

Education: 2018–19 results of financial audits

(Report 15: 2019–20).
Tabled 21 May 2020.

Welcome

Welcome to our presentation on the results of our 2018–19 financial audits of entities in the education sector. This report assesses the audit results of the Department of Education; the Department of Employment, Small Business and Training; TAFE Queensland; seven public universities; and eight grammar schools.

Future challenges and emerging risks

The COVID-19 global pandemic is expected to have a significant impact on the education sector. Universities finalised their 2019 financial statements in late February 2020. At this time, three universities disclosed travel bans from China would impact their revenue in 2020. Ongoing restrictions on international student travel and social distancing requirements saw universities move to online learning for Semester One. They are now focusing cost management to ensure they continue to be a going concern beyond 2020.

The Department of Education is providing remote learning to most students for part of Term Two. It has a more stable revenue and student base than other entities in the sector. Its main challenges include changing curriculum content to suit remote learning, investing in digital resources and providing additional support for teachers.

TAFE Queensland had budgeted for a \$38.4 million loss in 2020 prior to the impacts of COVID-19, mainly due to lower revenues and increasing staff costs. It will likely be significantly impacted by COVID-19 due to the practical nature of its face-to-face training delivery and restrictions on international student travel.

Audit results

This year, we provided unmodified audit opinions on 32 entities' financial statements. This means financial statements in the education sector were reliable and complied with relevant accounting standards.

Universities changed the way they reported revenue this year when implementing new revenue accounting standards, particularly for research contracts and consultancy arrangements. They did significant analysis of individual contracts late in the year, as a result of new guidance being issued by the Australian Accounting Standards Board. We have asked them to continue to refine their processes to improve the efficiency and consistency of revenue recognition in line with the new standards.

Overall quality of financial statements in the sector increased this year due to the universities more effectively using pro-forma financial statements. However, over half of the education entities still made changes to their financial statements, largely due to challenges experienced by grammar schools in implementing new accounting standards relating to revenue and leases.

Internal controls

We were able to rely on the controls over education entities' financial systems and the processes they used to prepare financial statements. Some entities had significant issues relating to changes to supplier and employee information, access to information systems, and security of electronic funds transfer files. These remain the most common internal control weaknesses identified across the public sector, and they unnecessarily increase the risk of fraud. Entities need to remain vigilant to ensure the strength of internal controls is maintained during COVID-19 when a lot of staff are working from home.

Financial performance

Entities have continued to update their asset management strategies in recent years. However, these tend to focus on physical assets and face-to-face learning methods. Some entities should consider refining their asset management plans to better align to digital learning strategies. They should ensure assets are deployed in a manner that supports such a strategy.

In 2020, the Department of Education has a full 13-year cohort in schools for the first time. This will flow onto universities in 2021. The department has committed to employing an additional 3,700 teachers by 2021–22 to meet continued growth in student numbers.

For more information

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

Thank you.