
VICTORIAN UNIVERSITIES SENIOR FINANCE OFFICERS' GROUP

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Public Finance Bill
Department of Treasury and Finance

Department of Treasury and Finance

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Level 9, Macarthur St
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Dear Toni,

I am writing in my capacity as Chair of the Victorian Universities Senior Finance Officers' Group (VUSFOG). The group would like to submit a collective response to the discussion paper on public finance in Victoria.

Please kindly be noted that some universities of this group may further provide individual submissions to elaborate their points on the aspects.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'B Telford'.

Barry Telford
Chair
VTUSFOG



Response to the Discussion Paper on Public Finance in Victoria, Practices and Legislation

Victorian Universities Senior Finance Officers' Group

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Preliminary Comment

We have focused the VUSFOG response on the questions relating to which entities the Public Finance Bill should apply. This response adopts the position that the majority of the provisions should not apply to Universities (including dual sector Universities).

This approach is implied within the appendix to the document, an extract from the Public Administration Act. This approach is also supported by other acts which prevent university access to VMIA and other schemes available to government departments.

Universities are also regularly overlooked in consultation and communication processes on financial issues. Our attention was drawn to these changes by a member update email from CPA Australia, not by direct communication from Treasury and Finance.

If this confirmation of university status was not to be the outcome of the review then we would request further opportunity to respond to other specific issues raised in the discussion paper.

Universities and their reporting relationships

Universities, due to the unusual structure of core funding provided directly by the Commonwealth but reporting to State government, are required to meet dual reporting frameworks. For those entities that are dual sector there are also additional reporting obligations imposed to meet DIIRD requirements for TAFE sector entities.

Current Framework

Universities are audited by the Auditor General in each state.

A structure for Annual Accounts is defined by DEEWR with acquittal of Commonwealth funding achieved through detailed reporting in University Annual Accounts.

A structure for TAFE reporting is determined by DIIRD.

Reporting standards are defined by Accounting Standards for Not for Profit entities.

University Acts appoint University Councils with a duty to maintain risk oversight and control over Universities including their finances.

The Financial Management Act imposes additional reporting obligations.

Possible Framework

The public Finance Bill should be defined as providing benchmarks for University financial management, for both Internal and External Audit, but should not be mandatory in its application to Universities.

The mandatory component should be limited to a requirement to present accounts within specific timeframes, the requirement for review by the Auditor General and that they meet current accounting standards.

Universities are unique enterprises which rely on both public and privately generated funding, with many now receiving more in Fee Paying income for teaching and related activities than Government grants for this purpose. This divergence in income sources means that any rule based Public Finance Bill designed around standard departmental structures will not readily fit with University structures and requirements.

Universities and the Borrowing and Investment Powers Act

Investments

University acts give them the power to set up Trusts and to act as Trustee, they are also empowered to enter into investments that would be allowed under the Trustee Act. In terms of standardising (and/or centralising) investment arrangements as discussed in the document, care would need to be taken to ensure that Universities could maintain their obligations as Trustees, keep access to a broad range of investments, including investments with long time horizons due to the perpetual nature of many trust funds. This would include specific capacity to separate capital and income returns for all investments.

Borrowings

Currently some universities have sought separate credit ratings and all universities are able to seek competitive pricing for borrowings. If any pooled arrangement were entered into, would this immediately imply government guarantee of university debt obligations?

If not and we lose access to competitive pricing, what compensation would be forthcoming?