



Summary

Tertiary education institutions: 2021 audit results and what we saw in 2022

This report looks at the main findings from our 2021 audits of tertiary education institutions (TEIs) and the progress of the vocational education reforms.

Decrease in enrolments will affect TEIs' financial performance

In late 2020, the total number of learners enrolled in tertiary and vocational education increased due in part to the Government's Covid-19 response initiatives. Although the increase in enrolments continued in 2021, by August 2022 the total number of equivalent full-time students (EFTS) across all TEIs had decreased by almost 10% compared with the previous year. This will likely affect the financial performance of some TEIs in 2022 and in future years.

Although TEIs might be able to absorb short-term revenue reductions, it is important that their medium- to long-term forecasts take account of further uncertainty and disruptions to the learning environment. TEIs are progressively consolidating and rationalising functions in an effort to create structures that more closely align with the needs of learners and

communities and ensure that they are better placed to deal with financial, and other, challenges.

More to do to deliver on the vocational education reforms

In our April 2022 report on the tertiary education sector, we noted concerns about the lack of progress Te Pūkenga had made on finalising its operating model, preparing a credible plan for financial sustainability, and developing a robust performance and accountability framework.

Te Pūkenga has now made decisions on its leadership structure, which is an important milestone. However, it needs to do considerable work to complete its operating model. The operating model needs to clearly set out what it does, how it does it, and what assets, infrastructure, and capabilities it needs.

Current plans suggest that the operating model will not be fully implemented until sometime between 2027 and 2033. Although we acknowledge the scale and complexity of change required, we remain



concerned by the time frame for this work. It is easy to lose sight of the benefits of reforms if the process takes too long or is not clear.

Te Pūkenga also needs a clear and achievable plan for it to be financially sustainable. We understand this plan has yet to be finalised.

Te Pūkenga needs to deliver on its commitments and provide services that contribute to improved outcomes, while maintaining the trust and confidence of the public. Financial sustainability is critical to this.

By now, we expected Te Pūkenga to be clear on the outcomes it was looking to achieve and by when. We also expected the measures it uses to assess progress against those outcomes to be in place and publicly

reported on. This work is still incomplete, so it is difficult to objectively gauge what progress Te Pūkenga has made.

For the vocational education reforms, the outcome is a unified and sustainable system that is fit for the future of work and delivers the skills that learners and employers need.

The vocational education reforms are a significant transformation of the tertiary education sector. We acknowledge the work that has been done so far. However, there is still much to do, and it will require an ongoing focus from all public organisations involved.

Audit results at a glance

28 tertiary education institutions audited

24 reported on time



25 received unmodified audit opinions

Top 4 types of recommendations

- 1 – improving controls related to expenditure;
- 2 – improving the process to value assets, and maintaining fixed asset registers;
- 3 – improving the effectiveness and application of policies; and
- 4 – improving controls related to information systems and data management.



“Emphasis of matter” paragraphs

An emphasis of matter paragraph is used to draw attention to something that’s important to how the reader understands what’s in the audited parts of an entity’s annual report.

We used emphasis of matter paragraphs in the audit reports of the 16 Te Pūkenga subsidiaries that were formerly institutes of technology and polytechnics. We did so to emphasise that they would continue until 31 December 2022 at the latest, at which point they would be fully integrated into Te Pūkenga.