Cyber Threats – Better Practice Guide	14 June 2023
23	Contractor Procurement – Data Led Learnings	14 June 2023
22	Effectiveness of Public School Reviews	24 May 2023
21	Financial Audit Results – State Government 2021-22 – Part 2: COVID-19-19 Impacts	3 May 2023
20	Regulation of Air-handling and Water Systems	21 April 2023
19	Information Systems Audit – Local Government 2021-22	29 March 2023
18	Opinions on Ministerial Notifications – Tourism WA's Campaign Expenditure	27 March 2023
17	Information Systems Audit – State Government 2021-22	22 March 2023
16	Opinions on Ministerial Notifications – Triennial Reports for Griffin Coal and Premier Coal	22 March 2023
15	Opinion on Ministerial Notification – Stamp Duty on the Landgate Building, Midland	8 March 2023
14	Administration of the Perth Parking Levy	16 February 2023
13	Funding of Volunteer Emergency and Fire Services	22 December 2022
12	Financial Audit Results – State Government 2021-22	22 December 2022
11	Compliance with Mining Environmental Conditions	20 December 2022
10	Regulation of Commercial Fishing	7 December 2022
9	Management of Long Stay Patients in Public Hospitals	16 November 2022
8	Forensic Audit Results 2022	16 November 2022
7	Opinion on Ministerial Notification – Tom Price Hospital Redevelopment and Meekatharra Health Centre Business Cases	2 November 2022
6	Compliance Frameworks for Anti-Money Laundering and Counter-Terrorism Financing Obligations	19 October 2022
5	Financial Audit Results – Local Government 2020-21	17 August 2022
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022



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