



Toni McGrath
Project Director – Public Finance Bill
Department of Treasury and Finance
Level 9, 1 Macarthur Street
Melbourne Vic 3002

22 December 2008

Dear Toni,

Discussion paper: Public Finance in Victoria

By now you should have received a collective response from the Victorian Universities' Senior Financial Officers Group (VUSFOG), which gave a brief outline of the uniqueness of the university sector (as opposed to the general public sector) and the governance, monitoring and legislative requirements/framework in place for the sector.

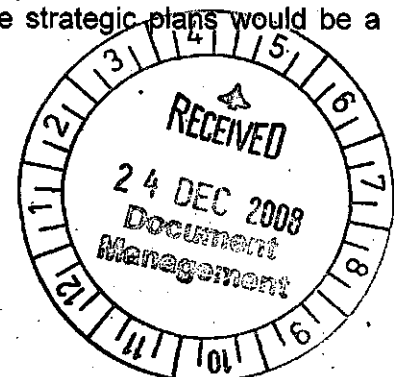
Monash University supports the underlying theme of the response from VUSFOG that the Public Finance Bill should not be mandatory in its application to universities. However it is accepted that mandatory elements are necessary and that they should be limited to annual reporting requirements, including the role of the Victorian Auditor-General and recognition of the need to comply with Australian accounting standards and related 'guidelines'.

It is also important as part of your review that you understand the powers and responsibilities of universities under their individual state acts. These acts include the sector's right to borrow, noting that this is subject to approval by the Treasurer as part of the Loan Council approval process that has been in place for some time.

Section 3 of your discussion paper asked for comments on specific issues. The following are general comments that also need to be considered in relation to these sections:

- The University Sector is not part of whole of government reporting – Commonwealth or State. In fact there has always been some lack of clarity in where universities 'fit', particularly in a State Government legislative sense. The polite intentions of the VUSFOG response was to highlight that universities are a significant industry group, but are often forgotten in consultation and communication processes on financial issues.
- Universities are funded from increasingly diverse revenue sources, including international student fee revenue and commercial and other non-government sector income, with a growing focus on philanthropy. No significant funding is provided from the Victorian parliamentary appropriation scheme and universities do not really fit the inputs/outputs/outcomes public sector model.
- University Councils are responsible for good governance under their respective University Acts and accountable to the State and Commonwealth Governments for their decisions. To bring the sector into a compulsory Parliamentary planning reporting scheme would be seen as a significant 'impost' and an unnecessary step in the governance of universities. Furthermore a requirement to report to Parliament against the strategic plans would be a significant burden on resources.

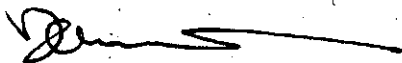
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- As part of the normal governance and monitoring requirements, Monash University Council receives financial performance reports at each meeting and is responsible for the approval of annual budgets and plans.
- As highlighted above, Monash believes the current requirements to report annually to the Minister are adequate, noting that Parliament has the right to request further information or explore specific issues either directly or through the Victorian Auditor-General's Office (VAGO). VAGO audit the sector, including reviews of controls, operating performance (also against plans), governance and risk issues. For example, VAGO are currently doing a performance audit on the management of international students – a significant revenue source and form of export for the sector.
- Monash University's Annual Report covers a review of its operational objectives and initiatives, and also follows a 'Triple Bottom Line' format in that it reports on the Social, Environmental and Financial aspects of the performance of the University.
- The Commonwealth as part of their funding provisions impose many requirements on the sector including acquittals on the use of funds and annual reporting guidelines. A prime focus of their reporting requirements is the consistency of presentation to enable them to compile and monitor consistent financial data.
- Monash like all universities run a full accrual based financial management system including accounting for GST on that basis.
- The report touches on the timeliness of annual reporting to Parliament. Monash has audited accounts signed off by the 12 week deadline required by the Victorian Auditor-General, including the consolidation of controlled entities. In addition to this the Minister's Office requires us to have the report checked for compliance with requirements before being released for publishing (including the 72 copies required for Parliament). Hardcopies or a more streamlined form of reporting to Parliament (eg. Electronic) could perhaps be considered where it did not amount to an additional form of reporting. The University sector would welcome an open discussion on this matter if a review of reporting format and/or deadlines were to become a government priority.
- Monash like many universities have their annual reports published on the web to assist you in any further background information for your review.

I hope that the above is of assistance in your review deliberations and helps in understanding some of the unique aspects of the University Sector. Please contact me if you wish to discuss this further or have any other information requirements.

Yours sincerely,



David McWaters
Divisional Director, Corporate Finance