

# Appendix B: Sector context

## The sector at a glance

Figure B1: The sector at a glance



Source: VAGO.

### Public universities in Victoria

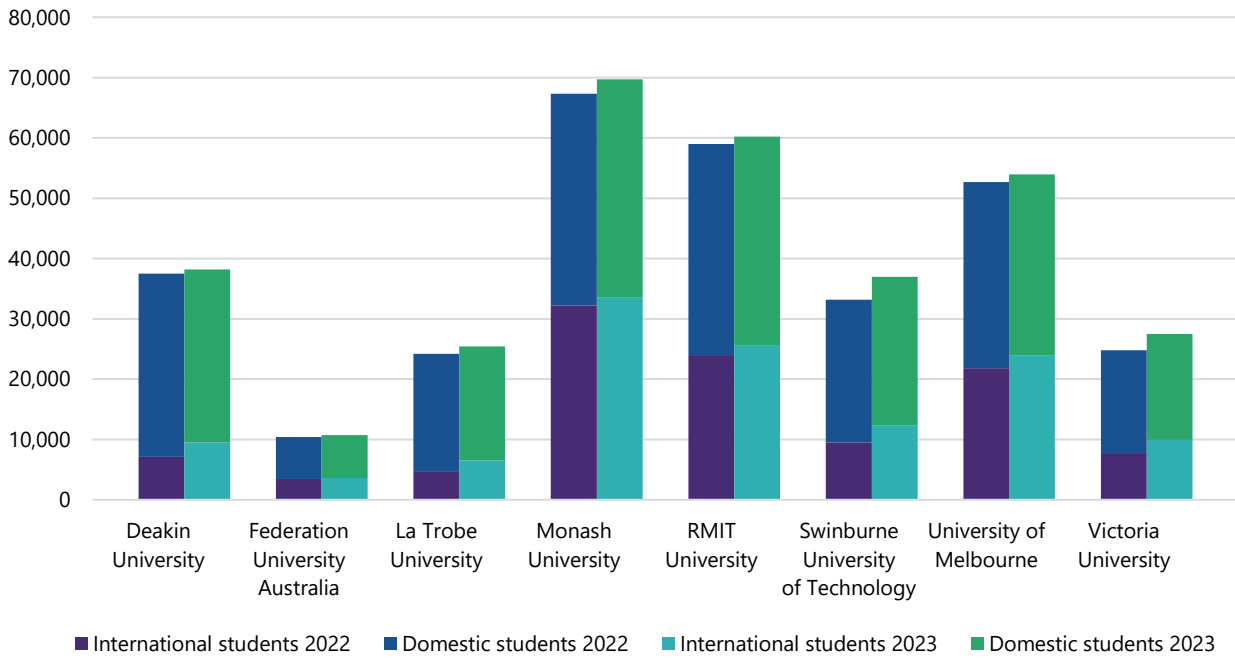
Victoria's public university sector is made up of 8 universities and the 46 entities they control. They deliver higher education and do research at a range of campuses across the state.

Victoria's 2 largest universities – Monash University and the University of Melbourne – are members of the Group of Eight.

This report excludes private universities (such as Australian Catholic University, University of Divinity, The Australian National University and Torrens University Australia), and other universities that the Australian Government or other states control. This report also excludes any of the universities' controlled entities that are not established in Australia, other than that their balances and transactions form part of the consolidated financial statements of the universities. This is because VAGO is not required to audit these entities as per each university's enabling legislation.

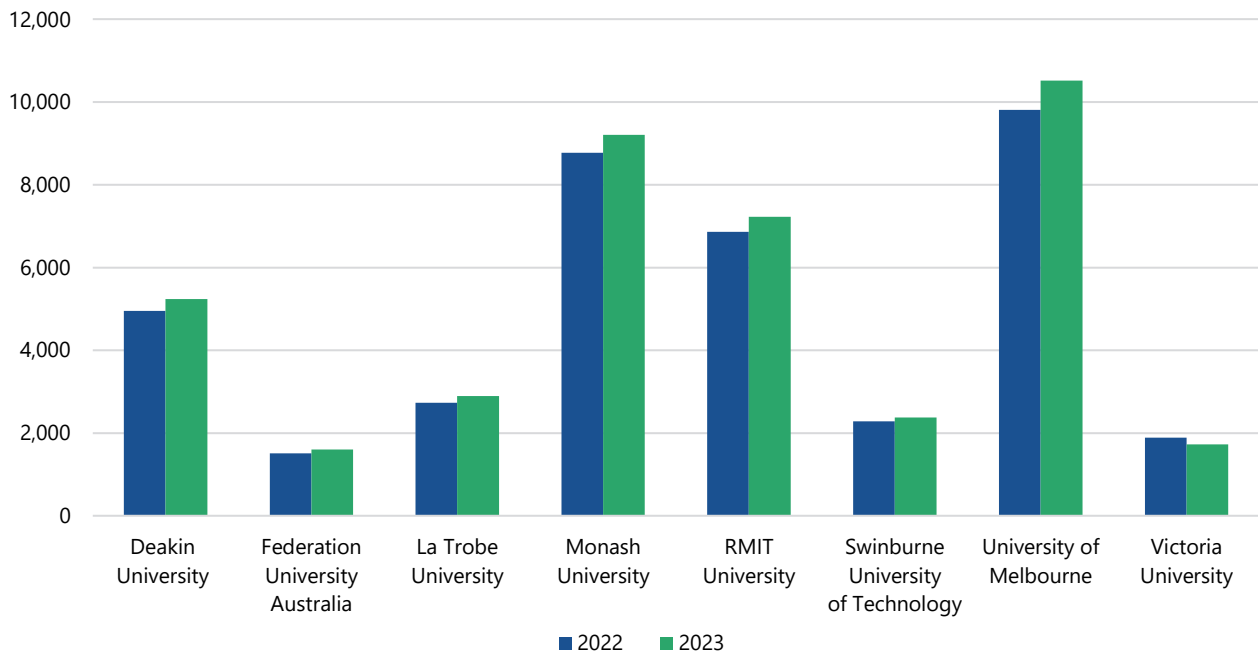
Figures B2 and B3 show Victorian public universities' student and staff numbers.

Figure B2: Universities' student numbers by EFTSL for 2022 and 2023



Source: The EFTSL numbers used in the above figure were provided by the respective university and are unaudited.

Figure B3: Universities' staff numbers by FTE for 2022 and 2023



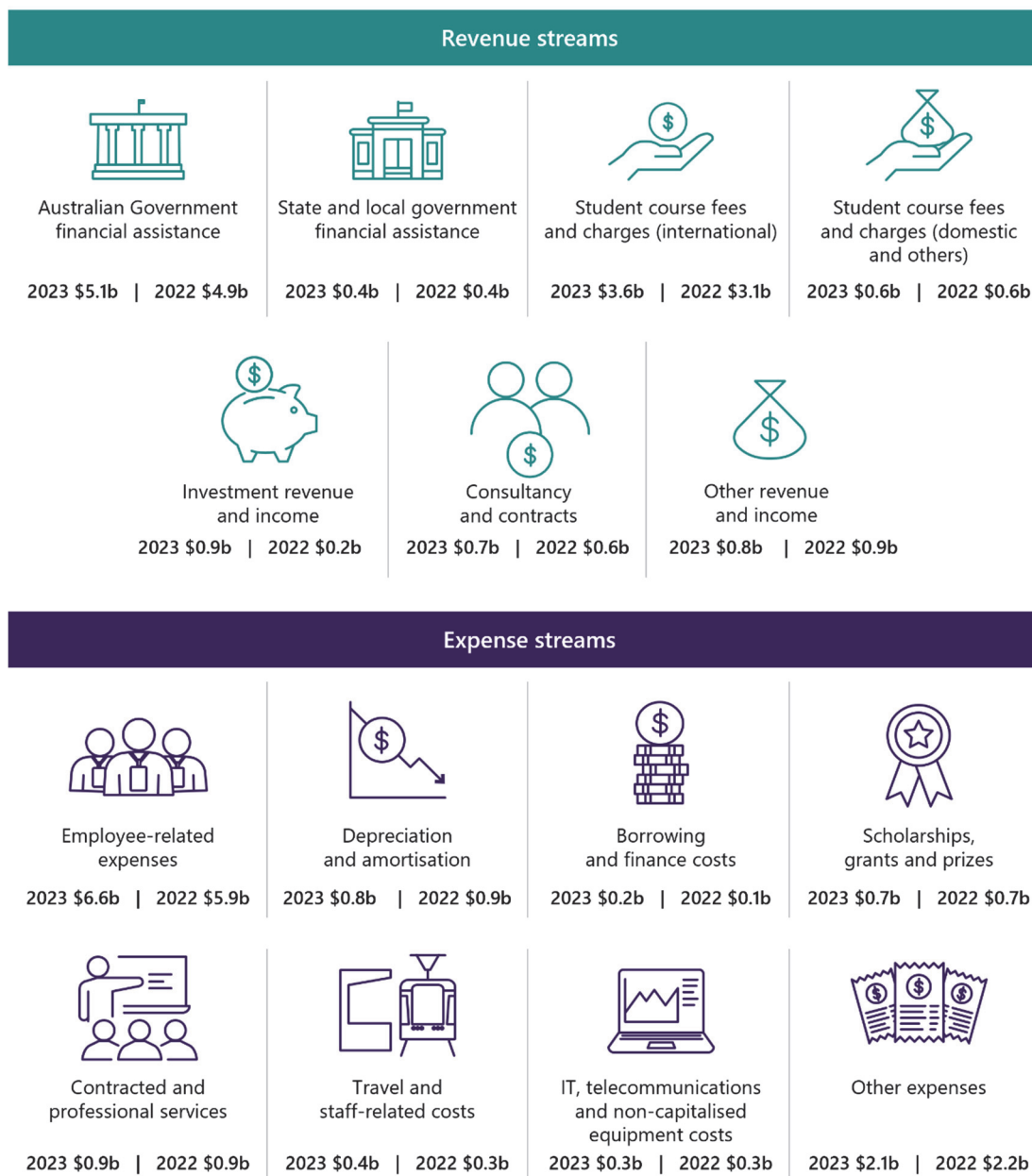
Note: Number of employees includes full-time, part-time and casual academic and non-academic staff.

Source: The FTE numbers used in the above figure were provided by the respective university and are unaudited.

# The university sector's financial model

## Revenue and expense streams

Figure B4: Universities' key revenue and expense streams for 2022 and 2023



Note: Figures have been rounded.  
Source: VAGO.

## Universities' revenue sources and assets

The university sector's revenue comes from:

- Australian Government student funding (based on student numbers) and other financial assistance
- state and local government grants, including government research and capital grants
- student fees and charges
- investment income from its cash and investments, including fair value gains
- fees for contract research and consultancy
- other revenue, such as donations, bequests and non-government grants.

Most of the sector's assets are the property, plant and equipment it needs to deliver its services, followed by its cash and investments.

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#### Universities' spending and liabilities

The sector spends most of its money on:

- employee salaries, wages and other benefits
- depreciation and amortisation
- borrowing and finance costs
- scholarships, grants, prizes and donations
- contracted and professional services, agent costs and partnership costs
- travel, staff-related and other administrative costs
- IT, communication and non-capitalised equipment costs
- other expenses, including repair and maintenance.

Borrowings and lease liabilities are the sector's largest liabilities. Revenue and income in advance, employee benefits provisions and accounts payable equally make up the rest.

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## Legislative and financial reporting framework

#### Applicable Victorian Acts

In Victoria, public universities are established by their own legislation. The *Financial Management Act 1994* defines them as public bodies and they must follow its requirements for preparing financial reports. This includes the requirement to give us their draft financial reports within 8 weeks after the end of the year.

However, since the State of Victoria does not control universities, the Annual Financial Report of the State of Victoria does not include their financial results.

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#### Australian Government Acts

Universities are registered with the Tertiary Education Quality and Standards Agency. This means the *Tertiary Education Quality and Standards Agency Act 2011* regulates them.

Universities get most of their grant funding from the Australian Government. This means that any Acts associated with this funding apply to them, including the *Higher Education Support Act 2003*.

Universities must follow the financial reporting requirements that underpin these Acts and the financial reporting requirements of their funding agreements for research and other purposes, together with their Victorian requirements.

The *Financial Statement Guidelines for Australian Higher Education Providers*, which all universities follow, outlines the requirements that these 2 Acts prescribe.

The Australian Government instructs universities to include some of these reporting requirements in their financial reports. This means universities' financial reports contain disclosures that are not usually found in general-purpose financial reports.

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#### Universities with charity status

Many universities and their controlled entities are registered charities with the Australian Charities and Not-for-profits Commission. This means they have further financial reporting obligations under the *Australian Charities and Not-for-profits Commission Act 2012*.

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#### Controlled entities

University-controlled entities do not automatically fall within the scope of the *Financial Management Act 1994*. But their parent entity's legislation may require them to prepare financial reports in a manner and form approved by the Assistant Treasurer.

The parent entity's legislation typically requires its Australian controlled entities to submit to us their draft financial reports within 3 months of their balance date.

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