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.
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

- 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

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

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

Five universities assessed as low risk in 2013.

<table>
<thead>
<tr>
<th>Entity</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deakin University</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Federation University</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
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<td>Low</td>
<td>Low</td>
</tr>
<tr>
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<td>High</td>
</tr>
<tr>
<td>RMIT University</td>
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<td>Low</td>
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<tr>
<td>Swinburne University</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
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<td>Low</td>
</tr>
<tr>
<td>Victoria University</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8</td>
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</tr>
</tbody>
</table>

**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

- 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

Self financing deteriorated in 2013

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Total 8 8

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

- 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

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Accept</th>
</tr>
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<tbody>
<tr>
<td>1. That universities that do not demonstrate better practice in report preparation act immediately to improve their financial reporting processes in 2014.</td>
<td>✓</td>
</tr>
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<td>2. That universities and their controlled entities should act to ensure their financial reports meet legislated reporting time lines.</td>
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<tr>
<td>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.</td>
<td>✓</td>
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</table>
Related audits

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)
For further information on this presentation please contact:

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