

Report on the Western Australian Public Tertiary Education Sector – 1998 Annual Reporting Cycle

Report 5 – June 1999

Background

The report summarises the results of the 18 financial statement and 14 performance indicator audits completed at Western Australian public universities, their subsidiaries and vocational education and training colleges, for the year ended December 31, 1998. (The four subsidiaries are not subject to the Financial Administration and Audit Act 1985 and were not required to submit performance indicators). The Report also brings to the attention of Parliament problems experienced with new computer systems, progress in addressing the Year 2000 Date problem, shortcomings in key financial management controls, and other operational and management issues that need to be addressed by the universities and colleges.

Overview of Audit Results

All financial statement and performance indicator opinions were clear (unqualified), however the opinion on controls for one university was qualified.

Universities' financial statements and performance indicators were generally well presented, with only a small number of significant changes required during the audit process. Financial controls were also generally sound, however two universities experienced control weaknesses following implementation of new human resource/payroll systems.

For Colleges, the number of significant errors in the financial statements and explanatory notes has reduced and consequently, it was possible to issue audit opinions for eight of the ten colleges by April 30, 1999 and the remaining two by May 31, 1999 - a significant improvement on the previous year. The content and presentation of performance indicators were enhanced during 1998, with a college working party contributing to greater consistency of colleges' indicators.

Audit Findings

Implementation of New Human Resource Systems at Universities

During 1998, two universities implemented new human resource/payroll systems and some key management controls did not operate during and after implementation. As the Western Australian universities have planned for the implementation of further new administrative systems during 1999 and 2000 it is important that key controls are appropriately managed during and after these implementations.

College Management Information System

The College Management Information System (CMIS) is not Year 2000 compliant and does not fully satisfy operational requirements of colleges, including the need for reconciliation controls over fee revenue and debtors.

In 1997 the Western Australian Department of Training (WADOT) commenced a project to provide colleges with an improved system. Functional (user) requirements had not been fully determined prior to commencement of the project. The project was subsequently suspended in October 1998 with no software being delivered to end users. Significant funds were expended prior to suspension, however Departmental records did not enable accurate reporting of all costs.

It has been recommended that when the project is recommenced, adequate costing records be maintained for all activities associated with the project, to maintain appropriate accountability for funds expended.



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Year 2000 Date Problem

Evidence to enable clear audit conclusions on progress in addressing the Year 2000 “bug” is not always available and it is therefore necessary to place heavy reliance on representations made by management, complemented by circumstantial and largely process-based documentation such as plans and progress reports.

The Tertiary Institutions Service Centre (TISC) has given Year 2000 compliance assurances to universities in respect of its critical systems, which provide information for the offering of university places. However, testing and remediation of universities’ core administrative systems and other equipment used in schools and faculties for educational purposes, is still in progress, leaving limited time to remedy any potential problems identified late in the testing phase. College Governing Councils are responsible for managing risks posed by the Year 2000 problem, however WADOT is assisting with the Year 2000 compliance of core systems. Compliance for all college systems and equipment is planned to be achieved by September 1999, again leaving limited time to remedy any potential problems identified late in the testing phase.

Universities and colleges have commenced the development of contingency plans, including alternative manual procedures that may be activated in the event that key services are disrupted.

Key Financial Management Controls Although financial controls were generally enhanced during 1998, regular financial reconciliations were in several instances not performed during the year and year-end reconciliations essential for confirming the accuracy and completeness of information in the annual financial statements, were not completed prior to submission of the statements to the Minister. At two institutions this delayed the reporting of audited financial results.