

Education: 2017–18 results of audits

(Report 19: 2018–19).
Tabled 16 May 2019.

Slide 1: Welcome

Welcome to our presentation on the results of our 2018 financial audits of the entities in the education sector. This includes the Department of Education; Department of Employment, Small Business and Training; TAFE Queensland; seven public universities; eight grammar schools; and some statutory bodies.

Please note that this is a summary. The full report can be read on our website.

Slide 2: Audit results

This year, we provided unmodified audit opinions on all education entities' financial statements within the statutory deadline. This means that they can be relied upon.

Slide 3: Audit results

We found that education entities implemented year end processes that resulted in the timely delivery of draft financial statements.

However, the quality of draft financial statements reduced. Eleven entities made unnecessary changes. This increases the risk of error and the cost of financial statement preparation. All entities should assess their processes for preparing financial statements to identify ways they can improve.

In 2018, a key area of audit focus was the implementation of new accounting standards. Overall, education entities have taken appropriate action to understand the new requirements and analyse the impact to their financial statements.

Slide 4: Internal controls

We found an increased risk of fraud in two universities. In one instance, changes to supplier bank account information had not been checked effectively, and in two instances, security over payment files was inadequate. Management has now acted to put appropriate controls in place.

We assessed that the control environments across the remaining entities were generally effective. We were able to rely on the internal control systems used to produce financial statements.

We identified a number of lower risk deficiencies, mainly related to information technology processes and system controls.

Education entities have increased their efforts to resolve internal control matters identified in prior years. Most matters are now actioned and resolved.

Slide 5: Financial performance and position

Collectively, the financial performance of education entities has declined since last year. The sector's combined operating surplus was \$258 million, representing a decrease of \$62.3 million. Any increase in revenue has been offset by an increase in expenses. The most significant expense for each entity continues to be employee expenses.

The sector's financial position continues to be positive, totalling \$31 billion at the respective balance dates of each entity. This is an increase of 4.5 per cent from the previous year. This increase is attributed to an upward movement in the valuation of property, plant and equipment, and investments in financial assets, offset by an increase in borrowings for asset purchases.

Slide 6: Future challenges and emerging risks

All education entities are financially sustainable. However, the sector continues to face challenges. These include changes to Australian Government funding and flow-on consequences from introducing a Prep year in 2007, which will reduce the number of number of students graduating from Grade 12 in 2019. In response, universities are diversifying their revenue sources, with increases in international student revenue.

TAFE Queensland's financial performance is declining, as a result of decreasing student numbers in a competitive market and reduced government funding.

Education entities have significant portfolios of assets. They must plan for the renewal of assets no longer suited to modern learning styles and maintain existing assets at an appropriate standard.

Slide 7: For more information

For more information on the results, financial performance, and future challenges and emerging risks highlighted in this summary presentation, please see the full report on our website.

Thank you.