

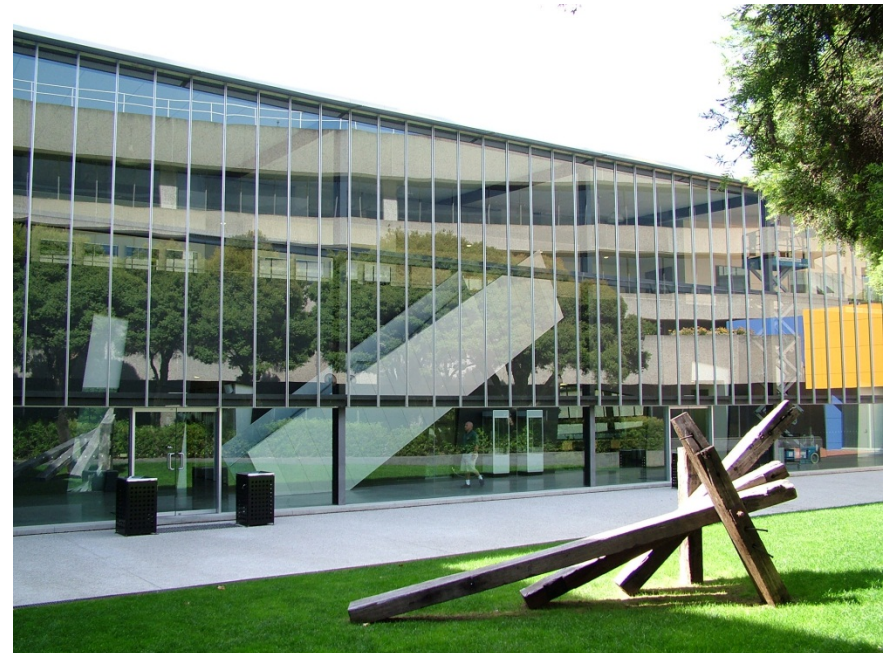


Universities: Results of the 2013 Audits

Tabled 28 May 2014

Background

- 64 entities:
 - 8 universities
 - 56 controlled entities.
- Report previously included TAFEs—*Tertiary Education and Other Entities*—but now split due to increasingly disparate operating environments.



*The Monash Art and Design Faculty at Caulfield Campus.
Photo courtesy of Jarle Andersen, Wikimedia Commons.*

Conclusion

- Sector remains in a relatively healthy financial position due to continued operating surpluses and low debt.
- Active management is required, however, as operating surpluses have continued their decline since 2009.



Financial reporting

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- 59 received clear audit opinions.
- 2 qualifications—Deakin University and The University of Melbourne.
- 3 outstanding audits.

Quality of reporting

- Quality of some elements of reporting deteriorated in 2013.
- Opportunities for improvement have been reported over a number of years—some universities have not acted on these recommendations.
- In future we will name entities that do not take appropriate steps to improve.

Financial results

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Universities collectively generated a surplus of \$381.7 million in 2013—a decrease of \$73 million over the prior year.

Results included:

- \$31.2 million increase in repairs and maintenance—18.8 per cent
- \$200.7 million increase in other operating costs
- \$294 million increase in student fees—10.9 per cent, offset by a \$225 million decrease in government funding—7.1 per cent
- Domestic students increased. However, international and total student numbers declined.

Universities – financial results – *continued*

Total assets increased by \$100.4 million, with construction of new assets offset by a decrease in deferred government superannuation contribution receivable.

Revaluation movements included:

- ↓ Monash University—
\$116.6 million decrease
- ↑ Deakin University—
\$71.5 million increase
- ↑ The University of Melbourne—
\$25.4 million increase



Universities – Monash South Africa

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In 2013 Monash University signed agreements with a private sector entity to assume control of its South African operations:

- From 2001–13 Monash provided \$101.8 million in loan funding.
- Minimal repayments with an overall net loss of \$60.5 million.
- Including debt write-offs, over a number of years, of \$44.7 million.

Universities – financial sustainability

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Five universities assessed as low risk in 2013.

Entity	2013	2012
Deakin University	Low	Low
Federation University	Medium	Low
La Trobe University	Low	Low
Monash University	High	High
RMIT University	Low	Low
Swinburne University	Low	Low
The University of Melbourne	Low	Low
Victoria University	Medium	Medium
Total	8	8

Victoria and Federation Universities—assessed as medium due to poor self financing.

Monash University—assessed as high due to low liquidity. However, has available for sale financial assets.

Universities – financial sustainability – *continued*

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- All universities recorded surpluses and strong **underlying result** indicators.
- Monash and RMIT—low **liquidity** ratio.
- Low debt levels, so **debt to equity** ratio is low risk.
- **Capital replacement**—generally low risk, although this deteriorated in 2013 with a number of capital projects coming to completion during the year.

Universities – financial sustainability– *continued*

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Self financing deteriorated in 2013

Entity	2013	2012
Deakin University	Medium	Low
Federation University	High	Low
La Trobe University	Medium	Medium
Monash University	High	Medium
RMIT University	Medium	Medium
Swinburne University	Medium	Medium
The University of Melbourne	Medium	Medium
Victoria University	High	High
Total	8	8

In future periods, universities may not be able to fund asset renewal from cash generated from operations.

Universities – internal controls

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- 2 focus areas in 2013:
 - procurement
 - financial policies and delegations.
- 5 universities did not set review criteria and time frames for post-tender evaluations.
- Some improvements needed in relation to procurement governance and oversight.
- Documented policies were generally sound, but could benefit from a review against better practice.

Recommendations

	Recommendation	Accept
1.	That universities that do not demonstrate better practice in report preparation act immediately to improve their financial reporting processes in 2014.	✓
2.	That universities and their controlled entities should act to ensure their financial reports meet legislated reporting time lines.	✓
3.	That universities continue to review their financial policies on a timely basis and ensure that the key elements of the better practice framework are addressed.	✓



Related audits

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Future audits

- *Technical and Further Education Institutes: Results of the 2013 Audits*, due to table in June 2014

Previous audits

- *Tertiary Education and Other Entities: Results of the 2012 Audits* (May 2013)



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