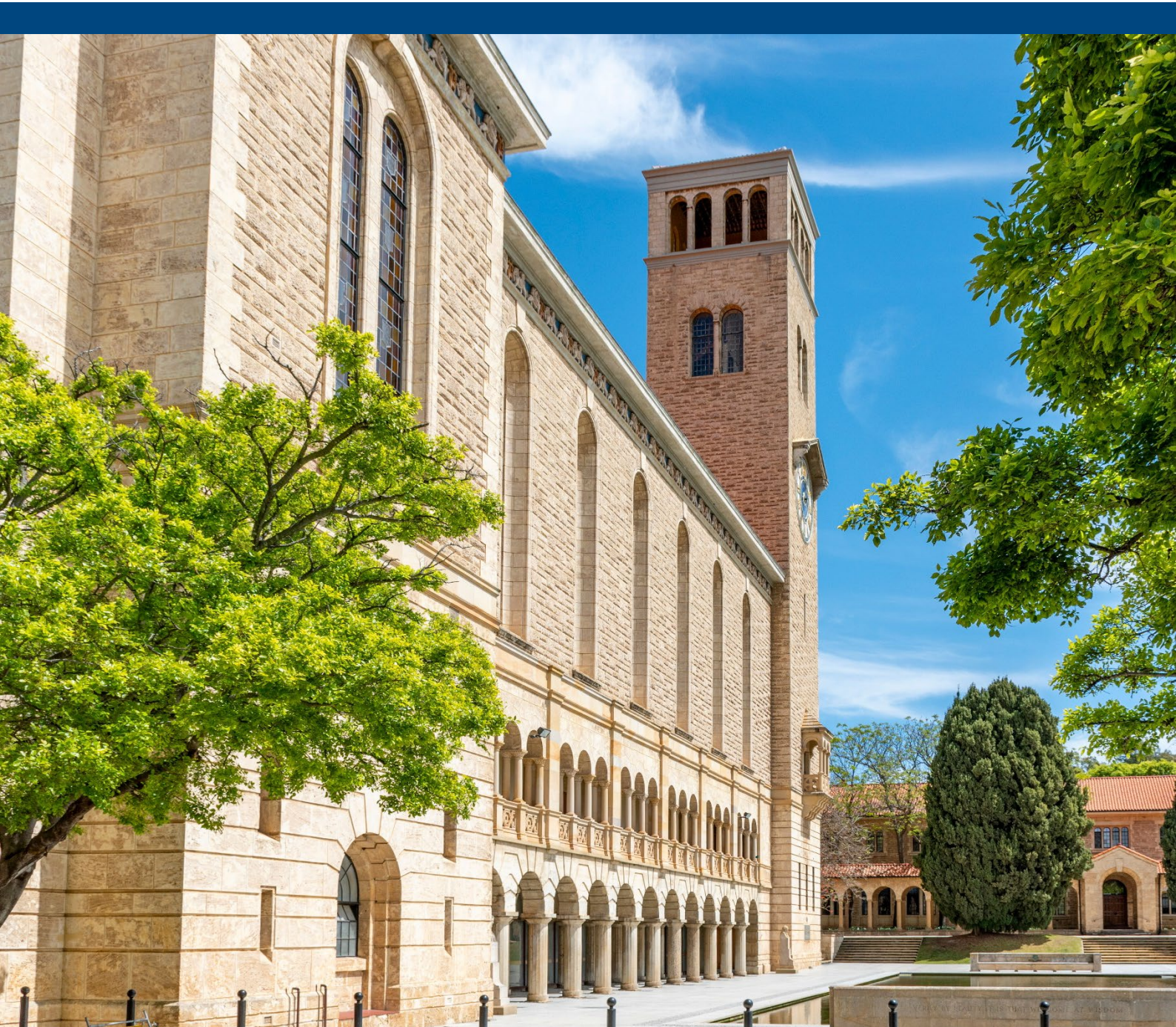




Report 2: 2022-23 | 21 July 2022

**FINANCIAL AUDIT RESULTS**

# Universities and TAFEs 2021





**Office of the Auditor General  
Western Australia**

**Audit team:**

Grant Robinson  
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Financial Audit teams

National Relay Service TTY: 133 677  
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for  
those with visual impairment.

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***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.***

Image credit: TonyTSEL/shutterstock.com

## WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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### **Financial Audit Results – Universities and TAFEs 2021**

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Report 2: 2022-23  
21 July 2022

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **FINANCIAL AUDIT RESULTS – UNIVERSITIES AND TAFES 2021**

This report has been prepared under the provisions of section 24 of the *Auditor General Act 2006* and covers financial audits completed since 24 November 2021 including:

- 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 2021
- 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
- audit certifications of financial and statistical information produced by entities to discharge conditions of Commonwealth funding, grants and other legislation and Royalties for Regions program agreements.

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 'C Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
21 July 2022

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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 TAFEs for the 31 December 2021 reporting year. The report also contains the results of a small number of other annual audits of statutory authorities and cemetery boards finalised since our last results report in November 2021.

All universities and TAFEs received clear (unqualified) opinions on their financial statements, controls and key performance indicators. This is a pleasing result given the significant deficiencies identified in our 2020-21 audits of State government entities.

The COVID-19 pandemic continued to have a significant impact on university and TAFE staff, students, operations and finances in 2021. International and interstate travel bans and government imposed gathering restrictions contributed to this. Educational entities re-scoped their operations and developed other strategies to deliver educational programs for their students, both onshore and overseas. Revenue increased mainly due to Commonwealth and State funding support across the universities (page 21) and TAFEs (page 28). All four universities reported a surplus in 2021 (page 25) while all five TAFEs reported deficits (page 30).

We have seen a material increase in control weaknesses during the last two COVID years. Financial control weaknesses have increased by over 100% and information system control weaknesses by 40% since 2019. We found assets, expenditure and payroll to be the main areas where the universities and TAFEs had control weaknesses. Seventy-eight per cent of our findings were rated as moderate or significant and potentially present a significant financial or business risk to the entity if not addressed promptly. Twenty-two per cent of these control weaknesses were unresolved issues from the previous year.

In our information systems audits we identified 124 IT control weaknesses, an increase on the 103 reported last year and 88 in 2019. The number of unresolved findings from the prior year also increased to 49% from 42% in 2020. Executive management need to address these issues promptly to maintain the confidentiality, integrity and availability of tertiary sector information systems.

I wish to thank my staff and the staff in the audited entities who contributed to the audit process and outcomes. I congratulate the three entities identified as best practice this year for quality financial statement preparation and maintaining a sound control environment (page 20) – ECU and the North and South Metropolitan TAFEs. I encourage all entities in the tertiary sector to regain the ground lost in their control environments during the last two COVID years.





## 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 31 December 2021 reporting period audits and the results of a small number of other annual audits of statutory authorities and cemetery boards.

Western Australia's (WA) public tertiary education sector comprises four public universities and five TAFEs (two metropolitan and three regional). The universities had combined assets of \$8.2 billion and the TAFEs \$1.3 billion at 31 December 2021. The sector's total revenue in 2021 was \$3.5 billion, up slightly from \$3.2 billion reported last year. Universities' revenue was \$3 billion up from \$2.7 billion in 2020 mainly due to increased Commonwealth and State funding. TAFEs revenue was \$544 million, up from \$518 million in 2020 due to increased funding from the State Government. Further details of the sector's revenue and expenditure are summarised on pages 21 and 28.

To ensure the sector produces timely and accurate financial reports, it is important that university and TAFE management keep appropriate accounts and records. An effective internal control system is essential for accurate reporting, to alert management to irregularities in electronic environments and manual procedures, and to 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 financial statements, controls and KPIs of the four public universities and the five TAFEs (pages 9-10)
  - on the financial statements of eight university subsidiaries and requested audits (page 10)
  - for six other State government entities (Appendix 1)
  - for 36 certifications of financial and statistical information. (Appendix 2)

## Management issues

- There were 49 financial and management control weaknesses identified at universities and TAFEs, an increase compared to 38 last year (a 29% increase from the prior year) and 23 in 2019. Twenty-two per cent were unresolved from the previous year, a decrease compared to 26% reported last year. (page 11)
- We identified 124 information systems control issues at the universities and TAFEs, an increase from 103 last year (a 20% increase from the prior year) and 88 in 2019. Forty-nine per cent were unresolved issues from the previous year, compared to 42% last year. (page 12)
- Annual and long service leave liabilities of the universities increased by 1.3% and increased by 3.8% for TAFEs in 2021, with a combined total liability across all universities and TAFEs of \$374.1 million at year end. (page 19)

## Impacts of COVID-19 in 2021

- While the universities and TAFEs reported an increase in student enrolments and an overall increase in revenue in 2021, they continued to experience lower international student enrolments. TAFE training hours increased 11% in 2021. (pages 14-16)

## Accounting Treatment of Education Australia Limited and investment in IDP Education Ltd

- The restructure of Education Australia Limited was a significant technical accounting issue requiring resolution during the audit for all universities. The restructure resulted in a significant financial benefit for all universities as they received cash, shares and franking credits. (pages 16-18)

## Impact of cloud computing arrangement costs

- Universities reviewed their accounting policies for recording cloud computing costs as a result of recent explanatory information provided for accounting standards. Through our testing and review of disclosures, we confirmed that universities complied with the new requirements. (page 18)

## Financial and performance measures

- 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 22 and 29)
- The results of university and TAFE student and graduate surveys are presented to show performance measures for each institution. (pages 27 and 32)

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## 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 and system controls and external reporting. (page 13)

## 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 – assurance that the financial statements and supporting notes are materially complete, accurate, reliable 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 – assurance that, in all material respects, controls were adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities were in accordance with legislative provisions.

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 – assurance that the KPIs are relevant, appropriate, based on reliable data and, in all material respects, fairly present 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 appointment of the Auditor General to conduct the audit of their interests in associated companies, trusts or other ventures. These interests are marked with an asterisk in Table 3.

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 2021, 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.

UNIVERSITIES Opinion on financial statements, controls and KPIs	Opinion issued
Curtin University (Curtin)	18/03/2022
Edith Cowan University (ECU)	14/03/2022
Murdoch University (Murdoch)	16/03/2022

<b>UNIVERSITIES</b> <b>Opinion on financial statements, controls and KPIs</b>	<b>Opinion issued</b>
The University of Western Australia (UWA)	15/03/2022

Source: OAG

**Table 1: Audit opinions issued for universities**

<b>TAFEs</b> <b>Opinion on financial statements, controls and KPIs</b>	<b>Opinion issued</b>
Central Regional TAFE	15/03/2022
North Metropolitan TAFE	14/03/2022
North Regional TAFE	15/03/2022
South Metropolitan TAFE	04/03/2022
South Regional TAFE	17/03/2022

Source: OAG

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

For the year ended 31 December 2021, 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.

<b>UNIVERSITIES' SUBSIDIARIES and OTHER INTERESTS</b> <b>Opinion on financial statements</b>	<b>Opinion issued</b>
<b>Murdoch</b>	
Alan and Iris Peacocke Research Foundation*	22/03/2022
Innovative Chiropractic Learning Pty Ltd	22/03/2022
Murdoch Retirement Services Pty Ltd	22/03/2022
<b>UWA</b>	
Perth USAsia Centre Limited*	01/04/2022
The University Club of Western Australia Pty Ltd	14/04/2022
UWA Accommodation Services Pty Ltd	22/04/2022
UWA Sport Pty Ltd	04/03/2022
Young Lives Matter Foundation UWA Ltd	23/05/2022

Source: OAG

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

**Table 3: Audit opinions issued for universities' subsidiaries and other interests with a 31 December 2021 year end**

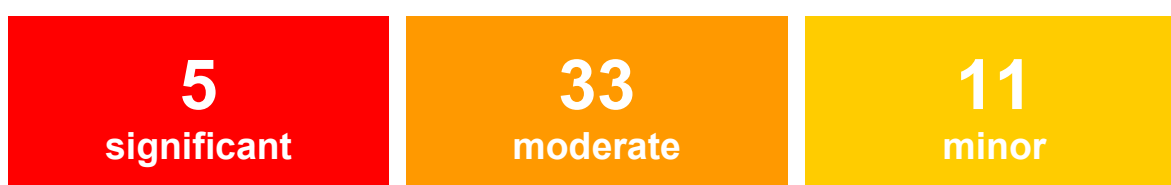
# Management and reporting issues at universities and TAFEs

## 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 49 financial and management control weaknesses to the universities and TAFEs for 2021, across three risk categories:



Source: OAG

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

This was an increase from the 38 reported in 2020 and 23 reported in 2019. The number of issues rated as significant increased to five in 2021, up from three in 2020 and zero in 2019.

Thirty-eight 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.

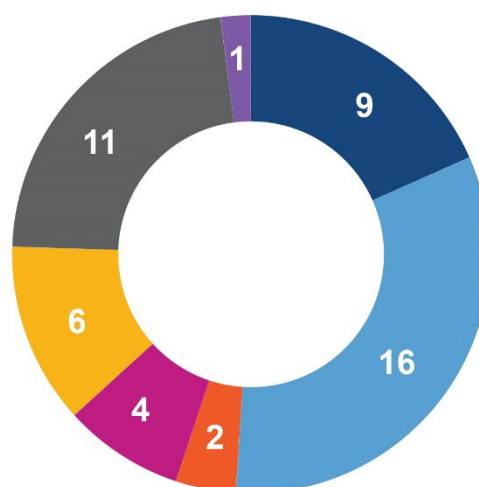
Twenty-two per cent were unresolved prior year issues, a similar result compared to last year.



**Financial and management control weaknesses 2020 (38)**



**Financial and management control weaknesses 2021 (49)**



● Assets   
 ● Expenditure   
 ● Financial reporting   
 ● Corporate governance  
● Liabilities   
 ● Revenue   
 ● Payroll and human resources   
 ● KPI

Source: OAG

**Figure 2: Financial and management control weaknesses for 2020 and 2021**

Across the major categories we found instances of:

- untimely preparation and review of important reconciliations
- purchase orders being raised and approved after the date of the invoice
- personal use of credit cards, late acquittal of credit card transactions, along with delays in notifying the financial institution to cancel cards that were no longer required
- excessive leave balances
- a lack of evidence that general journal entries had been approved by an independent officer prior to posting into the accounting system
- no review of changes made to the supplier master file (one entity).

## 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.

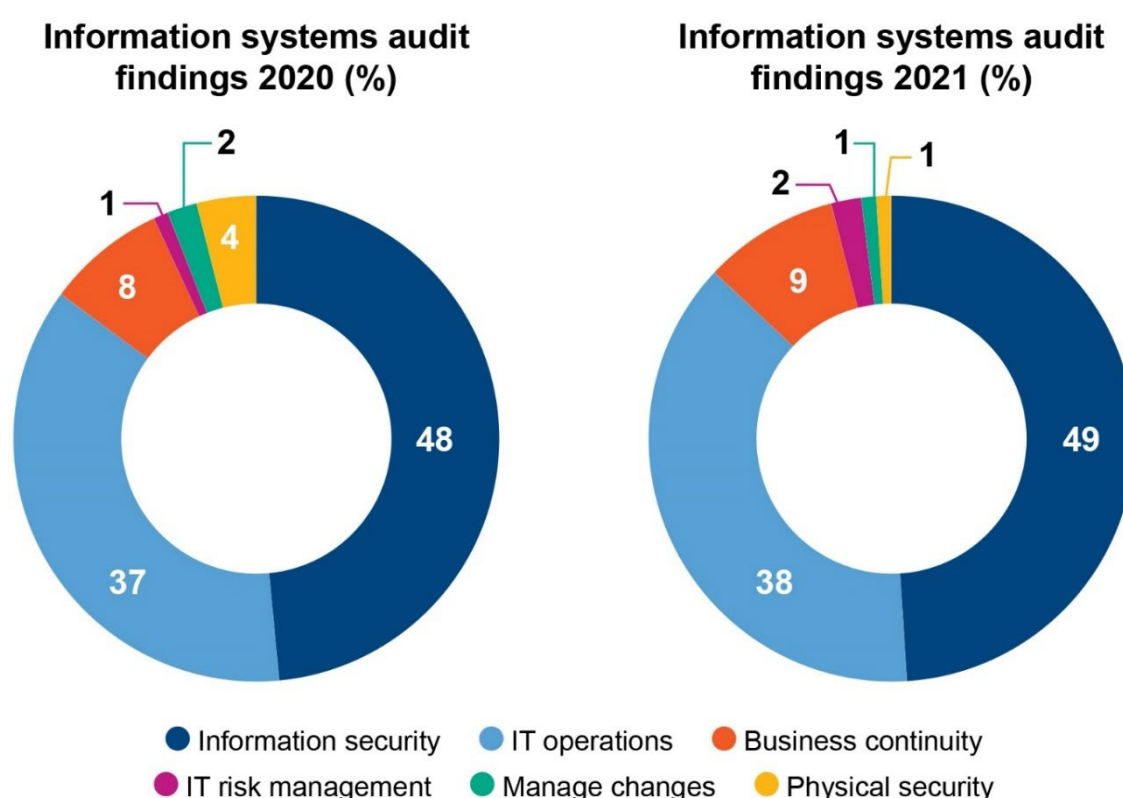
In 2021, we identified 124 information systems control weaknesses across the four universities and five TAFEs. This is a 20% increase from the 103 issues we identified in 2020 and 88 reported in 2019. We rated 67% of the weaknesses as moderate and the remaining 33% as minor. Entities should action moderate findings as soon as practicable.

Of the 124 weaknesses identified:

- 49% related to information security issues. These included system and network vulnerabilities and weak access controls (48% in 2020)
- 38% related to IT operations issues. These included the monitoring and logging of user activity, processing and handling of information, and review of access privileges (37% in 2020)
- 49% were unresolved findings from our previous audits (42% in 2020).

Information systems control weaknesses have the potential to compromise the confidentiality, integrity and availability of key business systems.

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



Source: OAG

**Figure 3: Information systems audit findings in 2020 and 2021**

More information on our information systems audit results is included in our annual information systems audit report tabled earlier this year.<sup>1</sup>

## Recommendation

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>1</sup> Office of the Auditor General, [Information Systems Audit Report 2022 – State Government Entities](#), OAG, Perth, 2022.

## Other significant matters identified

### Some impacts of COVID-19 on the tertiary education sector

Our June 2021 report<sup>2</sup> on this sector recognised the effect of COVID-19 on university and TAFE operations. The ongoing state of emergency declared in WA on 15 March 2020 continued to impose restrictions throughout 2021 (and well into 2022) with border closures, lockdowns and venue capacity limits requiring metropolitan university and TAFE campuses to modify their operations. In general, the adaptations introduced in the prior year in response to COVID-19 continued in effect for 2021. Examples include:

- disruptions to training programs such as face-to-face learning, paper-based examinations and assessments
- adapting to online remote learning and working
- cancellation of events
- work-based placements, apprenticeships and traineeships affected.

Beyond the slippage in financial and information system controls during the last two COVID years, we observed some other impacts across the tertiary sectoring during our audit work.

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

While all four universities had increases in student numbers in 2021, they all had reduced income from course fees and charges of between 0.7% and 23% in 2021 compared to the previous year. This was mainly due to lower international student enrolments due to border closures.

Overall, all universities reported an increase in total income in 2021. This was partly due to investment income being substantially higher than 2020 with increased dividends and distributions paid to all universities. It was also due to the Commonwealth Government investing \$1 billion in additional research support program funding to ease the immediate financial pressure on higher education providers during the pandemic.<sup>3</sup> WA universities received a share of this additional funding in 2021.

Below are some examples of how the university sector was impacted:

- ECU – In 2021, ECU experienced a reduction of revenue from international students as a result of travel bans and lock-downs. Online and flexible study plans that were implemented in 2020 continued to be embraced by students to mitigate the impact of travel restrictions.

The travel restrictions are expected to have a more medium to longer term impact and in response, ECU has implemented various cost saving measures.

- Murdoch – In 2021, the University's international enrolments decreased. Fees and Charges decreased by \$26.4 million compared to the prior year due to the border restrictions put in place in early 2020 and continued through 2021. Throughout the year, COVID-19 also impacted the operations of the University through increased teaching costs.
- Curtin – While the University reported a decrease in their proportion of international students, the overall impact to Curtin's financial position was not significant, with

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<sup>2</sup> Office of the Auditor General, [Audit Results Report – 2020 Financial Audits of Universities and TAFEs](#), OAG, Perth, 2021.

<sup>3</sup> Commonwealth Department of Education, Skills and Employment, [2020-21 Budget Research Package](#), DESE, Canberra, 2022.

decreased revenues largely offset by reduced expenditure. Curtin also received an additional \$24 million research block grant during the year, as part of the 2020-21 Budget Research Package.

- UWA – Overall student enrolments increased at UWA in 2021, however international enrolments declined due to continued travel restrictions. The University received an additional \$44 million research block grant during the year, as part of the 2020-21 Budget Research Package. UWA also reported a reduction in expenditure associated with a number of core activities such as teaching and research field trips and travel that either stopped, were delayed or undertaken at a reduced level because of the ongoing impacts of COVID-19.
- UWA subsidiaries:
  - UWA Accommodation Services – Saw a decrease in grant income of \$432,061 (7%) compared with the prior year due to slightly lower occupancy rates in National Rent Affordability Scheme (NRAS) dwellings because of travel restrictions
  - The University Club of Western Australia – The restaurant and function event business was affected by COVID-19. The Club received Jobkeeper payments from January to March 2021. However, the Club's business showed improvements towards the end of the year when restrictions were relaxed
  - UWA Sport Pty Ltd – With the easing of restrictions towards the end of the year, the increase in income streams reported in 2021 from venue hire, programs and memberships are consistent with pre-COVID levels (2019). Jobkeeper payment assistance from the Commonwealth Government ended in March 2021, with the shortfall funded by UWA through the student services and amenities fee.

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

The TAFEs reported significant decreases in international enrolments during 2021, in some cases they have more than halved since Semester 1 2020, due to border closures.

While TAFE international enrolments dropped, overall enrolments increased due to the State Government's Lower Fees, Local Skills initiative. Under this initiative, course fees were reduced by up to 72% across a total of 180 courses. TAFEs saw enrolments in eligible courses increase by 20%.

Consequently, total TAFE training hours increased from 21.5 million in 2020 to 23.7 million in 2021 (11%). The hours of training delivered by each TAFE for the years 2018 to 2021 are shown in Table 16 on page 31.

The TAFEs also saw that the reduction of course fees, because of the initiative, had a positive impact on student debtors and repayments. It was observed that there was a higher level of upfront payments as well as lower value payment plans with less defaults than in previous years.

Below are examples of how COVID-19 impacted TAFEs:

- Central Regional TAFE – While international enrolments were consistent with the numbers in 2020, the reduction of course fees have had a positive impact on student debtors and repayments. There has been a higher level of upfront payments as well as lower value payment plans with less defaults than in previous years.
- North Metropolitan TAFE – International enrolments more than halved since Semester 1 2020. However, the TAFE also reported a positive impact on student debtors and repayments due to the reduction of course fees.

- North Regional TAFE – The TAFE reported an improvement in fee repayments reflected through reduction of student debt write-offs from \$18,080 in 2020 to \$3,667 in 2021.
- South Metropolitan TAFE – International student enrolments dropped due to the border restrictions and revenue received from international enrolments was down to \$4.6 million in 2021 compared to \$5.3 million in the prior year. Grants and Subsidies income increased by \$16.0 million (14%), as reduced fee programs increased student demand.
- South Regional TAFE – In 2021, students were able to opt for a payment plan and there were no further changes to loan schemes and fee repayments. Student write-offs decreased to \$128,629 in 2021 compared to \$142,785 in the prior year, suggesting an improvement to fee repayments.

## Student support

To ensure continuity of learning during the pandemic, the sector remained committed to student welfare where possible, with some entities observing an increased demand for support for students, especially students presenting with mental health issues.

With some entities' regional locations facing limited restrictions, the impact on student welfare and support was greater in the metropolitan area.

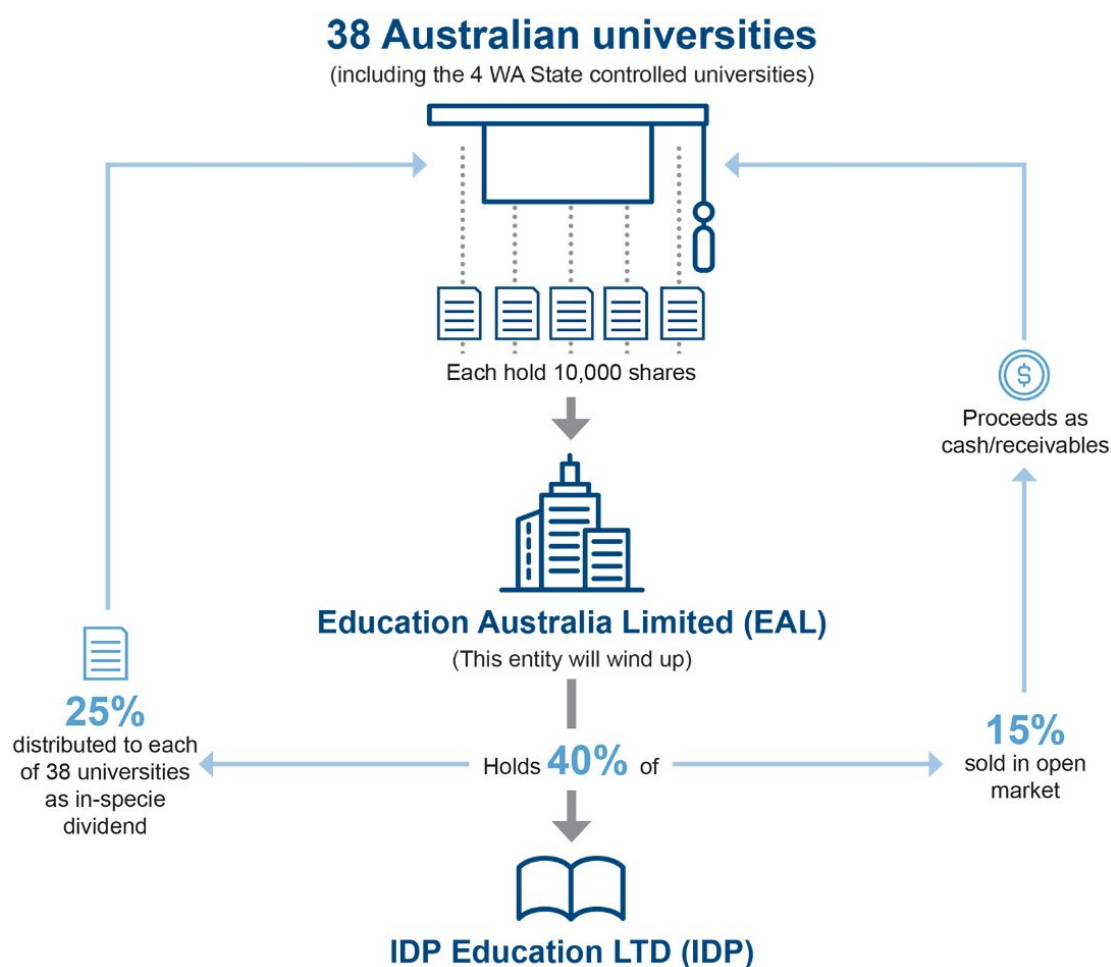
Below are examples of student support provided in the tertiary sector due to COVID-19:

- Curtin – provided \$3.8 million in student access support scholarships to eligible students impacted by border closure and associated travel restrictions as well as \$282,000 in financial hardship support to eligible students.
- ECU – boosted student support to students in offshore, regional and remote locations. Successful initiatives included virtual events, peer-led activities, and upscaled counselling and academic support.
- Murdoch – staff ensured that students were well supported across their learning journeys, blending face-to-face activities with improved quality online learning to support students' flexible access and continuous engagement. Increased support was also provided to a significant cohort of international students stranded offshore.
- North Metropolitan TAFE – invited StudyPerth to be present at its international orientations so students were aware of its new focus on providing support to students, not just its recruitment activities.
- UWA – eligible students were able to withdraw from their units without academic penalty and receive a full remission of fees paid without impact to their weighted average mark.

## Accounting treatment of Education Australia Limited and investment in IDP Education Ltd

Education Australia Limited (EAL) is a company with a goal of promoting the Australian university sector. Each of the 38 Australian universities, including the four WA state public universities, holds 10,000 shares at \$1 each in EAL. In March 2021, an announcement was made regarding EAL's restructure prior to its winding up, which is expected to occur in 2022. As part of the restructure EAL would divest its 40% shareholding in IDP Education Ltd (IDP), an international student placement provider which owns the International English Language Testing System (IELTS) in Australia.





Source: OAG

**Figure 4: Summary of Education Australia Limited transactions**

EAL's 40% shareholding in IDP would be divested, 15% via a market sell down, with part of the proceeds being distributed to shareholders and 25% through an in-specie distribution (a transfer of the asset in its current form) to its shareholders, resulting in the universities directly holding an investment in IDP (Figure 4).

As well as the in-specie distribution of IDP shares, the restructure of EAL also included the following terms:

- a cash dividend
- a franking credit attached to both the in-specie distribution and the cash dividend
- EAL retaining an appropriate level of cash as a contingency for any residual costs associated with the share sale, in-specie distribution and the winding up. EAL net assets will be distributed to shareholders on winding up of EAL.

The key issue for our audits was whether the distributions to universities should be treated as income (dividend revenue) or a recovery of the initial cost of the investment. Although we see value in treating these transactions consistently across the four WA universities, accounting advice obtained by universities provided support for both treatments. Our office accepted either treatment, however each university needed to include clear disclosures in its financial statements on the accounting treatment adopted and the judgements made.

Through our assessments we were satisfied that the accounting treatments adopted by the universities complied with accounting standards and the investments and dividends had been appropriately disclosed.

## Impact of cloud computing arrangements costs

The International Financial Reporting Interpretations Committee (IFRIC) carries out activities to support the understanding and consistent application of accounting standards. One of the ways it does so is by publishing agenda decisions when it decides that existing standards are sufficient and a new standard is not needed. IFRIC published decisions in March 2019 and April 2021 which provided explanatory information on accounting for cloud computing costs including Software as a Service (SaaS) arrangements.

The first decision, in March 2019, concluded that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's cloud-based software and the supplier controls the intellectual property (IP) of the underlying software code.

The second decision, in April 2021, dealt with configuration and customisation costs incurred in implementing SaaS:

- a) In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset, where the customer controls the IP of some of the underlying software code. For example, the development of bridging modules to other systems, including other cloud-based systems, or bespoke additional software capability.
- b) In all other instances, configuration and customisation costs will be an operating expense. They are generally recognised in profit or loss when the customisation and configuration services are complete or, in certain circumstances, over the lifetime of the SaaS contract.

Throughout our assessments, which included sample testing of software and licence costs to ensure that the accounting treatment complied with the new requirements, our reviews confirmed that the universities' accounting treatments and financial statement disclosures were fairly presented.

### Case study 1: Curtin

Curtin identified 33 such arrangements they had entered into during the 2020 and 2021 financial years totalling \$14.65 million. The cloud computing costs for 30 out of 33 SaaS arrangements totalling \$12.16 million had already been expensed. The costs for the remaining arrangements had been capitalised and amortised/recognised in capital work-in-progress at 31 December 2021 with a further \$1.55 million expensed.

### Case study 2: UWA

UWA's intangible assets balance at 31 December 2021 (before adjustments) was \$45.9 million, which comprised:

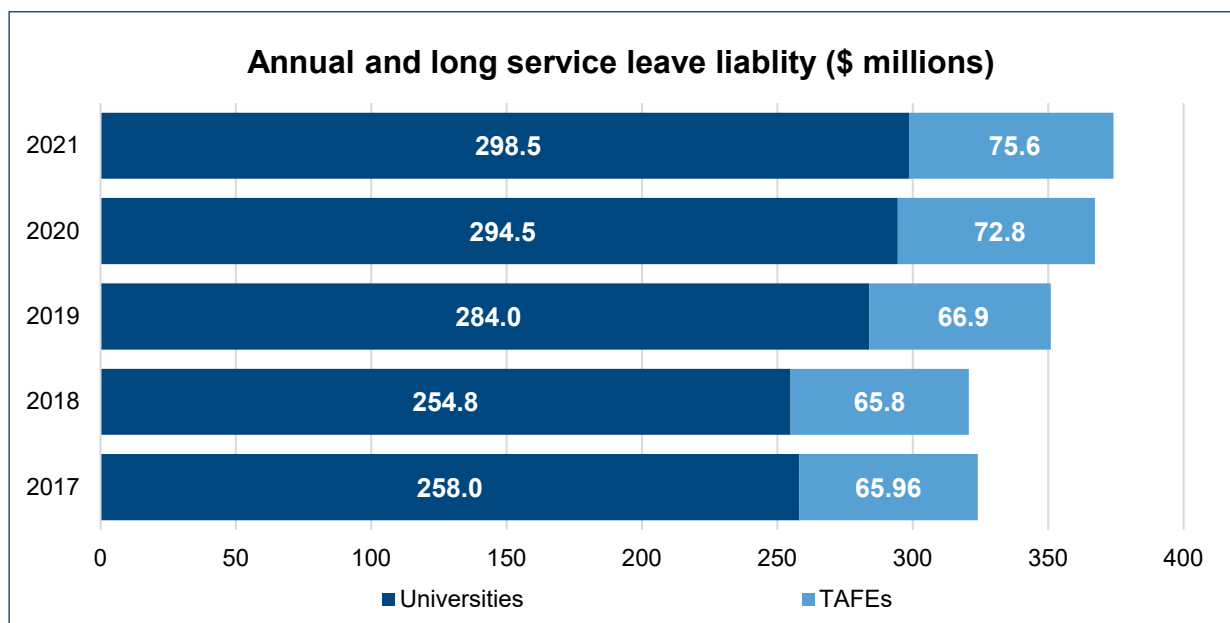
- Electronic Library Resources (\$26.4 million). These relate to perpetual licences to access e-book/publication or research material. While this is cloud based, UWA will continue to have access to resources up to the end of the subscription available via archiving depository or through a 3rd party access. Therefore, Electronic Library resources will continue to be treated as an intangible asset.

- Software Assets (\$14.9 million) and Software Work in Progress Assets (\$4.6 million).

UWA identified 23 cloud computing arrangements with external parties. As a result of UWA's assessment, cloud computing costs totalling \$13.6 million were reclassified from intangible assets to recognition of an expense in the Income statement.

## Universities and TAFEs' management of leave liabilities

Universities and TAFEs continue to have significant leave liabilities, \$298.5 million and \$75.6 million respectively. The combined total at 31 December 2021 was \$374.1 million, up 1.9% from \$367.3 million at the end of 2020. Of the universities and TAFEs, Curtin and ECU reported a leave liability reduction in 2021.



Source: OAG calculated from annual financial statements of universities and TAFEs

**Figure 5: Universities and TAFEs' leave liabilities**

As we reported in 2020, universities and TAFEs need to ensure that their leave liabilities do not escalate and that staff take regular leave for their health and wellbeing.

We recognise that impacts associated with COVID-19 pandemic, such as travel restrictions and community cases, may affect settlement of annual and long service leave. It is important that entities develop and adhere to leave management plans to reduce the likelihood of large balances and ensure business continuity.

Further, staff rotation and segregation of duties, are recognised as risk management tools to prevent and identify practices that contribute to error, collusion or fraud. Staff should be discouraged from accumulating large balances which may need to be paid out at higher payrates than when the entitlements were accrued. Educational institutions may also consider adopting a leave payout plan to reduce future leave liability.

## Restructuring and redundancies

Combined employee related expenses for universities decreased to \$1.57 billion in 2021, a decline of \$56 million from 2020. The decline was largely driven by restructures and redundancies at the universities during 2020 and 2021 to address financial sustainability in response to financial and operational pressures resulting from the loss of international student numbers.

Some examples observed included:

- Murdoch – reported completion of their voluntary redundancy program which commenced in 2020 to support the future financial stability of the University. Employee Related Expenses decreased by \$25.3 million to \$221.7 million compared with the prior year, which was predominantly attributed to the reduction of 136 in total number of full-time equivalent staff (FTE) from 1,525 in December 2020 to 1,386 in December 2021.
- UWA – reported a voluntary staff turnover rate 1.2% higher than the target set for 2021 and incurred redundancy payments of \$15.1 million during the year due to a restructuring exercise.

## Best practice entities for financial reporting and controls

The universities and TAFEs were again timely in submitting their financial statements for audit. Three entities submitted their financial statements on the same date or earlier than the previous year. The quality of financial statements was also generally good. One university and two TAFEs submitted high quality statements within the agreed timelines and also met our other best practice criteria. The three best practice entities for 2021 were:

1. South Metropolitan TAFE
2. North Metropolitan TAFE
3. Edith Cowan University.

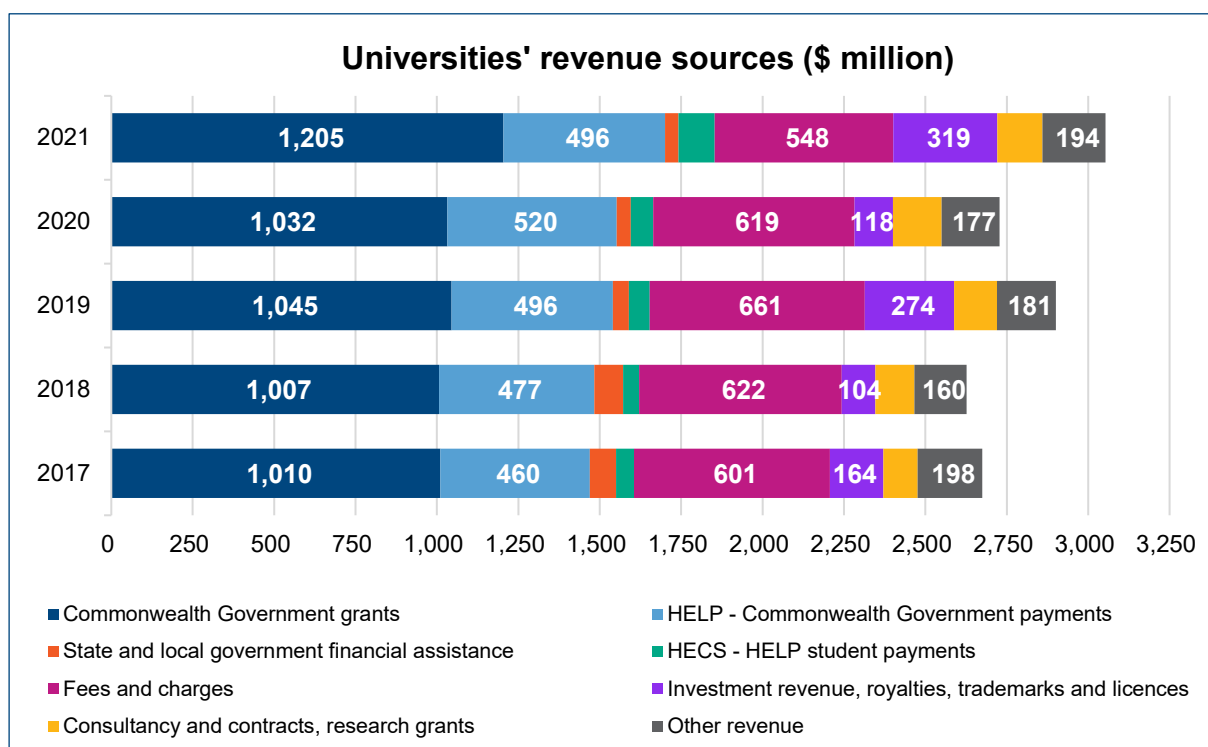
Our criteria for achieving best practice status include:

- clear (unqualified) opinions on the financial statements, controls and KPIs
- being audit ready, ideally 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.

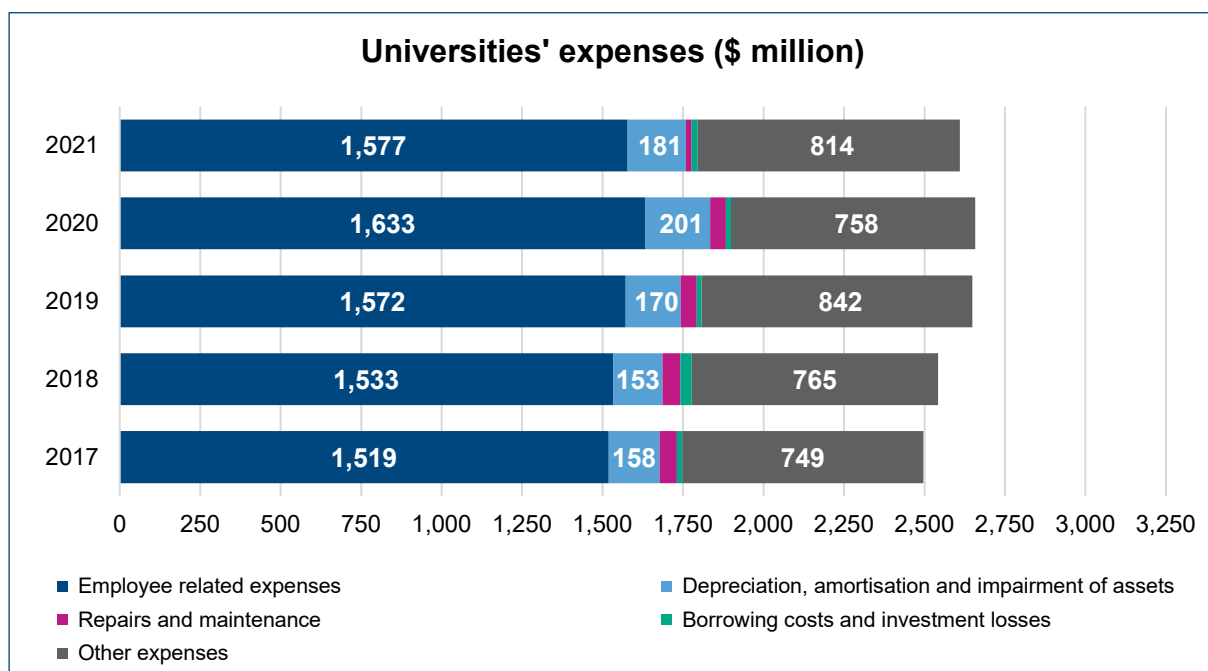
# Universities' financial and other performance in 2021

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



Source: OAG calculated from annual financial statements of universities

**Figure 6: Universities' revenue sources**



Source: OAG calculated from annual financial statement of universities

**Figure 7: Universities' expenses**



## Selected significant financial transactions

Details of significant 2021 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 does not imply that we have any residual concern with these transactions.

### Assets and liabilities

ECU's investment in subsidiaries increased by \$51 million in 2021. On 1 January 2021 the University transferred the investment in its subsidiary, Edith Cowan Accommodation Holdings Pty Ltd to ECU Holding Pty Limited as trustee for The Edith Cowan University Hold Trust and other Investments. As consideration, the Trustee allotted and issued 55,145,618 fully paid ordinary units in the Trust, at an application price of \$1.00 per unit, to ECU for a total subscription price of \$55,145,618.

ECU also reported an increase in non-current borrowings of \$250 million during the year to fund part of its contribution towards the construction of the ECU Campus project.

Curtin's property, plant and equipment increased by \$53 million (5%) from the previous year due to \$21 million spent on the construction of Curtin's School of Design and the Built Environment building and \$16 million spent on the library refurbishment project during the year.

Murdoch had asset additions of \$50.8 million which includes capital expenditure associated with the new academic building. Murdoch disclosed that on 3 May 2021 they signed a \$120 million 3 year committed cash advance facility agreement with the Commonwealth Bank of Australia. It is a bridging facility to support the construction of the new academic building. The use, amount and timing of drawdowns is subject to the conditions of the facility. The facility is unsecured with a financial covenant requiring the University to always retain a minimum net worth (total equity) of no less than \$700 million and is managed in accordance with the University's Debt Management Policy.

UWA's other financial assets increased by \$280 million from \$939 million in the prior year to \$1.2 billion in 2021, reflecting both strong returns on investments held, operational funds held in Unit Trusts as well as the investment of surplus funds in support of capital and strategic spend planned for 2022-23.

UWA reported a decline in cash and cash equivalents balance from \$116 million in 2020 to \$60 million in 2021. The University has a treasury and investment target to hold \$60 million at year end, acknowledging the preceding quarter is cyclically high in cash receipts. Any excess funds are held in Unit Trusts which are readily redeemable, including Cash Unit Trusts.

### Revenue

ECU received \$125 million from State and Commonwealth Government grants for the Perth City Campus Project, of which \$118 million remains on deposit in special purpose accounts.

Curtin reported that Commonwealth grant income increased by \$47.2 million (8.3%) compared to last year due to:

- transition funding of \$14 million, and National Priority and Industry Linkage Fund of \$9 million received during the year. These are new Government funded grants in 2021 under the Job-ready Graduates package
- an additional \$24 million research block grant received during the year, which was driven by a 2020-21 Budget Research Package.

The University Club of Western Australia Pty Ltd reported \$9.4 million in food and beverage sales in 2021 up from \$6.2 million in 2020. This 50% increase was predominately due to shorter lockdown periods in 2021 and less booking and venue hire cancellations.



Source: Edith Cowan University

**Figure 8: ECU City Campus Project (artist impression)**

## Expenditure

UWA Sport Pty Ltd reported a decrease in Payroll and Employee Related Expenses from \$4.06 million in the prior year to \$3.18 million in 2021. This was due to the Jobkeeper payment scheme ending in March 2021.

## Key financial ratios of universities

The Commonwealth Department of Education, Skills and Employment (DESE) uses a number of benchmark indicators to assess the financial performance of universities. These measures include liquidity, diversity of revenue, 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>4</sup> to show performance against these indicators for the five years ending 31 December 2021. Table 4 summarises the risk ratings inferred by these indicators.

2021 – Summary of universities' ratios	
<b>Liquidity/current ratio</b>	3 universities rated as low risk, 1 as high risk (2020: 2 rated as low risk, 1 as medium and 1 as high risk)
<b>Diversity of revenue</b>	1 university rated as low risk and 3 as medium risk (2020: 2 rated as low risk and 2 as medium risk)

<sup>4</sup> Financial ratios are calculated using the university's figures, not their consolidated results.

2021 – Summary of universities' ratios	
<b>Operating results</b>	All 4 universities reported a surplus (2020: 2 reported a surplus)
<b>Borrowings to equity ratio</b>	2 universities rated as low risk, 1 as medium and 1 as high risk (2020: 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 (2020: 2 rated as medium risk, 1 as low and 1 as high risk)

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

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

**Table 4: University financial risk inferred by selected 2021 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.

DESE considers a ratio of more than one low risk and below 0.75 high risk. Based on this rating, Curtin, ECU and Murdoch were low risk and UWA high risk, when assessed on this indicator for 2021.

Liquidity/current ratio	2017	2018	2019	2020	2021	Trendline 2017 ↔ 2021
Curtin	1.3	1.3	1	0.9	1.1	
ECU	1.7	1.4	1.3	2.1	2	
Murdoch	1.7	1.6	1.1	1	1.7	
UWA	0.6	0.6	0.7	0.6	0.5	

Source: OAG calculated from audited annual financial statements

**Table 5: Liquidity ratio for universities**

As the liquidity ratio recognises current assets only, we have also shown in Table 6, details of the universities' total current and non-current cash and other financial assets for each year. Each university's liquidity ratio would improve if their non-current liquid assets were included in the calculation.

Current and non-current cash and other financial assets (\$ million)	2017	2018	2019	2020	2021
Curtin	567	630	688	638	740
ECU	328	371	495	502	902
Murdoch	171	208	196	209	222
UWA	889	871	922	1,055	1,280





Source: OAG calculated from audited annual financial statements

**Table 6: Investments of universities (cash and other financial assets)**

### Diversity of revenue – dependence on Commonwealth 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 2021 benchmarking DESE considered universities with 55% or less of revenue received from Commonwealth Government funding low risk and between 55% and 65% medium risk. Commonwealth 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 2021, UWA was low risk while Murdoch, Curtin and ECU were medium risk, when assessed on this indicator.

Diversity of revenue (dependence on Commonwealth Government funding)	2017	2018	2019	2020	2021	Trendline 2017 ↔ 2021
Curtin	56%	60%	57%	63%	62%	
ECU	61%	61%	58%	60%	59%	
Murdoch	59%	55%	52%	54%	56%	
UWA	50%	51%	47%	51%	48%	





Source: OAG calculated from audited annual financial statements

**Table 7: Diversity of revenue (dependence on Commonwealth 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.

All four universities reported a surplus for 2021.

Operating result (%)	2017	2018	2019	2020	2021	2021 Net Operating Result (000's)	Trendline 2017 ↔ 2021
Curtin	8%	3%	8%	-0.1%	11.4%	\$113,311	
ECU	6%	5%	8%	5%	15%	\$79,316	
Murdoch	0.6%	2.7%	5%	-3%	4%	\$14,046	
UWA	8%	3%	11%	6%	18%	\$202,548	





Source: OAG calculated from audited annual financial statements

**Table 8: Operating result as a percentage of total operating revenue**

## Borrowings to equity ratio

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

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

Borrowings to equity ratio	2017	2018	2019	2020	2021	Trendline 2017 ↔ 2021
Curtin	1.4%	0%	0.4%	0.6%	0.6%	
ECU	11%	8%	18%	16%	38%	
Murdoch	0.5%	0.4%	0.7%	0.8%	2%	
UWA	8%	7%	6%	9%	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 9: 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 2021 benchmarking DESE 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 is in the medium risk rating, while Curtin, Murdoch and UWA rate as low risk on this indicator.

Overseas student fees ratio	2017	2018	2019	2020	2021	Trendline 2017↔ 2021
Curtin	19%	18%	17%	18%	14%	
ECU	21%	23%	24%	25.1%	18%	
Murdoch	12%	16%	21%	21%	14%	
UWA	15%	16%	14%	14%	12%	

Source: OAG calculated from audited annual financial statements

**Table 10: Fees from overseas students as a proportion of total operating revenue**

## Equivalent full time student load for universities

Universities measure their student enrolments as equivalent full time student load (EFTSL). As this information is released by the DESE in September of the following year, the 2021 student enrolment information is not yet available.

The following table shows the EFTSL for the universities from 2017 to 2020, and the percentage of these enrolments relating to international students. ECU has reported a consistent proportion of international students for the last two years. UWA and Curtin reported slight decreases in enrolments of international students, while Murdoch has reported a 3% decrease from the prior year.

EFTSL	2017		2018		2019		2020	
	EFTSL	% International	EFTSL	% International	EFTSL	% International	EFTSL	% International
Curtin	34,354	31	34,239	30	34,728	29	34,937	28
ECU	19,078	21	19,299	21	19,756	24	20,164	24
Murdoch	15,172	36	16,058	37	17,409	40	17,310	37
UWA	19,416	23	18,911	23	18,741	24	18,608	23

Source: OAG based on data from Commonwealth DESE

**Table 11: EFTSL (all students) and percentage of EFTSL that is 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 12 and 13 present graduate responses to the Graduate Outcome Survey, a national online course evaluation survey conducted by the Social Research Centre on behalf of the DESE.<sup>5</sup> Graduates are surveyed approximately four months after completing their courses. The 2021 information relates to students who completed their studies in 2020.

### Graduate satisfaction of undergraduate students

Table 12 shows the percentage of graduates who were satisfied with their overall undergraduate study experience.

Graduate satisfaction (%)	2018	2019	2020	2021
Curtin	80.5	83.5	82.2	79.9
ECU	84.0	83.5	84.5	83.2
Murdoch	80.2	83.0	83.8	76.2
UWA	75.2	76.0	75.1	72.7
WA university average	81.1	82.5	82.6	79.3
National university average	79.7	80.0	80.7	77.8

Source: Australian Graduate Survey and Graduate Outcome Survey data (unpublished) from DESE

**Table 12: Graduate satisfaction survey results for university graduates**

### Graduate destination of domestic undergraduate students

Table 13 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.

Graduate satisfaction (%)	2018	2019	2020	2021
Curtin	87.2	86.4	86.6	87.7
ECU	82.4	83.1	80.9	82.8
Murdoch	84.0	82.4	78.8	82.7
UWA	83.4	80.9	79.7	83.7
WA university average	85.4	84.2	83.3	85.2
National university average	87.2	87.0	85.3	85.0

Source: Australian Graduate Survey and Graduate Outcome Survey (unpublished) data from DESE

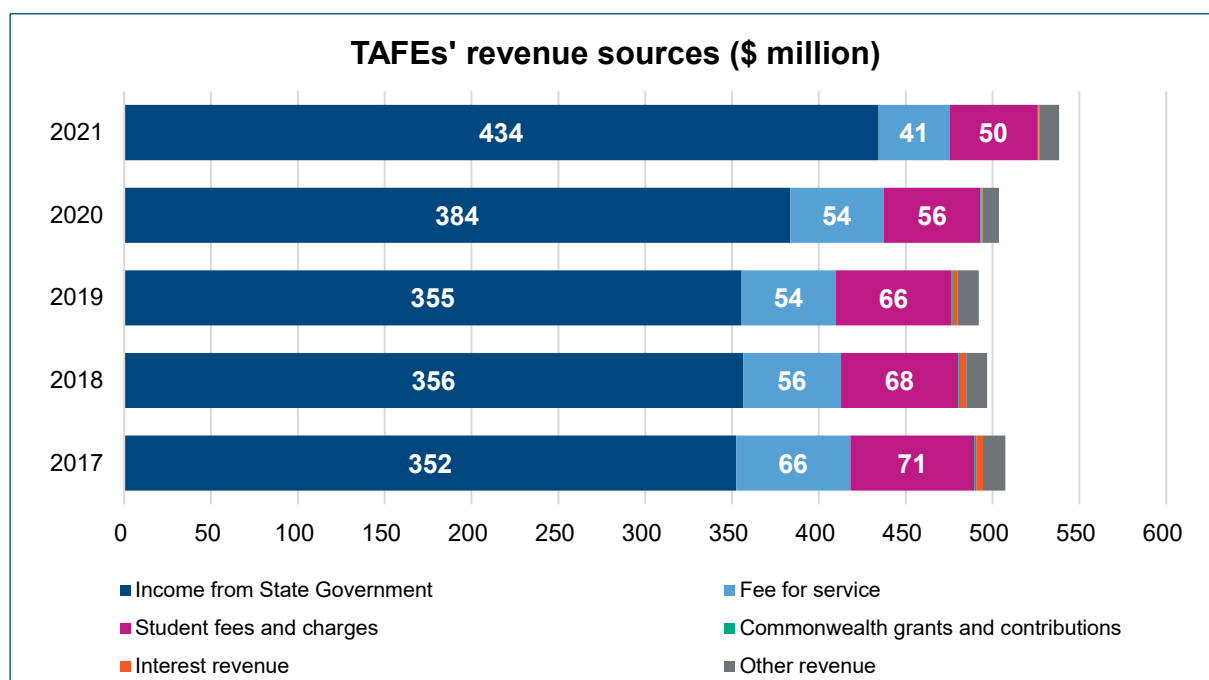
**Table 13: Graduate destination survey results for university graduates**

<sup>5</sup> University survey results are available on the Quality Indicators for Learning and Teaching (QILT) website. QILT is administered by the Social Research Centre on behalf of the Commonwealth Department of Education, Skills and Employment.



## TAFEs' financial and other performance in 2021

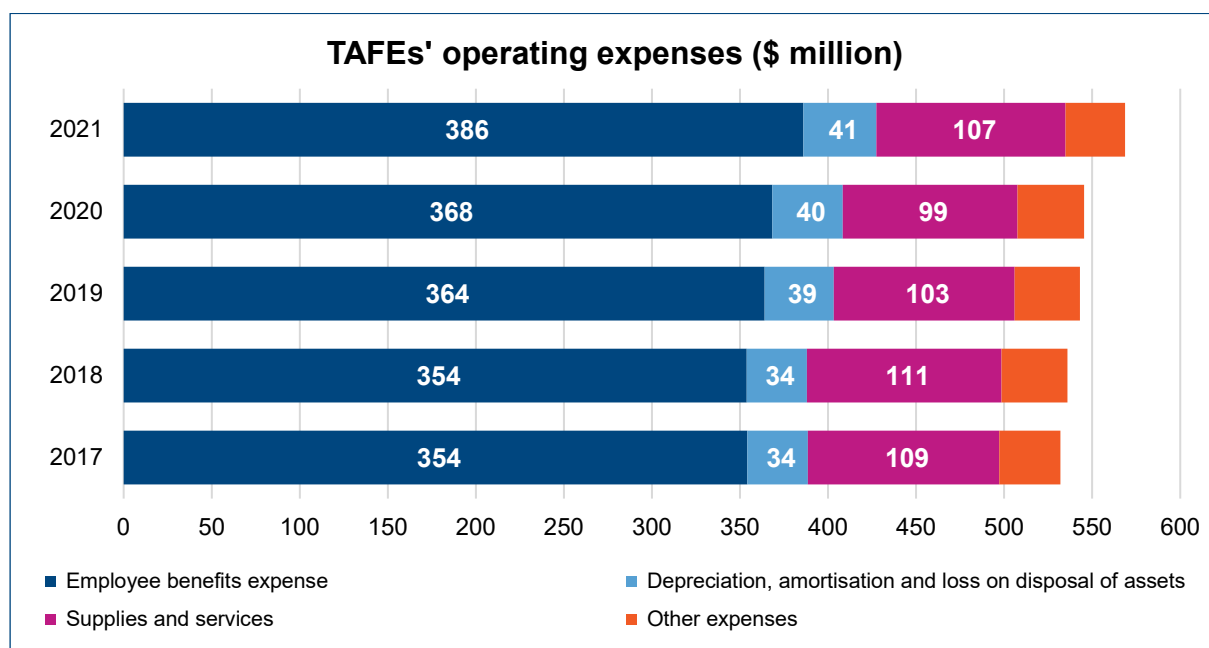
The following breakdown of total revenue sources and total expenses by categories for the past five years for the TAFEs are provided for the information of Parliament.



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 Entities, which are not reflected in this table.*

**Figure 9: TAFEs' revenue sources**



Source: OAG calculated from annual financial statements of TAFEs

**Figure 10: TAFEs' operating expenses**

## Selected significant financial transactions

Listed below are significant 2021 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 a transfer of capital works from the Department of Training and Workforce Development (DTWD) totalling \$2.55 million in 2021, mainly due to improvements to campuses to provide more modern teaching environments for students.

North Regional TAFE recorded a \$2.2 million increase in right-of-use assets compared to the prior year. This is mainly attributed to the significant increase in the number of Government Regional Officer Housing houses rented during the year, in line with the increased staff FTE in 2021. In addition, rental amounts have increased in most locations across both the Kimberley and Pilbara from last year due to stronger market conditions.

South Regional TAFE acquired the Esperance campus at fair value of \$17.7 million during the financial period. The campus was officially opened by the Minister for Education and Training on 26 August 2021.

All the TAFEs reported an increase in asset revaluations due to significant increases in building values provided by the Western Australian Land Information Authority (Landgate) in 2021. The gain on the revaluation of buildings is mainly due to the increase in the building cost index during the year in line with stronger economic conditions during 2021, as well as the increase in the cost of building materials and tradespeople due partly to COVID-19 supply restrictions. Gains arising from changes in fair value for the TAFEs are as follows:

- Central Regional TAFE – buildings increased by \$11.3 million compared to the prior year
- North Metropolitan TAFE – buildings increased by \$35.6 million compared to the prior year
- North Regional TAFE buildings increased by \$14 million. The revaluation increment is reflected as a \$3 million gain in the statement of comprehensive income and an \$11 million increase in the asset revaluation reserve. This is because part of the overall increase in buildings reversed a revaluation decrement previously recognised as an expense
- South Metropolitan TAFE – revaluation of buildings in 2021 resulted in a revaluation increment of \$22.9 million and the land valuation increased by \$350,000
- South Regional TAFE – buildings increased by \$9.8 million compared to the prior year.

### Revenue

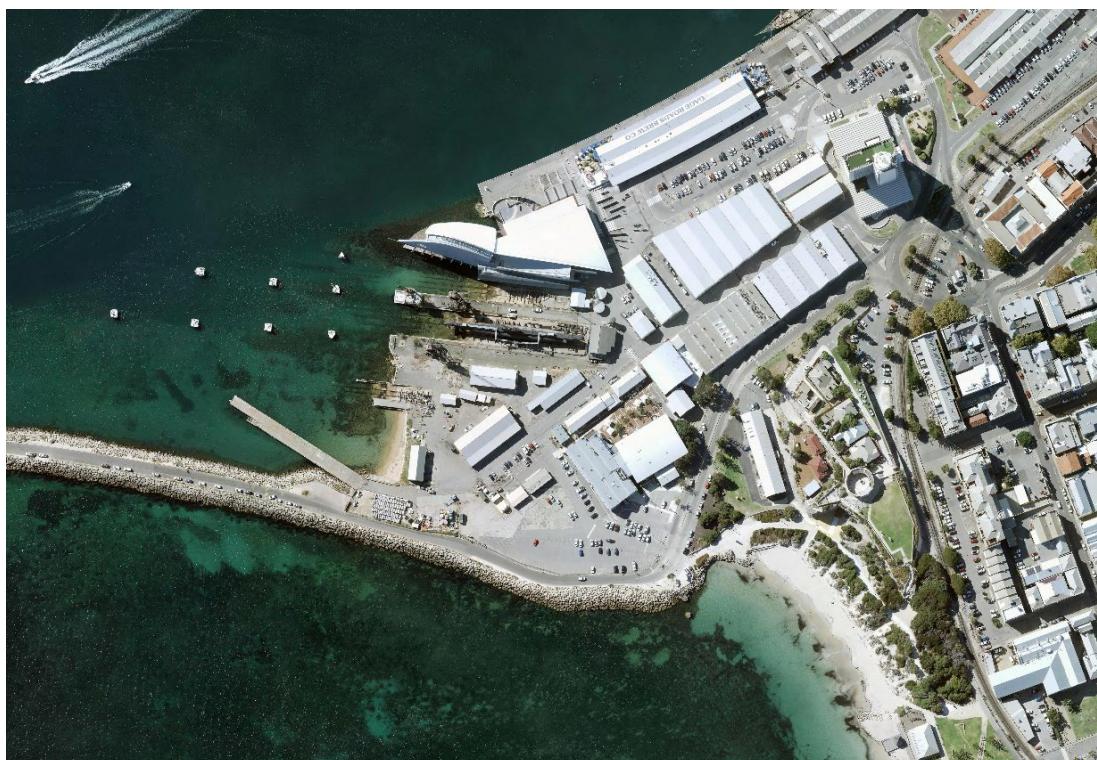
South Metropolitan TAFE reported reduced fee for service income by \$2.6 million (12%) compared to the prior year mainly due to a decline in revenue associated with training services delivered by the TAFE in partnership with the Australian Submarine Corporation and the Royal Australian Navy. There was also a general reduction in commercial activity due to the ongoing impact of COVID-19.

### Expenditure

South Regional TAFE's employee benefits expenses increased by \$1.6 million to \$44.3 million in 2021 because of an increase in superannuation from 9.5% to 10% as of 1 July 2021, as well as an increase in lecturer salaries.

## Liabilities

South Metropolitan TAFE reported that a new lease agreement was signed in 2021 with Fremantle Port Authority for the maritime complex in Fremantle. This resulted in an \$8 million increase in both right of use assets and lease liabilities.



Source: Metromaps

**Figure 11: South Metropolitan TAFE maritime campus, Fremantle**

## TAFE financial results and liquidity

We have used each TAFE's audited financial statement to present their financial results. In 2021, all five TAFEs reported deficits, as shown in the following table.

Surplus/(deficit) financial results (\$ millions)	2018	2019	2020	2021
Central Regional TAFE	(9.3)	(5.0)	(2.5)	(3.0)
North Metropolitan TAFE	(7.8)	(12.4)	(9.0)	(6.6)
North Regional TAFE	(3.1)	(5.2)	1.9	(4.6)
South Metropolitan TAFE	(4.0)	(7.1)	(13.9)	(3.8)
South Regional TAFE	(5.3)	(3.6)	(5.6)	(6.3)

Source: OAG from audited annual financial statements

**Table 14: Financial results of TAFEs**

Although the five TAFEs reported deficits for the period, all had a positive liquidity ratio at 31 December 2021 however, only two had a ratio greater than one.

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 one is generally accepted as low risk. Table 15 shows that on this basis, two 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
Central Regional TAFE	1.3	0.8	0.5	0.6
North Metropolitan TAFE	1.6	1.3	1.3	1.4
North Regional TAFE	1.9	1.1	1.01	0.6
South Metropolitan TAFE	1.8	1.5	1.2	1.3
South Regional TAFE	1.8	1.4	1.1	0.9

Source: OAG calculated from audited annual financial statements

**Table 15: Liquidity/current ratios for TAFEs**

## TAFE student enrolments

In 2021, a total of 23.7 million student curriculum hours (SCH) of training was delivered by the five TAFEs through their delivery and performance agreements (DPA) with the DTWD. Overall, this was a 11% increase on the 2020 delivery of 21.5 million SCH. SCH is the measure used to report the quantum of training delivered by the TAFEs.

DPA hours delivered	2018	2019	2020	2021	Trendline 2018 ↔ 2021
Central Regional TAFE	1,857,162	1,890,188	1,753,856	2,081,579	
North Metropolitan TAFE	8,559,701	8,466,292	8,768,179	9,534,547	
North Regional TAFE	1,101,631	978,071	913,032	1,123,866	
South Metropolitan TAFE	7,464,046	7,226,171	7,630,080	8,430,675	
South Regional TAFE	2,480,070	2,444,591	2,452,698	2,566,061	
<b>Total DPA hours delivered</b>	<b>21,462,610</b>	<b>21,005,313</b>	<b>21,517,845</b>	<b>23,736,728</b>	

Source: OAG from audited annual KPIs

**Table 16: Hours of DPA training delivered**

## Cost per student curriculum hour

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 Landgate asset revaluation decrements.

Cost per SCH (\$)	2018	2019	2020	2021
Central Regional TAFE	30.42	28.77	32.68	28.97
North Metropolitan TAFE	17.68	18.01	17.82	18.18
North Regional TAFE	52.27	54.64	45.64	54.54
South Metropolitan TAFE	17.7	19.69	20.15	19.13
South Regional TAFE	22.7	22.75	23.94	24.14

Source: OAG from audited annual KPIs

**Table 17: Cost per SCH**

# 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 the TAFEs.

The student satisfaction rating reports the percentage of 'satisfied' and 'very satisfied' respondents to the survey. Table 18 compares satisfaction ratings provided by students studying in the last three years against the State average of our TAFEs including the Western Australian Academy of Performing Arts (WAAPA). Figures are from the TAFEs audited KPIs.

Student satisfaction rating (%)	2018	2019	2020	2021
Central Regional TAFE	92	92.6	91.6	89
North Metropolitan TAFE	85.3	83.5	85.6	86.4
North Regional TAFE	93.1	91.1	88.9	89.9
South Metropolitan TAFE	87.8	87.7	86.8	85.5
South Regional TAFE	90.3	91.7	92.1	91.8
State average for TAFEs and WAAPA	88.2	87.5	87.6	87.3

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 18: Student satisfaction survey results for TAFE students**

## TAFE graduate achievement and destination ratings

The National Centre for Vocational Education Research (NCVER) 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 19 and 20 show the results published in 2018 to 2021 for TAFE graduates who completed their TAFE courses during 2017 to 2020 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.

Graduate achievement rating (%)	2018	2019	2020	2021
Central Regional TAFE	87.2	87.7	84.4	88.1
North Metropolitan TAFE	76.9	79	78.1	82.7
North Regional TAFE	92.4	83.3	86	88.9
South Metropolitan TAFE	79.5	76.8	78.6	82.5
South Regional TAFE	84.1	79.6	82.1	86.6
TAFE Australia	82.1	81.9	81.8	83.8

Source: OAG from audited annual KPIs

**Table 19: TAFE graduate achievement survey results**



## 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
Central Regional TAFE	78.9	79.3	75	75
North Metropolitan TAFE	64.1	61.2	55.9	65.3
North Regional TAFE	88.4	84.4	73.8	78.7
South Metropolitan TAFE	68.4	66.3	59.3	68.1
South Regional TAFE	75.1	75.3	65.5	73.7
TAFE Australia	72.4	71.3	65.7	70.3

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 vocational education and training in schools students in the 2020 survey for the first time.*

**Table 20: TAFE graduate destination survey results**



Source: North Regional TAFE, Broome Western Australia

**Figure 12: North Regional TAFE lecturer in action during Maritime Operations training**



# Audit work completed for State government entities

## Six other audit opinions were issued

In addition to the tertiary education sector audits reported above, we issued a further six opinions for State government entities since 24 November 2021. These were all clear audit opinions. Refer to Appendix 1 on page 35.

## Thirty-six audit certifications were issued

Throughout the year, we conduct audit work to certify financial and statistical information produced by entities. The audit opinion enables entities to meet conditions of State or Commonwealth funding or specific grant requirements or legislation. Our opinion is usually also required to enable entities to receive ongoing funding under existing agreements or to apply for new funding.

Our tabled report<sup>6</sup> on the annual 2020-21 financial audits of State government entities detailed 87 certifications issued by 24 November 2021, including 54 certifications under the Royalties for Regions program – predominantly for the 30 June 2021 period. We have since issued a further 36 certifications. Refer to Appendix 2 on page 36.

## 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.

This year we drew attention to the notes in the following subsidiary entities' financial report describing the basis of accounting:

- 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
- Young Lives Matter Foundation UWA Limited.

For 2021 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.

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<sup>6</sup> Office of the Auditor General, [Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities](#), OAG, Perth, 2021.

## Appendix 1: Other audit opinions issued since 24 November 2021

31 December 2021 reporting date Statutory authorities Opinion on financial statements, controls and KPIs	Opinion issued
Legal Contribution Trust – for 6 months ending 31/12/2021	24/03/2022
The Anzac Day Trust	26/04/2022
Western Australian Institute of Sport	14/03/2022

Source: OAG

30 June 2021 reporting date – audits completed since 24 November 2021 Cemetery Boards – audited under the <i>Cemeteries Act 1986</i> Financial statements only. There is no statutory deadline for the Boards to submit their financial statement for years ending on 30 June	Opinion issued
Albany Cemetery Board	15/12/2021
Bunbury Cemetery Board	04/02/2022
Kalgoorlie Boulder Cemetery Board	21/02/2022

Source: OAG

## Appendix 2: Certifications issued since 24 November 2021

Unless stated, the following certifications were for the year ended 30 June 2021. The statements prepared by management were confirmed and no adverse reports were issued.

Entity	Certification relates to	Date certification issued
<b>Commissioner of Main Roads</b>	Statements of amounts expended or retained for expenditure under the National Partner on Infrastructure Projects	10/12/2021
	Statement of amounts expended or retained for expenditure (the Statement) under the Land Transport Infrastructure Projects ( <i>National Land Transport Act 2014</i> )	10/12/2021
<b>Commonwealth Attorney General's Department</b>	Financial statement under the Commonwealth-State Agreement established under the <i>Family Law Act 1975</i> of the Family Court of Western Australia	08/04/2022
<b>Commonwealth Department of Education, Skills and Employment</b>	Higher Education Research Data Collection of Edith Cowan University	24/06/2022
<b>Commonwealth Department of Education, Skills and Employment</b>	Higher Education Research Data Collection of Murdoch University	25/06/2022
<b>Commonwealth Department of Infrastructure, Transport, Regional Development and Communications</b>	Indian Ocean Territories – Service Delivery Agreement	16/12/2021
<b>Commonwealth Department of Infrastructure, Transport, Regional Development and Communications</b>	Statements of amounts expended or retained for expenditure for Black Spot Project under the <i>National Land Transport Act 2014</i> for the year ended 30 June 2021	10/12/2021
<b>Electricity Generation and Retail Corporation</b>	Compliance with Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013, Part 2, Division 3, on Segregation Arrangements for year ended 31 December 2021	30/03/2022
<b>Department of Local Government, Sport and Cultural Industries</b>	<i>Local Government (Financial Assistance) Act 1995</i> Commonwealth funding to local government entities	29/11/2021

Source: OAG

## Royalties for Regions certifications

Delivering entity	Royalties for Regions approved projects	Date certification issued
<b>Department of Primary Industries and Regional Development</b>	Gascoyne Foodbowl Land Release	03/02/2022
<b>Department of Transport</b>	Broome Boating Facilities Upgrade – Town Beach	24/05/2022
<b>Department of Treasury</b>	Governance of Royalties for Regions Program	03/12/2021
<b>WA Country Health Service</b>	Derby Community Health Service	29/11/2021
	Bunbury Hospital Redevelopment	29/11/2021
	Carnarvon Residential Aged Care Facility	29/11/2021
	Digital Innovation, Transport and Access to Care	29/11/2021
	Country Health Innovation Emergency and Acute Workforce	29/11/2021
	Expand the Ear Bus Project	29/11/2021
	Southern Inland Health Service – Stream 2a, 3 and 4	29/11/2021
	Tom Price Hospital Redevelopment	29/11/2021
	Collie Hospital Upgrade	29/11/2021
	Kalgoorlie Health Campus Magnetic Resonance Imaging Suite	29/11/2021
	Albany Radiation Oncology	29/11/2021
	Dongara Aged Care	29/11/2021
	Nickol Bay Hospital	29/11/2021
	Kimberley Mobile Dialysis Unit	29/11/2021
	Renal Hostels	29/11/2021
	Geraldton Health Campus Redevelopment Project	29/11/2021
	Karratha Health Campus	29/11/2021
	Meet and Greet Service	29/11/2021
	Newman Health Service Redevelopment	29/11/2021
	Onslow Health Service Redevelopment Project	29/11/2021
	Pilbara Health Initiative Phase 3	29/11/2021
	Remote Indigenous Health Clinics	29/11/2021
	Renal Dialysis Services	29/11/2021
	Residential Aged and Dementia Care Investment Program	29/11/2021

Source: OAG

# Glossary

<b>Clear opinion (or unqualified opinion)</b>	Auditor General's opinion expressed when an audit concludes that in all material respects the financial statements, controls and KPIs are presented fairly in accordance with the enabling legislation of the entity, Australian Accounting Standards (including Australian Accounting Interpretations) and the Treasurer's Instructions, where applicable
<b>DESE</b>	Commonwealth Department of Education, Skills and Employment, formerly functions of the Commonwealth Department of Education and Training
<b>DPA</b>	Delivery and performance agreements between each TAFE and the Department of Training and Workforce Development for training to be delivered
<b>DTWD</b>	Western Australian Department of Training and Workforce Development
<b>Entity</b>	Term used to describe clients audited by the Auditor General, including departments, statutory authorities, corporations, subsidiaries, cemetery boards and request audits
<b>EFTSL</b>	Equivalent full time study load – a measure of universities' student enrolments
<b>Financial audit</b>	Work performed to enable an opinion to be expressed regarding a report about financial or performance matters prepared by the party who is accountable for the financial transactions or the performance summary
<b>KPI</b>	Key performance indicator – information about service performance or outcome achievement
<b>Materiality</b>	Magnitude of an omission or misstatement of accounting or performance information that, in the light of context or circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced
<b>NCVER</b>	National Centre for Vocational Education Research – conducts student outcomes surveys of vocational education and training students, including TAFE students
<b>OAG</b>	Office of the Auditor General
<b>QILT</b>	Quality Indicators for Learning and Teaching – reports universities' survey results on behalf of the DESE
<b>Qualified opinion</b>	Auditor General's opinion expressed when an audit identifies that the financial statements or KPIs are likely to be misleading to users, controls were inadequate, there was material conflict between applicable financial reporting frameworks, or an unavoidable limitation on audit work
<b>SCH</b>	Student curriculum hours – a measure used by TAFEs for student training hours delivered
<b>Significance</b>	Relative importance in the circumstances, in relation to audit objectives, of an item, event or information, variation or problem the auditor identifies
<b>TAFEs</b>	TAFEs from April 2016, previously state training providers. An acronym for technical and further education but now used as name for colleges providing vocational education and training
<b>Treasurer's Instructions</b>	Prescribed requirements at a minimum level with respect to financial administration that have the force of law and must be observed by public sector entities under the <i>Financial Management Act 2006</i> , which includes the TAFEs

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## Auditor General's 2022-23 reports

Number	Title	Date tabled
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

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Western Australia**

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