

ACT AUDITOR–GENERAL'S **PERFORMANCE AUDIT REPORT**

**University of Canberra financial
governance arrangements**

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The Speaker
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Dear Speaker

I am pleased to forward to you a Performance Audit Report titled 'University of Canberra financial governance arrangements' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

The audit has been conducted in accordance with the requirements of the *Auditor-General Act 1996* and relevant professional standards including *ASAE 3500 – Performance Engagements*.

Yours sincerely



Ajay Sharma PSM
Auditor-General
27 March 2026

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Summary

In 2023 the University of Canberra (UC) reported an operating deficit of \$11.9 million. The operating deficit increased to \$41.0 million in 2024. In 2024, in response to financial sustainability challenges, the UC undertook a range of measures to reduce expenditure across its operations. These measures resulted in an October 2024 announcement that over 200 jobs would be made redundant, including nine senior management positions, as part of efforts to save \$50 million from recurrent expenditure by the end of 2025.

The audit considered the effectiveness of the UC's financial governance and administrative arrangements.



Conclusions

Budget management and decision-making

Since 2020 the UC had been experiencing a deteriorating financial position, as measured by the Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) margin (a measure of the efficiency of operating performance) and net operating margin (a measure of how well revenue exceeds expenditure).

Within this context, the UC implemented a 2023 budget that planned for an underlying operating deficit of \$14.6 million and a 2024 budget that planned for an underlying operating deficit of \$26.3 million. These budgets were predicated on a series of assumptions about higher revenue derived from increased student numbers. These budgets were high-risk.

Assumptions about increased student numbers were derived from the UC's Education Transformation and Growth (ETaG) Program, which was agreed to in late 2022. The ETaG Program sought to achieve a rapid and significant increase in student numbers by transforming the UC's educational offerings through 'new approaches delivered by new capabilities'. There was considerable up-front cost associated with the ETaG Program, as well as additional expenditure associated with another key strategic initiative agreed to in late 2023, the Digital Master Plan.

The assumptions about increased student numbers were too optimistic and the expected increase in revenue did not materialise. The high-risk budgets required the UC to take drastic and significant action to reduce expenditure to address the financial viability of the institution.

Budget repair initiatives

In early 2024 it was apparent that the increased student numbers on which the high-risk 2024 budget was predicated did not materialise and a significantly higher net operating deficit for 2024 was forecast. The UC commenced a program of work that sought to 'develop a pathway to financial

sustainability' and develop a new 'operating model' that was intended to provide a stronger basis for the financial management of the organisation. Progress on these activities was slow.

By September 2024 the UC recognised that more immediate and decisive action was necessary. The UC was presented with financial modelling which provided 'a clear definition of 'financial sustainability' for the University' and a recommendation for major changes 'requiring at least 175 FTE in redundancies and ... up to a 50% reduction in capital expenditure'. The 2025 budget, which identified an operating deficit of \$11.6 million for 2025 and an operating surplus of \$10.8 million for 2026, was based on more realistic assumptions about growth in student numbers.

The UC has since undertaken further work to develop a detailed financial strategy and associated financial goals, including the development of formal financial objectives to support the strategic objectives of the organisation.

Financial management framework

The UC has an appropriate and fit-for-purpose financial management framework, including:

- financial management systems that have adequate functionality, which allow for timely and accurate financial management, budgeting and reporting; and
- policies and procedures relevant to its financial management arrangements. The policies and procedures would, however, be improved if they were supported by procedural guidance, particularly in relation to budgeting and financial management.

Preparation of financial budgets

The development of the annual budget is led by the Finance Team, which is responsible for coordinating the relevant input from faculties and portfolios. The development of the annual budget has, in the past, been characterised by a lack of operational-level procedural documentation.

For the purpose of developing its annual budgets, the UC has identified:

- key drivers that significantly impact financial performance and which are directly linked to specific revenue and expenditure line items in its annual budget; and
- key assumptions associated with these key drivers, which are identified and articulated to Finance Committee and Council for consideration and approval as part of the budget process.

Key assumptions necessarily relate to student revenue. The assumptions for student revenue for the 2024 budget were too optimistic. Assumptions for student revenue for the 2025 budget were based on more realistic expectations about growth in student numbers.

Monitoring and reporting on financial performance

The UC has established fit-for-purpose lines of accountability in relation to financial reporting and prepares:

- monthly financial management reports for the Finance Committee, Council and Vice-Chancellor's Group; and
- monthly faculty and portfolio reports for Executive deans, faculty managers and portfolio heads.

Monthly financial reporting is relevant and comprehensive and provides recipients with sufficient information to inform financial decisions.



Key findings

Budget management and decision-making

Paragraph

Budget management and financial sustainability

In 2022 the UC developed its 10-year strategic plan. The *Connected: A Decadal Strategy 2023-2032* (the Connected Strategy) was approved by the Council on 8 July 2022, to be implemented from 1 January 2023. To implement the Connected Strategy, the UC developed a series of programs of work with accompanying strategies and plans. The *Digital Together – Empowering Connected Experiences* and *Reimagining our Educational Offerings* programs of work were significant programs of work for the UC. These multi-year, whole of institution programs required significant upfront and ongoing investment. These work programs subsequently became known as the Digital Master Plan and the Education Transformation and Growth (ETaG) Program. 2.9

The Connected Strategy identifies financial sustainability as a key outcome by which the objectives of the Strategy can be achieved. For the purpose of the Connected Strategy the UC monitors and reports on key financial sustainability key performance indicators including EBITDA margin and net operating margin. The EBITDA margin is a direct measure of the UC's financial health and the efficiency of operating performance. Since 2020 it has declined; in 2023 it was 5.6 percent and in 2024 it was -4.1 percent. Recent results are considerably lower than the targeted result of 5.0 percent for 2027. Net operating margin captures how well the UC's revenue exceeds its expenditure. Since 2021 the net operating result has declined; in 2023 it was -1.60 percent and in 2024 it was -10.5 percent. These results demonstrate a deteriorating financial position for the UC. 2.23

The financial sustainability goal in the Connected Strategy indicates the UC's long-term target was not a continuation of its existing financial performance but a significant strengthening of its financial position. However, there was no strategy or 2.30

planning documentation to demonstrate how the financial sustainability key performance indicators were to be achieved and how the indicators would contribute to the Connected Strategy's goal of financial sustainability. Targets were not consistently set for future years, particularly for EBITDA margin and net operating margin. For these measures a target was set for 2027, but targets were not set for intervening years. UC staff involved in coordinating the budgeting process for 2023 and 2024 advised that in developing the budget, no instruction was given from governing bodies on the target outcome that the budget was to achieve.

On 28 October 2022 the UC's 2023 budget was presented to the Council. The 2023 budget presented three different scenarios for 2023 (a worst-case scenario, best-case scenario and a likely scenario). All three scenarios identified a budget deficit for 2023. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$14.6 million. A long-term financial outlook was also presented for three scenarios, each of which identified net deficits each year through to 2032. The Council approved the 2023 budget on the recommendation of the Finance Committee that 'a Comprehensive Income Growth Proposal (Load Growth Business Case)' be presented, along with 'a Project to redesign the University's Operating Model with the target of improving efficiencies and reducing Operating Costs'. The Load Growth Business Case, which subsequently became known as the ETaG Program was presented to, and approved by the Council, on 23 November 2023. 2.44

The 2023 budget, which already identified an underlying deficit, was predicated on a series of assumptions that proved to be too optimistic. The decision to approve the budget locked the UC into a path that could only succeed if student numbers increased. To assume that future cost-cutting was possible when salary and benefit expenditure was forecast to increase by \$26.9 million (14.0 percent) and non-salary costs were forecast to increase by \$18.0 million (21.4 percent) was high-risk. 2.45

On 8 December 2023 the UC's 2024 budget was presented to the Council. Similar to the 2023 budget the 2024 budget presented three different scenarios, all of which identified a budget deficit for 2024. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$21.0 million. A further \$5.3 million was added to the 2024 budget relating to 'operating deficit arising from non-research projects'. A long-term financial outlook was presented for three scenarios, which identified net deficits each year through to 2027 for all three scenarios and a return to surplus in 2029 for the likely scenario. The Council approved the 2024 budget with a deficit of \$26.3 million 'given the period of investment and change, with an expectation that a breakeven or small surplus budget be delivered in 2025'. 2.60

The 2024 budget, which identified an underlying deficit even greater than the 2023 budget, was similarly predicated on a series of assumptions that proved to be too optimistic. Finance Committee and Council consideration of the 2024 budget recognised the fundamental importance of increased student numbers to achieving higher revenue, along with initiatives to reduce costs with a view to achieving a break-even budget for 2025. Similar to the 2023 budget this was high-risk given that salary and benefit expenditure was expected to increase by \$37.4 million (18.9 percent) and non-salary costs were expected to increase by \$15.1 million (17.4 2.61

percent). In recommending that Council approve the budget the Finance Committee noted ‘Semester One Census data is critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations’.

Key strategic initiatives

In response to the final proposed report a key Executive involved in decision-making at the time advised ‘it is fair to say this programme of work had a significant risk profile. But that risk profile was recognised and mitigations provided for’ and that ‘risk mitigation was provided within the approved project and budget’.

2.82

The Education Transformation and Growth (ETaG) Program was conceived to deliver the *Reimagining our Educational Offerings* component of the Connected Strategy. The business case for the ETaG Program identified that the UC had been experiencing ‘declining or flat’ student numbers over many years and that a continuation of this scenario would result in ongoing operating deficits. Driven by the ETaG Program the UC sought to achieve a rapid and significant increase in student numbers, from 11,277 EFTSL in 2022 to 15,600 EFTSL by the end of 2027. Through the rapid and significant increase in student numbers the UC intended to address ongoing operating budget deficits, which derive from low and incremental growth, and regain some of the market share it had lost.

2.83

The Council was advised that considerable up-front investment was required, with estimated costs in the first three years anticipated to be \$54.9 million, after which the program was expected to be self-sustaining. The business case noted that because of the significant upfront financial investment ‘University debt will likely peak at **\$70.6m** in 2024’. The business case for the ETaG Program was approved by the Council on 23 November 2022. At a time when the UC was experiencing financial sustainability challenges the commencement of a program of work that required considerable up-front investment with increased revenue to be achieved in future years was high-risk.

2.84

Work on the ETaG Program commenced in mid-2023. New units and courses were launched in 2024 and up-front investment expenditure was incurred. In May 2024, the Deputy Vice-Chancellor (Academic) provided an update to the Council on the ETaG Program. This was the first report to the Council with student data available. The report noted that the ambitious growth assumptions for student numbers and revenue had not been realised and the end date for the program had been extended from 2027 to 2030. The May 2024 briefing paper clearly identified that increased student numbers had not been reached. The Finance Committee had previously identified that ‘Semester One Census data [was] critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations’.

2.92

To determine the full-time student load for the ETaG Program for the 2024 budget the UC developed a separate load plan in addition to the base student load plan that was developed by the Finance Team. This mistakenly led to an overestimation of

2.100

expected student numbers for 2024 and this resulted in an overestimation of expected student revenue for 2024. The UC has not sought to quantify the impact of the two separate load plans and is therefore unable to specify how much of the overall EFTSL variance was related to the two load plans and how much resulted from other external factors.

The UC has subsequently revised the budgeting process for the ETaG Program to align with the rest of the faculties. For the 2025 budget the load planning process was amended, with the Finance Team taking responsibility for the development and coordination of a single load plan. A calendar of activities for 2024 was developed for the load planning process, which focused on better aligning load planning, pricing, business and budget planning. 2.101

The Digital Master Plan is a 10-year plan to deliver the *Digital Together – Empowering Connected Experiences* component of the Connected Strategy. The UC identified the Digital Master Plan as an essential program to modernise its technology capability, improve student and staff experience and contribute to its competitiveness in the higher education sector. Although financial and non-financial benefits were expected from the Digital Master Plan, a financial return was not expected until the sixth year of the Plan (i.e. 2029). The Council Paper supporting the Digital Master Plan identified an individual funding need of \$30 million (plus or minus 10 percent) for the first three years of the Plan. The Digital Master Plan was approved by the Council on 10 November 2023. 2.112

The Digital Master Plan is not directly revenue generating and required substantial financial investment during a period of financial difficulty for the UC. A \$30 million ‘funding envelope’ was approved by the Council for the first three years of the program. The Digital Master Plan added \$6 million to budgeted expenditure for 2024, increasing the expected deficit for 2024 to \$26.3 million. 2.117

Budget repair initiatives

Recognition of risks to financial viability

In early 2024 the Finance Committee and Council was presented with information to show that the expected increase in student enrolments for 2024 did not occur. Student revenue was approximately \$10.0 million lower than expected for the first semester and it was recognised that ‘if extrapolated for the full year this impact could be a reduction in revenue of \$20.0m - \$30.0m’. The UC commenced the Delivering Connected program of work which was intended to be ‘an intensive 8-week project ... to develop a pathway to financial sustainability which will involve a review of current state, ongoing programs and commitments and new opportunities for increasing revenue and reducing expenditure’. The UC also intended to develop a new ‘operating model’ which was intended to provide a stronger basis for the financial management of the organisation. 3.15

By July 2024 minutes of the meetings of the Finance Committee and Council noted progress in relation to the Delivering Connected program. At its June 2024 meeting the Finance Committee recognised that the ‘focus now is on understanding co- 3.22

dependencies and low-hanging fruit to go into operating model ... as well as understanding investment requirements and ensuring a return on investment'. At its July 2024 meeting the Council was advised that an 'implementation plan will be confirmed in the next two months' and that 'by the second week in August, some details and assumptions will be available, and by end-August, the initial financial modelling to support this will be ready'. The Council was advised that the Delivering Connected program had identified 'areas for development to both increase revenue and/or reduce costs. Some of these can be implemented quickly, others involve investment'. The Council was advised 'the Executive are workshopping which areas should be pursued with what priority and these decisions will influence the financial modelling to be presented in August'.

By September 2024, further deterioration in operating position and the extent of the challenge to the actual financial viability of the UC had been recognised by the Finance Committee and Council and there was a recognition that more immediate and decisive action was necessary. In early September 2024 the minutes of a meeting of the Council note that the UC 'is not generating enough cash to pay for expenditure', 'by the end of 2025, there will be no cash left from either the windfall gains or other sources if the current trend continues' and the 'the high-level forecast indicates \$78 million in borrowings by December 2025 [and that] UC will reach its borrowing capacity against the Treasury Instrument by the end of 2025 if no changes'. The Council was presented with financial modelling which provided 'a clear definition of 'financial sustainability' for the University' and advised that 'minor changes from 2024-28 would keep [sustainability indicators] negative over the medium term, while major changes could lead to significant gains from 2026 onward, requiring at least 175 FTE in redundancies and a revised Connected Strategy with up to a 50% reduction in capital expenditure'. The Council was advised that 'significant changes are necessary to achieve financial sustainability as defined'.

3.40

Future directions for financial management

On 6 December 2024 the UC's 2025 budget was presented to the Council. The budget was subsequently revised and approved by Council on 13 March 2025. The 2025 budget acknowledged work underway at the time to safeguard the financial sustainability of the organisation and that 'through an organisational change process commenced in October 2024, the resourcing, activities and structure of the institution will change'. A key underlying assumption for the 2025 budget was reduced growth in student numbers and that 'financial performance reflects a tempered view of revenue growth based upon detailed load planning'. The 2025 budget identified an operating deficit of \$11.6 million for 2025 and an operating surplus of \$10.8 million for 2026. The 2025 budget also identified longer term operating surpluses for 2027 and 2028. Key activities identified in the 2025 budget that were expected to result in reduced operating expenditure were:

3.51

- the planned reduction in staffing levels, with \$39.8 million annualised reduction in base operating salary costs;
- the reduction or deferral of strategic program expenditure, specifically expenditure associated with the Digital Master Plan, resulting in a \$3.6 million reduction in expenditure; and

- reduction in discretionary expenditure, including \$9.4 million in base operating non-salary costs.

At the time of audit fieldwork the UC was continuing to develop a detailed financial strategy and associated financial goals. The UC further advised: 3.56

- work is being undertaken to revise the Connected Strategy and this work is in its early stages; and
- the UC’s financial plan (for the 2025 budget and indicative 2026 and 2027 budgets) would be reviewed to determine if any changes were required to support the revised Connected Strategy.

In June 2025, the CFO presented a paper to the Finance Committee on developing formal financial objectives to support the strategic objectives of the organisation, which included a set of proposed financial objectives and measures to replace the existing key performance indicators. The aim of the proposed financial objectives is to evaluate financial sustainability and measure the financial resources for the UC to achieve its mission over the longer term. 3.57

Financial management framework

Systems for financial management

The UC uses four key information technology (IT) systems to support its financial management and budgeting processes. The systems are appropriate and fit-for-purpose. The systems have adequate functionality, are linked together through both manual and automatic processes, and allow for timely and accurate financial management, budgeting and reporting. The systems are reconciled on a regular basis. 4.8

Financial management arrangements

The UC has a centralised financial management function, with key finance functions and operations performed by the Finance Team, which is led by the CFO. The Finance Team provides guidance to faculties and portfolios to manage their budgets and financial reporting. Faculties and portfolios are responsible for managing the finances and budgets of their business area. 4.13

Formalised or ongoing training in relation to finance-related systems and financial management activities have not been established. Ongoing support to undertake financial management-related tasks is: provided through the existing team structure of the Finance Team, and provided by the Finance Team on an as needed basis for faculty and portfolio staff involved in financial management activities. 4.22

The UC has developed and implemented a series of policies and procedures relevant to its financial management arrangements. Overall, the policies and procedures were adequate for their intended purpose and reflective of arrangements that were observed through audit fieldwork. However, the policies are high level and not 4.29

supported by procedural guidance, particularly in relation to budgeting and financial management. There is also a lack of specific guidance and procedural documentation with respect to the financial management role and responsibilities of faculty managers.

Although there is a lack of detailed procedural-level guidance for financial management tasks, the Finance Team has established some internal documentation to assist in tracking its day-to-day core financial functions. The Finance Team maintains an *End of Month (EOM) Checklist* that details the key financial management tasks to be completed each month and has developed and documented a separate checklist for monthly reconciliations of balance sheet accounts. These checklists have been used to guide key Finance Team activities. 4.34

The UC has developed and implemented ten financial management policies and procedures. Of these ten, three were identified as having passed their designated review dates. There is no evidence that the outdated policies and procedures that have been identified have adversely impacted the UC's financial management arrangements considered in this audit. However, it is good practice to regularly maintain policies and procedures including ensuring they are updated and made available to relevant staff. 4.42

Preparation of financial budgets

Developing the budget

The Finance Team is responsible for coordinating the annual budgeting process, with relevant input provided by the faculties and portfolios. There has been a lack of operational-level procedural documentation to guide the formulation and development of the UC's budget, although it is noted that some email guidance has been issued by the Finance Team as part of the budget coordination process. The development of operational-level guidance for stakeholders involved in the formulation of the budget would help define roles and responsibilities and communicate the budget methodology. 5.9

The 2024 budget process was characterised by the use of a 'contribution margin' approach, whereby faculties and portfolios were expected to meet targets for their contribution to net surplus, and the lack of a target operating result. Finance Team staff involved in the budgeting process advised that their role was to consolidate all budgets and present the final result to the Finance Committee and Council but they were not working towards achieving a target figure to drive the budgeted position. 5.10

The UC's budget process is managed and oversighted by the CFO and the Finance Team, who provide budget and financial guidance to the faculty and portfolio heads and a first line of assurance on the budgetary inputs. With respect to the budget process for 2023 and 2024 it was evident that the Finance Team: 5.18

- coordinated the budget process, performed reasonableness checks on fixed cost inputs, consolidated all inputs and determined the final budget position; and

- facilitated budget inputs for faculties which are fixed and accounted for by the Finance Team.

The roles and responsibilities of the Council, the ARMC and the Finance Committee in relation to the budget process is outlined in the *University of Canberra Act 1989* and their governing documents. The Finance Committee is responsible for providing the initial detailed review of the annual budget including the underlying principles for its development. The Council is responsible for reviewing and signing off on the budget. A review of the minutes of the 2022 and 2023 meetings of the Council and Finance Committee shows that for the 2023 budget and 2024 budget the Finance Committee and the Council fulfilled their responsibilities in accordance with their charters in relation to the university budget.

5.25

Since the 2024 budget the UC has moved to a contribution margin model whereby each faculty is required to contribute a set percentage of its revenue to fund the operating costs of the university. Under this approach faculties are required to meet a specified contribution margin target. The faculty managers and executive deans consulted during the audit identified that the move to the contribution margin model is positive as it allows faculties more autonomy and responsibility for faculty financial management.

5.31

The UC has not established a formal, lessons learnt process for budget cycles. The development and implementation of a documented lessons learnt process could provide the UC with a clearer understanding of aspects of the budgeting process that work well and those requiring improvement, thereby allowing UC to further strengthen the budget process over time.

5.34

Budget assumptions

The UC has identified key drivers that significantly impact financial performance and which are directly linked to specific revenue and expenditure line items in its annual budget. As part of the budget approval process, 13 key assumptions associated with these key drivers are identified and included in the budget papers that are presented to, and approved by, the Finance Committee and the Council. The budget assumptions are largely the same from year to year, but may be adjusted as necessary, and this is generally done within six months of the commencement of the budget period. Assumptions are developed at a point in time and are informed by information available at the time of development.

5.51

A key assumption relates to student revenue, which made up 76 percent of the UC's income for 2024. The assumptions used to estimate student revenue for 2024 did not hold true to the actual results achieved. The UC experienced shortfalls in its student load targets for 2024 due to a range of factors that led to an overestimation of student numbers. To address learnings from 2024 changes have since been made to the load planning process to centralise coordination of the process within the Finance Team.

5.52

Monitoring and reporting on financial performance

Financial monitoring and reporting processes

<p>The UC has established fit-for-purpose lines of accountability in relation to financial reporting. The Chief Financial Officer presents financial information to senior executive and governing bodies. Senior executive and the Financial Committee review financial information and provide advice and recommendations to the Council.</p>	6.7
<p>The UC's Finance Team prepares monthly financial management reports for the Finance Committee, Council and Vice-Chancellor's Group. The monthly financial management reports provide senior executives and governing bodies with a comprehensive and structured view of the finances for the university, alongside a high-level summary of the faculties and portfolios. The reports provide clear comparisons to budget and prior year results and further breakdowns of significant financial line items as necessary. The information in the reports supports relevant stakeholders gain an understanding of the UC's financial performance and informs decision-making.</p>	6.12
<p>The UC's Finance Team prepares monthly faculty and portfolio reports for Executive deans, faculty managers and portfolio heads. The monthly faculty and portfolio reports contain comprehensive and relevant financial information that provides recipients with a useful understanding of the financial position and sufficient information to inform financial decisions. Recipients of the reports indicated that the financial reports provided them with accurate and timely information to support them to undertake their financial duties.</p>	6.21
<p>In addition to monthly financial reports on performance, the UC's Finance Team has developed:</p> <ul style="list-style-type: none"> • a triannual financial forecast report that is provided to senior executive and governance bodies. The forecast projects the year-end financial results, details any significant variance the budget and resultant risks; and • a financial dashboard that draws on information in the UC's primary financial reporting and budgeting system (Calumo). The dashboard provides the senior executive, faculties and portfolios with real time information on their financial performance. 	6.26
<p>The UC has established appropriate processes for the review and oversight of its financial reporting. There is evidence that the senior executive and members of the governing bodies review and query the financial reports at their regular meetings. The UC also has assurance mechanisms in place to assess the accuracy and content of the financial reports with the CFO, senior executive and governing boards reviewing the reports at multiple points.</p>	6.32

Assurance framework for financial management and reporting

To support second line assurance on financial management, the UC has established a Finance Committee and an Audit and Risk Management Committee. Each committee has responsibilities for the provision of assurance on financial management and control outlined in their respective charters. In practice, however, the Audit and Risk Management Committee has limited involvement in financial management and related assurance activities, which have been delegated to the Finance Committee. 6.44

Audit and Risk Management Committee and Finance Committee meeting minutes for 2023 and 2024 show evidence of consideration of risk, review of the financial statements and provision of advice and recommendations to the Council on financial matters. However, the meeting minutes do not record evidence of any specific financial related assurance activities being initiated by the Committees in 2023 and 2024. There is an opportunity to clarify the responsibilities between the Audit and Risk Management Committee and the Finance Committee in relation to the provision of assurance over the UC’s financial management and controls. 6.45

The UC’s internal audit work programs for 2022-23 and 2023-24 primarily focused on non-finance related requirements for the university and did not include any financial management or governance audits. The Internal Audit Work Plan for 2025 includes finance focused audits including a ‘Review of Financial Budgeting and Management’. 6.56



Recommendations

Recommendation 1 Procedural guidance for faculty and portfolio managers

The University of Canberra should develop procedural guidance for faculty and portfolio managers in relation to financial management processes. The procedural guidance should include clear descriptions of roles and responsibilities for financial management.

Recommendation 2 Financial management policies and procedures

The University of Canberra should improve the management of its financial management policy and procedures by:

- a) maintaining historical versions of the policy and procedural guidance in the Policy Library;
- b) accurately recording approval, review and expiry dates in the documents; and
- c) undertaking scheduled reviews of the documents in a timely manner.

Recommendation 3 Policy and procedural guidance for annual budget process

The University of Canberra should develop policy and procedural guidance for the annual budgeting process, including:

- a) the methodology by which the budget is developed;
- b) responsibilities and accountabilities of all key stakeholders in the process; and
- c) a process for updating and communicating the guidance to relevant stakeholders at the commencement of each annual budget process.

Recommendation 4 Responsibilities of the Audit and Risk Management Committee and Finance Committee

The University of Canberra should:

- a) clarify the responsibilities of the Audit and Risk Management Committee and Finance Committee in relation to the oversight of financial management arrangements and financial controls; and
- b) ensure that work plans of the committees reflect how these responsibilities will be met.

Response from entities

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the University of Canberra was provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report; and
- a final proposed report for further comment. All comments were considered and required changes were reflected in the final report.

In accordance with subsection 18(3) of the *Auditor-General Act 1996*, other people considered to have a direct interest in the report were also provided with a draft proposed report and final proposed report, or extracts thereof, for comment. All comments on the draft proposed report were considered and required changes made in a final proposed report. All comments on the final proposed report were considered and required changes were reflected in the final report.

University of Canberra

The University of Canberra provided the following comments for inclusion in the final report:

Thank you for providing the Final Proposed Report on the Audit Office's performance audit of the University of Canberra's financial governance arrangements. I confirm that the University has reviewed the report and appreciates the constructive engagement throughout the audit process.

Acceptance of report and recommendations

The University accepts the report and all its recommendations. We acknowledge the importance of continuing to strengthen our budgeting methodology, load planning governance, and longer-term financial sustainability strategies. Work is already underway to address the findings identified.

Clarification of the University's position

*While the University accepts the report, we wish to state our position regarding the use of the term "**high risk**" in describing the 2023 and 2024 budgets.*

As indicated in our written response to the Draft Proposed Report:

- *The 2023 and 2024 budgets were considered and approved by the University Council based on the **best available information at the time**.*
- *The associated risks **were understood, transparent, and monitored** through established governance processes, including Council and its subcommittees.*

*For these reasons, the University does not agree that the budgets were high risk at the point of approval. Rather, the "high risk" characterisation appears to reflect **hindsight**, shaped by subsequent developments such as:*

- *Lower-than-expected student load*
- *External policy changes including capping international students*
- *Delayed realisation of planned strategic initiatives*

*The underlying assumptions used in both budgets were **reasonable and evidence based** when adopted, and Council fulfilled its oversight responsibilities appropriately.*

We offer this clarification not to dispute the value of the report, but to ensure that the contemporary context of decision-making is accurately reflected, particularly given the report will be tabled in the ACT Legislative Assembly.

...

Financial performance since the conclusion of the audit

Since the period examined by the Audit Office, the University has achieved a significant financial turnaround. As noted in the Report Summary, the University reported a Consolidated Deficit from Operations of \$41.0 million for 2024.

Throughout 2025, University management actively managed the impacts of staff reductions and strengthened controls on non-salary expenditure. These measures delivered a financial turnaround which has stabilised our finances to a breakeven or better position after one-off costs. Our likely deficit in 2025 FY will be \$4.2 million, down from \$41 million in 2024 FY. We also experienced student growth in 2025 FY. The 2026 Budget has been set with a small Operating Surplus, continuing the University's focus on sustainable financial performance. And we have seen further growth in student numbers at UC Bruce Campus.

Closing

The University remains committed to continuous improvement in its governance and financial management practices. For your information, in 2025, we commissioned eminent Australian Professor Ian Chubb AC to review our Governance Systems. We have implemented his recommendations.

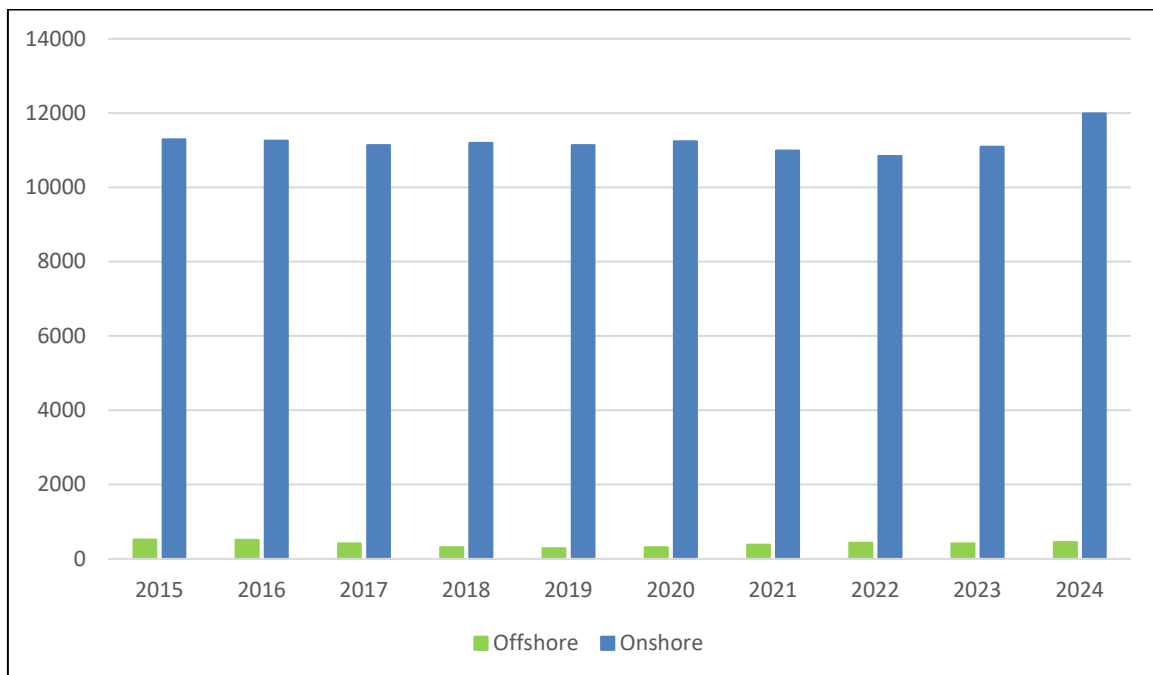
We thank the Audit Office for its engagement and constructive recommendations.

1 Introduction

University of Canberra

- 1.1 The University of Canberra (UC) is a public research university whose main campus is in Bruce.
- 1.2 The UC offers over 200 courses, with the top five courses by student enrolments being Bachelor of Nursing, Bachelor of Information Technology, Master of Counselling, Bachelor of Software Engineering and Bachelor of Science in Psychology.
- 1.3 In 2024 the UC had an equivalent full time student load (EFTSL) of 11,996.¹ The UC's student numbers have remained relatively stable since 2016. Most students are domestic students (71 per cent in 2024) and most students are enrolled onshore (96 per cent in 2024).
- 1.4 Figure 1-1 shows total student enrolments for 2015 to 2024 categorised by onshore and offshore students.

Figure 1-1 UC total student enrolments 2015 to 2024 (onshore and offshore)

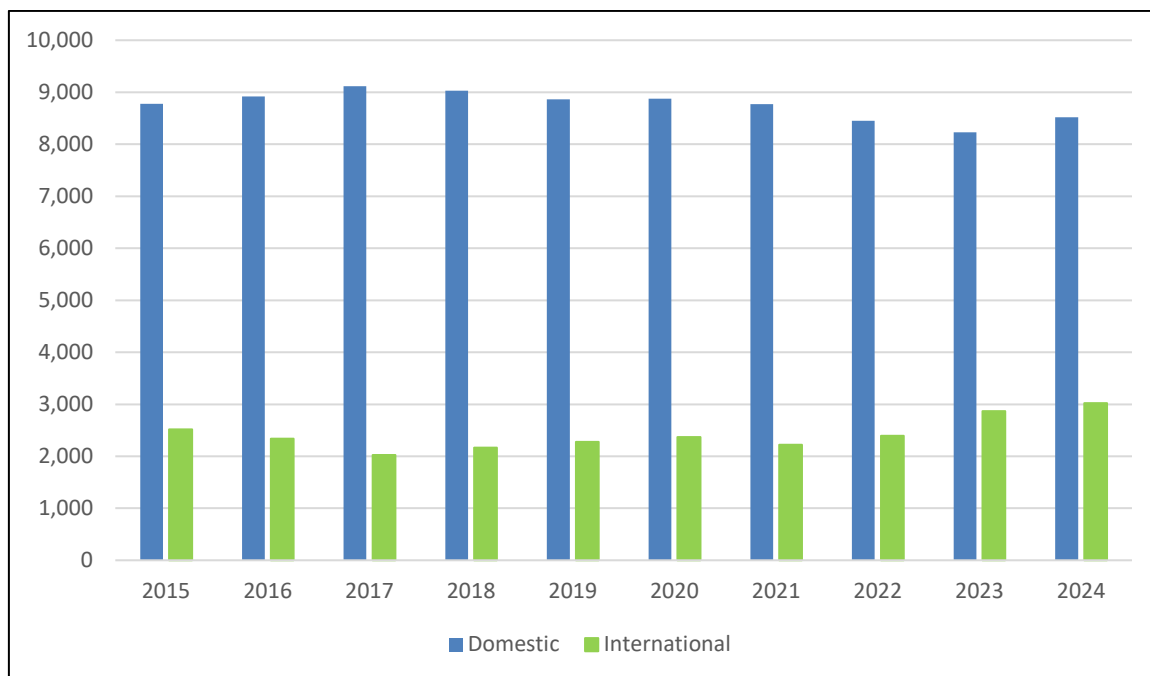


Source: University of Canberra, *Annual Report 2024*, p. 21.

¹ Equivalent full time student load (EFTSL) is a measure of a student's study load. An EFTSL 1.0 is the standard annual study load of a student undertaking a program on a full-time basis.

1.5 Figure 1-2 shows total student enrolments for 2015 to 2024 categorised by domestic and international students.

Figure 1-2 UC total student enrolments on Australian campuses 2015 to 2024 (domestic and international)



Source: University of Canberra, *Annual Report 2024*, p. 21.

UC governance

1.6 The UC is established by the *University of Canberra Act 1989*. The UC is governed by the University Council (Council). A principal responsibility of the Council is the approval of the annual budget and control of finances. The Council is chaired by the University Chancellor (Chancellor).

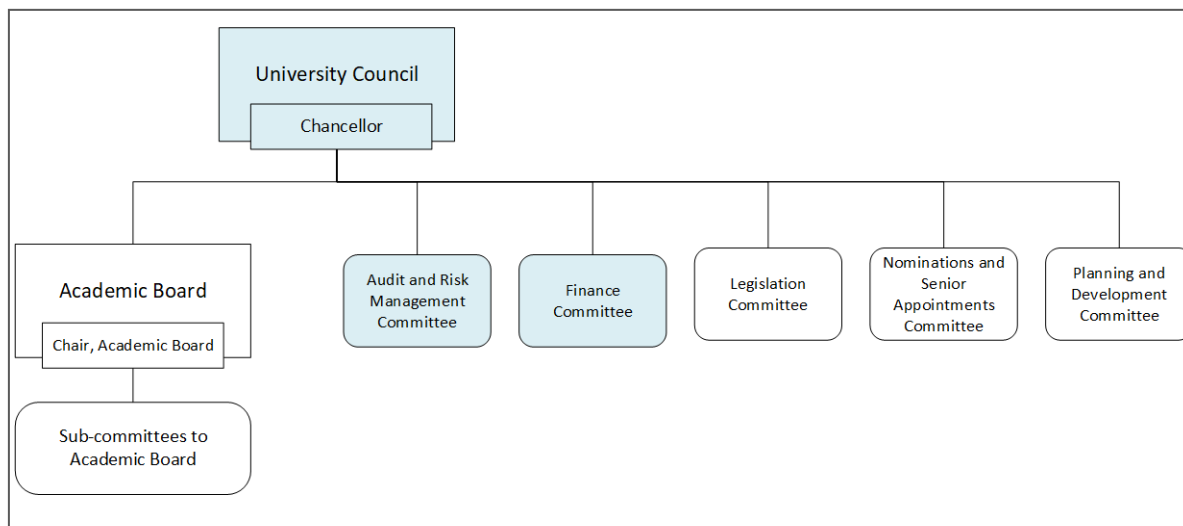
UC governance committees

1.7 The Council is supported by a number of committees. The relevant committees supporting financial governance and oversight are:

- the **Finance Committee** - makes recommendations to the Council concerning financial, investment and commercial management matters of the University and its controlled entities; and
- the **Audit and Risk Management Committee** - provides assurance and advice to the Council on the University's control environment including on audit, risk, compliance and governance.

1.8 Figure 1-3 provides an overview of the UC governance framework. The financial governance role of the highlighted governance bodies was considered as part of this audit.

Figure 1-3 UC governance framework



Source: ACT Audit Office based on UC documentation.

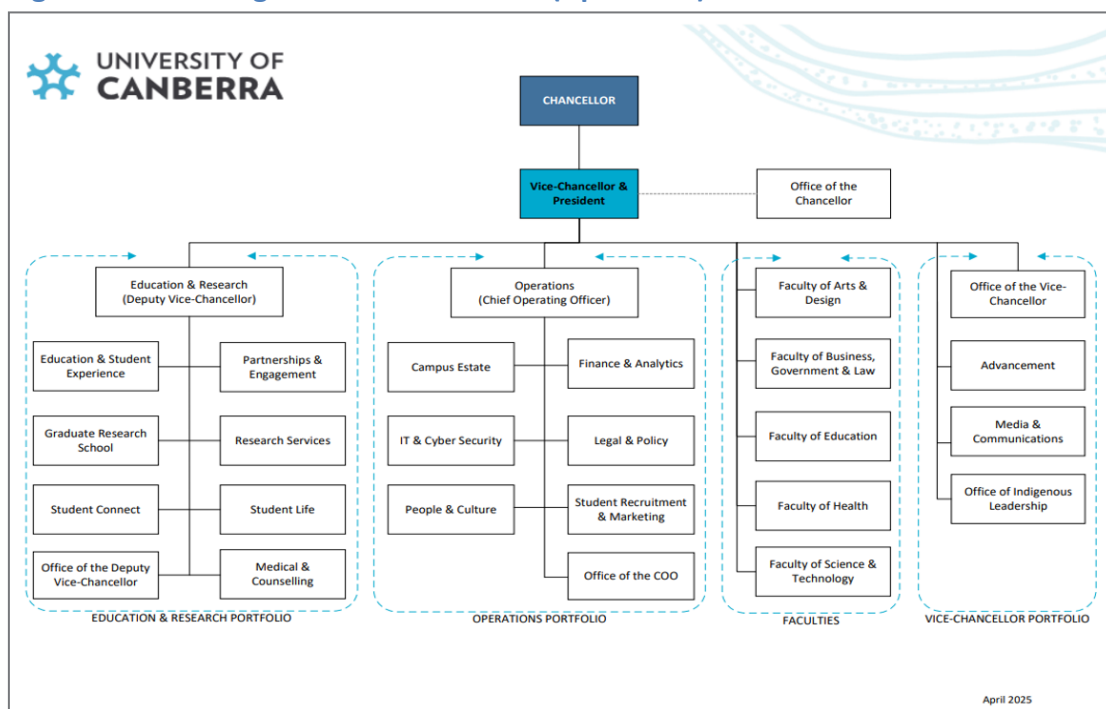
UC organisational structure

1.9 The organisational structure of the UC is divided into faculties and portfolios:

- **faculties** - focused on the delivery of the courses and education, including:
 - Arts and Design;
 - Business, Government and Law;
 - Science and Technology;
 - Education; and
 - Health.
- **portfolios** - focused on the operational and supporting functions of UC, including those relating to finance, information technology, student wellbeing and legal.

1.10 Figure 1-4 shows the UC's organisational structure as at April 2025.

Figure 1-4 UC organisational structure (April 2025)



Source: UC website.

1.11 The April 2025 structure of the UC followed an organisational restructure, which resulted in:

- a reduced number of portfolios; and
- faculties no longer residing within a portfolio.

UC executive

1.12 The day-to-day management of the university is overseen by the Vice-Chancellor (VC). The Vice-Chancellor is accountable to the Chancellor and seeks to work closely with the Council and Academic Board to deliver the university's strategy. The Vice-Chancellor is supported by executive staff including:

- the Deputy Vice-Chancellor (DVC) - responsible for overseeing the day-to-day operations of the university's faculties and research institutes; and
- the Chief Operating Officer (COO) - accountable to the Vice-Chancellor for the performance of the university's corporate functions including the university-wide budget development, management and financial viability reporting.

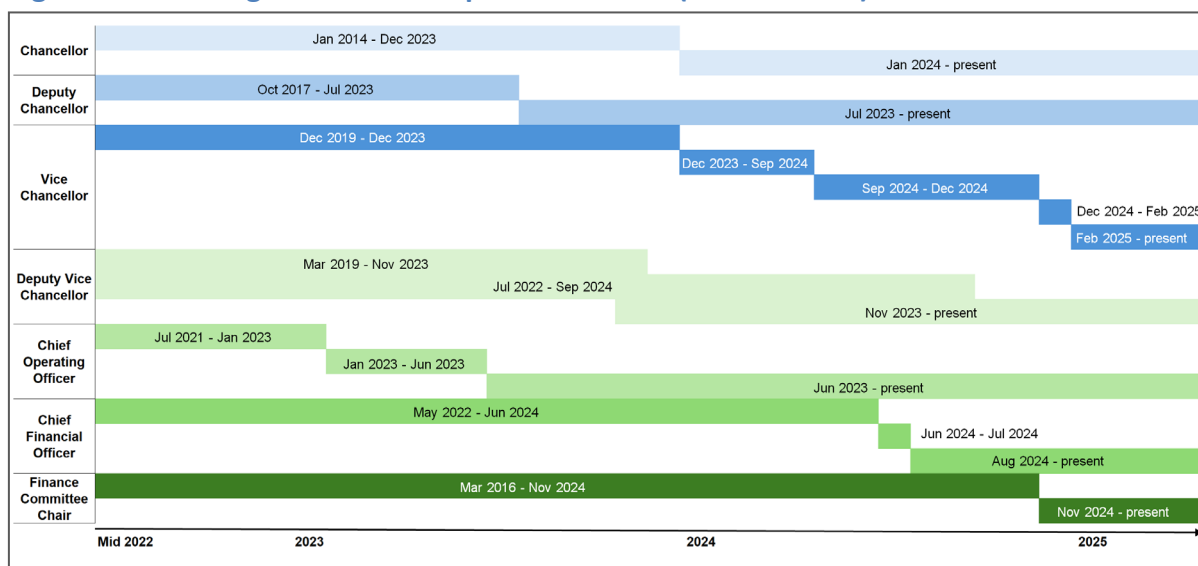
1.13 In addition to the executive staff, the Chief Financial Officer (CFO) heads the Finance and Analytics Team (Finance Team) and reports directly to the COO. The CFO is responsible for overseeing and managing all financial aspects of the institution including providing strategic leadership and guidance to ensure the university's financial stability, sustainability and growth.

1.14 The work of the senior leadership team is supported by the VC Group (established in October 2025). The VC Group comprises the Vice-Chancellor, Chief Operating Officer, Deputy Vice-Chancellor, the Pro Vice-Chancellor Indigenous Leadership, the Chief Financial Officer, the Chief People Officer, the Faculty Executive Deans and the Chair of the Academic Board. The current membership of the VC Group was confirmed in early 2025 upon commencement of the new Vice-Chancellor.

Changes in key UC personnel

1.15 From mid-2022 to 2024 there were significant changes in senior personnel at the UC. A timeline of these movements showing the tenure of various personnel in their roles is shown in Figure 1-5.

Figure 1-5 Changes in UC senior personnel from (2022 to 2024)



Source: ACT Audit Office based on UC advice and documentation.

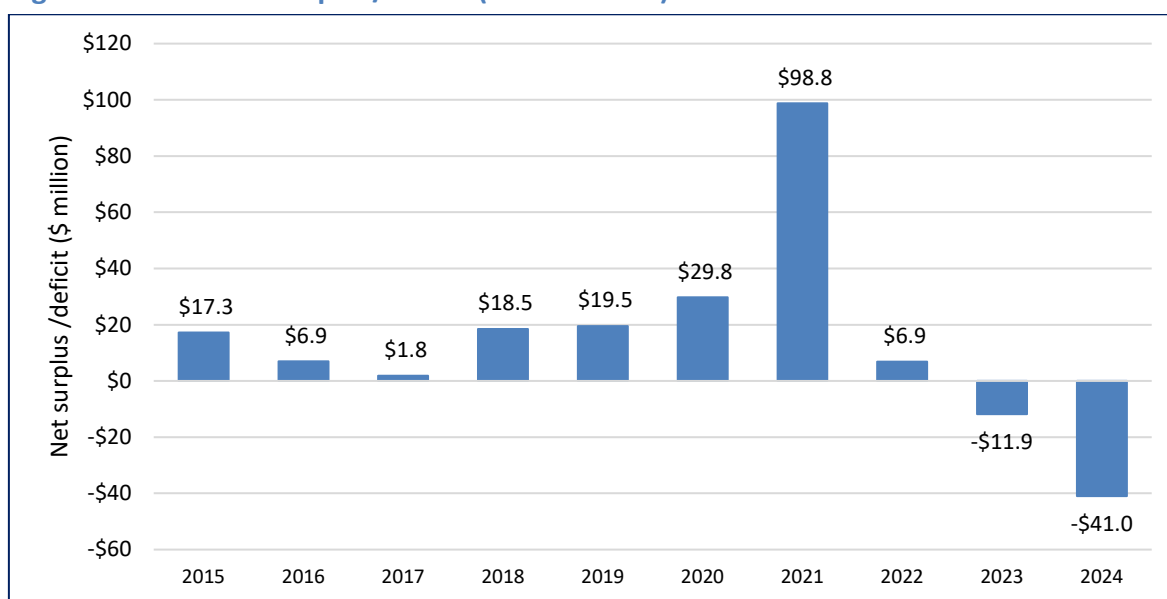
1.16 Figure 1-5 shows:

- there were changes across a number of key roles at the UC during 2023 and 2024, both at the executive level and head of governing bodies;
- the Vice-Chancellor role was occupied by five different people (including three acting Vice-Chancellors) during 2023 and 2024; and
- organisational changes in 2023 meant that the two Deputy Vice Chancellor roles (DVC Research and Enterprise and DVC Academic) were reduced to one Deputy Vice Chancellor role in December 2024.

UC financial performance

- 1.17 Figure 1-6 shows the UC's net operating surplus from continuing operations (net surplus) between 2015 and 2024.
- 1.18 The 'net operating surplus from continuing operations' metric is an accurate reflection of financial performance as it excludes accounting adjustments from the regular revaluation of assets such as investments and property, plant and equipment. This metric provides a more accurate representation of the UC's underlying financial position based on its core operations (as opposed to one-off events).

Figure 1-6 UC net surplus/deficit (2015 to 2024)



Source: Audit Office based on UC financial statements.

- 1.19 Figure 1-6 shows that between 2015 and 2019 the UC reported relatively small surpluses. The UC was able to maintain a net surplus from continuing operations and strengthen its position through higher surpluses in 2020 and 2021. Overall, the UC was able to achieve a positive financial position for most of the period.
- 1.20 Relative to the higher education sector in Australia as a whole, the UC had demonstrated an ability to achieve a net surplus from its continuing operations and a positive financial position (total assets exceeding total liabilities) since 2015.
- 1.21 Figure 1-6 also shows that in eight of the ten years since 2015, the UC reported net surpluses of under \$20 million. The substantial net surplus in 2021 was unusual and was mainly due to very high \$85.5 million investment revenue, which increased from \$5.2 million in 2020. This increase related to a \$53.1 million dividend from IDP Education Limited/Education Australia Limited and a \$22.8 million Dividend Imputation Credit. These were one-off revenue items and do not represent the UC's ongoing revenue base. Issues associated with

this revenue item have had an impact on the UC's financial performance. These issues are discussed in paragraphs 1.34 to 1.40.

- 1.22 The UC reported its first deficit in 2023 (\$11.9 million), which was followed by a larger deficit in 2024 (\$41.0 million).

Revenue

- 1.23 The UC's primary sources of revenue for 2024 were:

- government funding including Commonwealth and Territory funding \$209.7 million (56 per cent); and
- fees and charges including accommodation and student payments \$127.4 million (34 per cent).

- 1.24 Other revenue has derived from sales, publications, parking and administration charges and investment income.

- 1.25 Historically, the largest sources of revenue have included:

- government grants, excluding government Higher Education Loan Program (HELP) payments, with \$121.5 million in 2023 and \$116.1 million in 2024; and
- fees and charges, comprising of course fees and associated charges totalling \$109.3 million in 2023 and \$119.5 million in 2024.

- 1.26 Other significant revenue items include Australian Government HELP payments (\$79.3 million in 2023 and \$89.6 million in 2024), as well as investment income, other income (consisting of various revenue line items) and gains on disposal of assets.

Expenses

- 1.27 The UC's primary expenses in 2024 were:

- employee related expenses \$245.9 million (59 per cent);
- academic partner payments \$32.2 million (eight per cent);² and
- depreciation and amortisation \$22.4 million (five per cent).

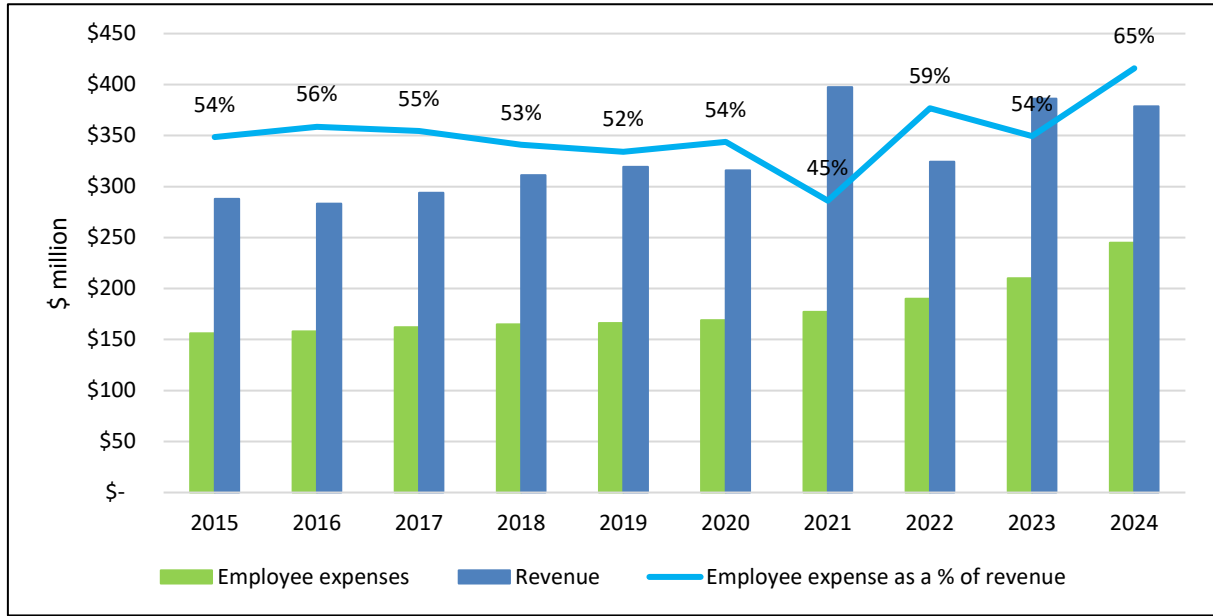
- 1.28 Other expenses have included license fees, subscriptions, consultant fees and utilities.

² Academic partner payments are payments to other Australian higher education institutions that deliver courses on behalf of UC.

Salary and employee costs

1.29 Salary and employee costs are the most significant expense for the UC. This is consistent with all Australian universities. Figure 1-7 shows the UC’s employee expenses and revenue between 2015 and 2024, as well as employee expenses as a percentage of revenue.

Figure 1-7 UC employee expenses as a percentage of revenue (2015 to 2024)



Source: Audit Office based on UC financial statements 2015-2024.

1.30 Figure 1-7 shows the UC’s employee expenses have:

- made up between 45 per cent and 65 per cent of revenue since 2015; and
- grown consistently with revenue between 2015 and 2024.

1.31 The 2021 revenue figure of \$398 million includes \$85 million of one-off revenue. The increase in salary and employee costs in 2023 and 2024 were partially due to a planned increase in staffing due to strategic projects (discussed in Chapter 2). The high salary and employee costs in 2024 (65 per cent of revenue) was largely attributable to higher amounts paid out in staff redundancies during 2024. Redundancies paid in 2024 totalled \$10.1 million. If the impact of this was removed, the percentage of salaries to revenue would be 62.5 per cent.

Revenue and expenses growth

1.32 Total expenses (including academic partner payments, depreciation and amortisation and licensing fees) have consistently increased since 2015 at a faster rate than revenue.

1.33 Table 1-1 shows the UC’s revenue and expenditure growth between 2015 and 2024.

Table 1-1 UC revenue and expense growth (2015 to 2024)

Year	Revenue (\$ million)	Expense (\$ million)	Revenue Growth	Expense Growth
2015	287.8	270.6	-	-
2016	283.2	276.3	-2 %	2 %
2017	293.8	292.0	4 %	6 %
2018	311.1	292.6	6 %	0 %
2019	319.3	299.8	3 %	2 %
2020	315.9	286.1	-1 %	-5 %
2021	386.3	287.5	22 %	0 %
2022	324.2	317.4	-16 %	10 %
2023	386.2	398.0	19 %	25 %
2024	377.6	418.5	-2 %	5 %
<i>Change over ten-year period</i>			31 %	55 %

Source: Audit Office based on UC financial statements 2015-2024.

1.34 Table 1-1 shows the UC's expenses grew by 31 per cent between 2015 and 2024, while revenue increased by 55 per cent over the same period. This trend highlights the UC's growing cost base and indicates that:

- even without recent external factors, the UC had been steadily experiencing financial sustainability challenges; and
- external factors or adverse business decisions could present immediate challenges (unless the UC was able to respond by implementing cost cutting initiatives or increasing revenue growth).

Recent developments impacting the UC's financial position

1.35 In recent years the UC has faced significant events and external factors that have impacted its financial position and contributed to its deficits in 2023 and 2024. These key events and external factors are outlined in the following sections of the report.

ATO Imputation Credits

1.36 The UC, along with 37 other Australian universities, is a shareholder in Education Australia Limited (EAL), an education-focused consultancy group. In 2021 IDP Limited, an entity owned by EAL, was restructured and the UC received an in-specie dividend of \$53.1 million as a result of the restructure.³ The UC expected that this carried with it a dividend

³ Refers to payment of a dividend received through transfer of assets rather than cash.

imputation credit of \$22.8 million.⁴ This amount was recognised in the UC's 2021 financial statements as investment income.

- 1.37 In 2022 the Australian Taxation Office (ATO) informed the UC of its intention to challenge its entitlement to the imputation credit. In March 2023, the ATO issued a formal notice that denied the refund of the franking credits under section 207-122 of the *Income Tax Assessment Act 1997*, with the result that the UC was not entitled to the \$22.8 million credit.⁵ As a result, in mid-2023 the UC recognised an impairment for the \$22.8 million receivable in its 2023 financial statements. The UC advised that the impairment resulted in increased expenditure in 2023 of \$22.8 million, but this increase in expenditure was offset by a gain on disposal of land of \$23.4 million.
- 1.38 Upon seeking legal advice in February 2024 the UC and the other universities involved are disputing the ATO's ruling. The outcome of this dispute is still pending. Should the UC be successful in its challenge, the \$22.8 million will be added back to the UC's receivable balance at that point in time. The UC advised that the adding back to receivables would be reflected in additional 'one-off' income in the year of recognition.

Staff redundancies

- 1.39 In late 2024 the UC took action in relation to its financial sustainability challenges. In late 2024 the UC undertook a range of cost-cutting measures focused on reducing expenditure against budget across all aspects of the UC's operations.
- 1.40 In October 2024 the UC announced that over 200 jobs would be made redundant including nine senior management positions as part of efforts to save \$50 million from its recurrent expenditure by the end of 2025.
- 1.41 By April 2025, approximately 190 positions had been made redundant, including more than ten at the senior management and executive level. While the upfront costs of redundancies are substantial (approximately \$10 million in 2024), the UC estimated that the redundancy program will produce an annualised reduction in base salary operating costs of \$39.8 million in 2025. These savings are expected to contribute to the UC's aim of a planned surplus financial position by 2026.

⁴ Dividend imputation credits are where companies pay tax on their profits and then pass on a portion of that tax (as franking credits) to shareholders when they distribute dividends.

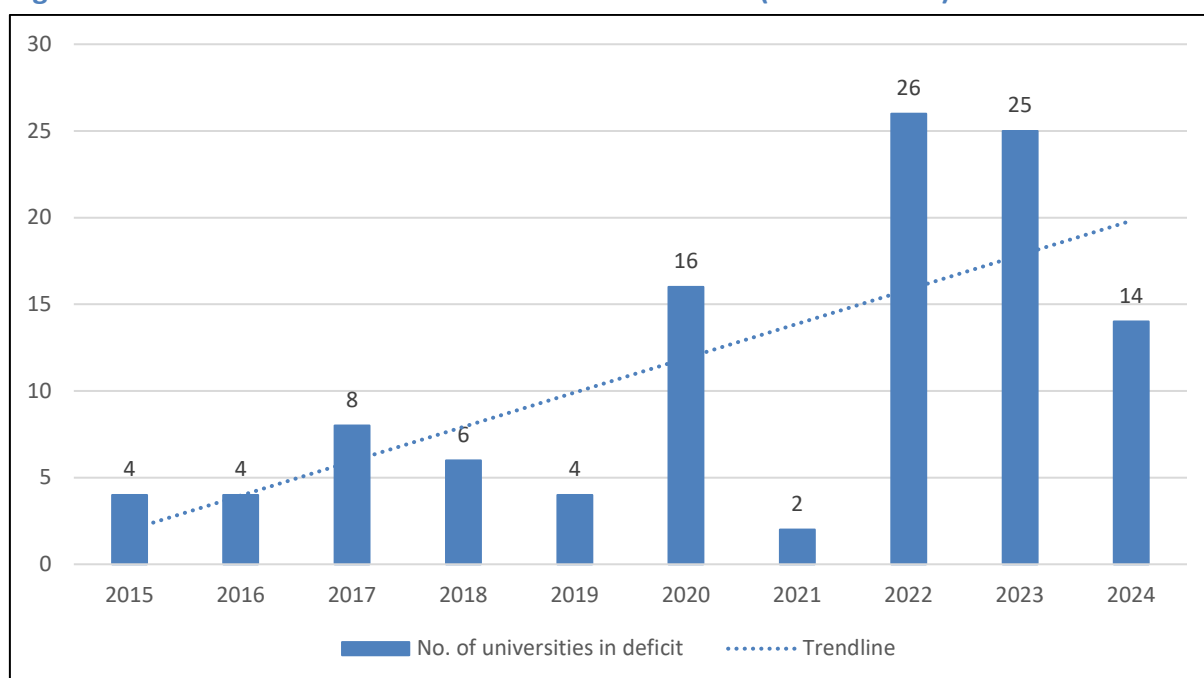
⁵ Tax credit allows shareholders offset company tax already paid on their dividends. For UC, this was claimable from the ATO as UC does not pay tax due to its not-for-profit status.

Australian university sector

1.42 Australian universities are major economic entities and significant contributors to the Australian economy. The Australian university system is largely funded by the Australian Government, which contributes over \$15 billion in annual funding to the higher education sector.

1.43 Over the past decade, the financial performance of Australian universities has been challenged. On the whole, Australian universities have transitioned from a position of positive operational surplus to a scenario where most universities are now experiencing financial deficits. Figure 1-8 shows the number of the 39 member universities of Universities Australia that reported a deficit between 2015 and 2024.

Figure 1-8 Number of Australian universities in deficit (2015 to 2024)



Note: Results for the 39 members of Universities Australia which are the 36 public universities, ACU, UNDA and Bond University.

Source: Commonwealth Department of Education Finance Statistics 2015 to 2024.

1.44 Figure 1-8 shows:

- in 2017, eight of the 39 universities (21 per cent) reported a deficit; and
- in 2020, 16 of the 39 universities (41 per cent) reported a deficit; and
- in 2022, 26 of the 39 universities (67 per cent) reported a deficit.⁶

⁶ Universities Australia, *Critical Challenges in Australia's University Sector: Securing a Sustainable Future*, 19 November 2024.

1.45 The November 2024 Universities Australia report *Critical Challenges in Australia's University Sector: Securing a Sustainable Future* identified that over the last several years significant external factors have collectively impacted the financial sustainability of Australian universities including:

- **the COVID-19 pandemic** – in response to the pandemic, universities made financial adjustments including reducing staff, scaling back capital projects and adjusting operations to support their financial position;
- **Government policy changes** – *Ministerial Direction 107* (a directive issued by the Australian Government on 14 December 2023) restricted international student visa processing and admissions. Government caps on international student numbers can limit universities' opportunities for revenue; and
- **reduced funding for domestic Commonwealth-supported students** – the teaching of Commonwealth-supported students is the largest revenue source for Australia's universities, making up nearly 40 per cent of their income in 2022. There was an eight per cent decline in average funding per Commonwealth supported places from 2013 to 2023.⁷

University governance

1.46 Universities that have strong governance, including financial governance, are in a better position to respond to the challenging external operating environment. Effective university governance includes having:

- clearly defined structures, lines of accountability and relationships among various stakeholders, including governance bodies, professional and academic staff, students and external entities;
- an established framework of policies, procedures and practices that comply with legal and government policy requirements and guide decision-making processes;
- effective strategic planning and oversight that allows for monitoring of the implementation of goals and objectives; and
- responsible financial and risk management that includes having systems of control and accountability that monitors the assessment and management of risk across the university.

1.47 Recent reviews into governance at Australian universities have identified various factors that impact the effectiveness of financial governance including:

- a focus on metrics driven, short-term decision-making by university leaderships;

⁷ Commonwealth Supported Students are enrolled in a Commonwealth Supported Place, a program where the Australian Government subsidizes part of the cost of their higher education, reducing the amount they need to pay in tuition fees. Students are responsible for the remaining portion, known as the student contribution amount.

- growth in the remuneration of vice-chancellors, as well as the number and remuneration of other non-academic senior executives;
- devolved budgets;
 - performance and financial constraints on academic and support units have moved responsibility from senior management to faculty, school or unit heads;
- a lack of accountability and transparency around university decision-making including:
 - inadequate coordination by senior managers;
 - not having appropriate governance structures in place; and
 - a failure to ensure that policy aims of the university in one portfolio area are implemented in the practices and decisions of others.⁸

Audit objective and scope

Audit objective

1.48 The objective of the audit was to assess the effectiveness of the University of Canberra's financial governance and administrative arrangements.

Audit scope

1.49 The audit focused on the UC's:

- systems and processes for financial management;
- processes for the preparation of financial budgets; and
- processes for financial monitoring and reporting.

1.50 In considering systems and processes for the financial management of the UC, the audit considered its:

- use of financial management information systems;
- implementation of financial management policies and procedures; and
- implementation of, and adherence to, financial controls, including segregation of duties and delegations and approvals.

⁸ *The Corporatisation of University Governance in Australia*, National Tertiary Education Union, April 2024; *Inquiry into Quality of governance at Australian higher education providers*, Interim Report released April 2025, Senate Education and Employment Legislation Committee; *Australian Universities Accord, Final Report*, 28 December 2023; and Australian Institute of Company Directors, *Dr Pamela Hanrahan on the issue of university governance reform*, 1 November 2024.

- 1.51 In considering processes for the preparation of financial budgets the audit considered the UC's:
- budgeting process and its linkage to organisational planning;
 - governance arrangements for the review, approval and oversight of internal budgeting and forecasting processes; and
 - documentation and approvals associated with the internal budgeting framework.
- 1.52 In considering processes for financial monitoring and reporting the audit considered the UC's:
- governance arrangements for the oversight of financial management, including reporting lines and accountabilities;
 - Council and other key governance groups in the oversight of UC's financial management and budgeting; and
 - audit and compliance activities for the provision of assurance on legislative and better practice compliance and the identification of control gaps and risks.
- 1.53 The audit primarily focused on governance and administrative arrangements in place for 2024, although previous years' arrangements were considered to the extent necessary and relevant. In response to the draft proposed report the UC advised that the management structure and financial reporting processes have since changed.

Out of scope

- 1.54 The audit primarily focused on the financial governance and administrative arrangements of the UC. Broader governance and administrative arrangements of the UC were not specifically considered, except to the extent that they were relevant, and provide insight into, the financial governance and administrative arrangements.

Audit criteria, approach and method

- 1.55 The audit was performed in accordance with *ASAE 3500 – Performance Engagements*. The audit adopted the policy and practice statements outlined in the Audit Office's *Performance Audit Methods and Practices* (PAMPr) which is designed to comply with the requirements of the *Auditor-General Act 1996* and *ASAE 3500 – Performance Engagements*.
- 1.56 In the conduct of this performance audit the ACT Audit Office complied with the independence and other relevant ethical requirements related to assurance engagements.

Audit criteria

1.57 To form a conclusion against the objective, the following criteria were used:

- Does the UC have effective systems and processes for financial management?
 - Does the UC have appropriate, fit-for-purpose systems for financial management?
 - Does the UC have appropriate processes for financial management?
- Does the UC have effective processes for the preparation of financial budgets?
 - Are budgets prepared with input from relevant business areas, governance forums and stakeholders?
 - Are assumptions underpinning financial budgets clearly identified, documented and communicated?
- Does the UC have effective processes for the monitoring and reporting of its financial position?
 - Does the UC prepare accurate, regular and timely reports on its financial position?
 - Are the reports provided to relevant business areas, governance forums and stakeholders on a timely basis?
 - Is there an effective audit and assurance framework to review financial management and compliance?

Audit approach and method

1.58 The Audit Office engaged McGrathNicol, a firm with expertise in financial governance and administration, to assist with the conduct of the audit.

1.59 The audit approach and method consisted of:

- a desktop review of information held by the Audit Office in relation to UC's financial governance arrangements and financial position;
- reviewing UC's key strategic projects and the impact on the university's financial position in 2024;
- identifying and reviewing relevant information and documentation including UC's financial governance and accountability framework and related policies, procedures, guidelines, Information Technology systems and relevant financial reports;
- identifying and documenting UC's internal budget process for 2024 including roles and responsibilities, key budget assumptions, and approvals;
- identifying and documenting UC's internal financial and governance controls and procedures used to give effect to the policies and guidelines and to ensure compliance and evaluating the effectiveness of these controls; and
- interviews and discussion in relation to UC's financial governance arrangements with:

- key personnel at UC including members of the executive team; and
- and other stakeholders including members of the Council, Audit and Risk Management Committee and Finance Committee.

2 Budget management and decision-making

2.1 This chapter discusses key budget management and decision-making activities of the UC between 2022 and 2024. It describes the development of the 2023 and 2024 budgets and key strategic initiatives that were implemented in an effort to repair declining student numbers and deteriorating financial performance.

Summary



Conclusions

Since 2020 the UC had been experiencing a deteriorating financial position, as measured by the Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) margin (a measure of the efficiency of operating performance) and net operating margin (a measure of how well revenue exceeds expenditure).

Within this context, the UC implemented a 2023 budget that planned for an underlying operating deficit of \$14.6 million and a 2024 budget that planned for an underlying operating deficit of \$26.3 million. These budgets were predicated on a series of assumptions about higher revenue derived from increased student numbers. These budgets were high-risk.

Assumptions about increased student numbers were derived from the UC's Education Transformation and Growth (ETaG) Program, which was agreed to in late 2022. The ETaG Program sought to achieve a rapid and significant increase in student numbers by transforming the UC's educational offerings through 'new approaches delivered by new capabilities'. There was considerable up-front cost associated with the ETaG Program, as well as additional expenditure associated with another key strategic initiative agreed to in late 2023, the Digital Master Plan.

The assumptions about increased student numbers were too optimistic and the expected increase in revenue did not materialise. The high-risk budgets required the UC to take drastic and significant action to reduce expenditure to address the financial viability of the institution.



Key findings

Budget management and financial sustainability

Paragraph

In 2022 the UC developed its 10-year strategic plan. The *Connected: A Decadal Strategy 2023-2032* (the Connected Strategy) was approved by the Council on 8 July 2022, to be implemented from 1 January 2023. To implement the Connected Strategy, the UC developed a series of programs of work with accompanying strategies and plans. The *Digital Together – Empowering Connected Experiences* and *Reimagining our Educational Offerings* programs of work were significant programs of work for the UC. These multi-year, whole of institution programs required

2.9

significant upfront and ongoing investment. These work programs subsequently became known as the Digital Master Plan and the Education Transformation and Growth (ETaG) Program.

The Connected Strategy identifies financial sustainability as a key outcome by which the objectives of the Strategy can be achieved. For the purpose of the Connected Strategy the UC monitors and reports on key financial sustainability key performance indicators including EBITDA margin and net operating margin. The EBITDA margin is a direct measure of the UC's financial health and the efficiency of operating performance. Since 2020 it has declined; in 2023 it was 5.6 percent and in 2024 it was -4.1 percent. Recent results are considerably lower than the targeted result of 5.0 percent for 2027. Net operating margin captures how well the UC's revenue exceeds its expenditure. Since 2021 the net operating result has declined; in 2023 it was -1.60 percent and in 2024 it was -10.5 percent. These results demonstrate a deteriorating financial position for the UC.

2.23

The financial sustainability goal in the Connected Strategy indicates the UC's long-term target was not a continuation of its existing financial performance but a significant strengthening of its financial position. However, there was no strategy or planning documentation to demonstrate how the financial sustainability key performance indicators were to be achieved and how the indicators would contribute to the Connected Strategy's goal of financial sustainability. Targets were not consistently set for future years, particularly for EBITDA margin and net operating margin. For these measures a target was set for 2027, but targets were not set for intervening years. UC staff involved in coordinating the budgeting process for 2023 and 2024 advised that in developing the budget, no instruction was given from governing bodies on the target outcome that the budget was to achieve.

2.30

On 28 October 2022 the UC's 2023 budget was presented to the Council. The 2023 budget presented three different scenarios for 2023 (a worst-case scenario, best-case scenario and a likely scenario). All three scenarios identified a budget deficit for 2023. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$14.6 million. A long-term financial outlook was also presented for three scenarios, each of which identified net deficits each year through to 2032. The Council approved the 2023 budget on the recommendation of the Finance Committee that 'a Comprehensive Income Growth Proposal (Load Growth Business Case)' be presented, along with 'a Project to redesign the University's Operating Model with the target of improving efficiencies and reducing Operating Costs'. The Load Growth Business Case, which subsequently became known as the ETaG Program was presented to, and approved by the Council, on 23 November 2023.

2.44

The 2023 budget, which already identified an underlying deficit, was predicated on a series of assumptions that proved to be too optimistic. The decision to approve the budget locked the UC into a path that could only succeed if student numbers increased. To assume that future cost-cutting was possible when salary and benefit expenditure was forecast to increase by \$26.9 million (14.0 percent) and non-salary costs were forecast to increase by \$18.0 million (21.4 percent) was high-risk.

2.45

On 8 December 2023 the UC's 2024 budget was presented to the Council. Similar to the 2023 budget the 2024 budget presented three different scenarios, all of which identified a budget deficit for 2024. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$21.0 million. A further \$5.3 million was added to the 2024 budget relating to 'operating deficit arising from non-research projects'. A long-term financial outlook was presented for three scenarios, which identified net deficits each year through to 2027 for all three scenarios and a return to surplus in 2029 for the likely scenario. The Council approved the 2024 budget with a deficit of \$26.3 million 'given the period of investment and change, with an expectation that a breakeven or small surplus budget be delivered in 2025'.

2.60

The 2024 budget, which identified an underlying deficit even greater than the 2023 budget, was similarly predicated on a series of assumptions that proved to be too optimistic. Finance Committee and Council consideration of the 2024 budget recognised the fundamental importance of increased student numbers to achieving higher revenue, along with initiatives to reduce costs with a view to achieving a break-even budget for 2025. Similar to the 2023 budget this was high-risk given that salary and benefit expenditure was expected to increase by \$37.4 million (18.9 percent) and non-salary costs were expected to increase by \$15.1 million (17.4 percent). In recommending that Council approve the budget the Finance Committee noted 'Semester One Census data is critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations'.

2.61

Key strategic initiatives

In response to the final proposed report a key Executive involved in decision-making at the time advised 'it is fair to say this programme of work had a significant risk profile. But that risk profile was recognised and mitigations provided for' and that 'risk mitigation was provided within the approved project and budget'.

2.82

The Education Transformation and Growth (ETaG) Program was conceived to deliver the *Reimagining our Educational Offerings* component of the Connected Strategy. The business case for the ETaG Program identified that the UC had been experiencing 'declining or flat' student numbers over many years and that a continuation of this scenario would result in ongoing operating deficits. Driven by the ETaG Program the UC sought to achieve a rapid and significant increase in student numbers, from 11,277 EFTSL in 2022 to 15,600 EFTSL by the end of 2027. Through the rapid and significant increase in student numbers the UC intended to address ongoing operating budget deficits, which derive from low and incremental growth, and regain some of the market share it had lost.

2.83

The Council was advised that considerable up-front investment was required, with estimated costs in the first three years anticipated to be \$54.9 million, after which the program was expected to be self-sustaining. The business case noted that because of the significant upfront financial investment 'University debt will likely peak at **\$70.6m** in 2024'. The business case for the ETaG Program was approved by the Council on 23 November 2022. At a time when the UC was experiencing financial

2.84

sustainability challenges the commencement of a program of work that required considerable up-front investment with increased revenue to be achieved in future years was high-risk.

Work on the ETaG Program commenced in mid-2023. New units and courses were launched in 2024 and up-front investment expenditure was incurred. In May 2024, the Deputy Vice-Chancellor (Academic) provided an update to the Council on the ETaG Program. This was the first report to the Council with student data available. The report noted that the ambitious growth assumptions for student numbers and revenue had not been realised and the end date for the program had been extended from 2027 to 2030. The May 2024 briefing paper clearly identified that increased student numbers had not been reached. The Finance Committee had previously identified that ‘Semester One Census data [was] critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations’.

2.92

To determine the full-time student load for the ETaG Program for the 2024 budget the UC developed a separate load plan in addition to the base student load plan that was developed by the Finance Team. This mistakenly led to an overestimation of expected student numbers for 2024 and this resulted in an overestimation of expected student revenue for 2024. The UC has not sought to quantify the impact of the two separate load plans and is therefore unable to specify how much of the overall EFTSL variance was related to the two load plans and how much resulted from other external factors.

2.100

The UC has subsequently revised the budgeting process for the ETaG Program to align with the rest of the faculties. For the 2025 budget the load planning process was amended, with the Finance Team taking responsibility for the development and coordination of a single load plan. A calendar of activities for 2024 was developed for the load planning process, which focused on better aligning load planning, pricing, business and budget planning.

2.101

The Digital Master Plan is a 10-year plan to deliver the *Digital Together – Empowering Connected Experiences* component of the Connected Strategy. The UC identified the Digital Master Plan as an essential program to modernise its technology capability, improve student and staff experience and contribute to its competitiveness in the higher education sector. Although financial and non-financial benefits were expected from the Digital Master Plan, a financial return was not expected until the sixth year of the Plan (i.e. 2029). The Council Paper supporting the Digital Master Plan identified an individual funding need of \$30 million (plus or minus 10 percent) for the first three years of the Plan. The Digital Master Plan was approved by the Council on 10 November 2023.

2.112

The Digital Master Plan is not directly revenue generating and required substantial financial investment during a period of financial difficulty for the UC. A \$30 million ‘funding envelope’ was approved by the Council for the first three years of the program. The Digital Master Plan added \$6 million to budgeted expenditure for 2024, increasing the expected deficit for 2024 to \$26.3 million.

2.117

Budget management and financial sustainability

UC Strategy

2.2 In 2022 the UC developed its 10-year strategic plan. The *Connected: A Decadal Strategy 2023-2032* (the Connected Strategy) was approved by the Council on 8 July 2022, to be implemented from 1 January 2023.

2.3 The Connected Strategy identified the challenges and opportunities facing the UC and the importance of financially sustainable growth:

The University of Canberra is a relatively small institution, one that is focused and agile, and ready to become a leader in the sector. To achieve our ambitions, and to be able to invest in our academic excellence, we will need to build a resilient and financially sustainable university through a strategic focus on growth. Growth that is respectful of our small, agile and welcoming character.

2.4 The Connected Strategy identified three key strategic objectives for the UC, each of which is supported by identified actions. These are shown in Table 2-1.

Table 2-1 Objectives and actions of *Connected: A Decadal Strategy 2023-2032*

Objectives	Actions
<p><i>Connected to Canberra</i></p> <p>Build sustainable communities through deep collaborations that are locally focussed and globally relevant</p>	<ul style="list-style-type: none"> • Work with local government industry partners and our community to impact community wellbeing and sustainability. • Partner with the public service to become the future workforce provider of choice. • Develop sectoral plans for long-term engagements that enhance our research and local impact.
<p><i>Connected for Life</i></p> <p>Partner for life with our students to shape our economic, social and cultural features</p>	<ul style="list-style-type: none"> • Align educational offering to match the jobs and needs of the future. • Deliver a dynamic and engaging digital offering. • Became a trusted lifelong partner for our alumni.
<p><i>Connected UC</i></p> <p>Deliver an outstanding, digitally connected, experience that removes barrier to access</p>	<ul style="list-style-type: none"> • Create lifelong personalised digital journeys for students and staff. • Deliver new ways of working that enhance our ability to innovate. • Continue to enhance our deep culture to deliver a deep sense of belonging and an outstanding connected experience

Source: ACT Audit Office, based on *Connected: A Decadal Strategy 2023-2032*.

2.5 In addition to delivering high quality research and driving student success, the Connected Strategy identified that an aim of the objectives was to ‘reimagine our education offerings to meet market demand and drive growth in student numbers’.

2.6 To implement the Connected Strategy, the UC developed a series of programs of work with accompanying strategies and plans. These included:

- Digital Together – Empowering Connected Experiences;
- Reimagining our Educational Offerings;
- Partnering with our Community; and
- Sustainability.

2.7 The *Digital Together – Empowering Connected Experiences* and *Reimagining our Educational Offerings* programs of work were significant programs of work for the UC. These multi-year, whole-of-institution programs required significant upfront and ongoing investment.

2.8 The *Digital Together – Empowering Connected Experiences* work program subsequently became known as the Digital Master Plan and the *Reimagining our Educational Offerings* work program subsequently became known as the Education Transformation and Growth (ETaG) Program. These are discussed further in paragraphs 2.62 to 2.112.



2.9 In 2022 the UC developed its 10-year strategic plan. The *Connected: A Decadal Strategy 2023-2032* (the Connected Strategy) was approved by the Council on 8 July 2022, to be implemented from 1 January 2023. To implement the Connected Strategy, the UC developed a series of programs of work with accompanying strategies and plans. The *Digital Together – Empowering Connected Experiences* and *Reimagining our Educational Offerings* programs of work were significant programs of work for the UC. These multi-year, whole of institution programs required significant upfront and ongoing investment. These work programs subsequently became known as the Digital Master Plan and the Education Transformation and Growth (ETaG) Program.

Financial sustainability

2.10 The Connected Strategy identifies financial sustainability as a key outcome by which the objectives of the Strategy can be achieved. The Strategy states:

To secure this future we need to be financially sustainable. Financial security provides the certainty that will allow us to invest in our staff, students and infrastructure. Investment in these objectives is needed for a:

- **Financially sustainable UC** that enables us to deliver on our mission.

Financial sustainability key performance indicators

2.11 In support of the financial sustainability outcome of the Connected Strategy the following measure of performance was identified:

Financial performance including EBITDA as a proportion of revenue.

2.12 This is also referred to as the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) margin. The EBITDA metric is a direct measure of the UC's financial health. It excludes the effects of non-operating cash and debt and is a reasonable measure by which to assess the efficiency of operating performance.

2.13 For the purpose of the Connected Strategy the UC monitors and reports on three financial sustainability key performance indicators. Financial sustainability indicators that are monitored are:

- EBITDA margin;
- net operating margin; and
- cash flow and asset uplift from campus development activities.

2.14 The meaning and purpose of the key performance indicators are outlined in Table 2-2.

Table 2-2 Financial sustainability key performance indicators

Key Performance Indicator	Purpose of indicator
EBITDA margin	<ul style="list-style-type: none"> • The measure calculates the earnings before interest, tax, depreciation and amortisation as a percentage of net operating revenue and adjusted for abnormal items. • The EBITDA margin is a direct measure of the UC's financial health and the efficiency of operating performance.
Net operating margin	<ul style="list-style-type: none"> • This is the operating surplus / deficit as a percentage of net operating revenue (adjusted for abnormal items). • This measure captures how well the UC's revenue exceeds its expenditure.
Cash flow and asset uplift from campus development activities	<ul style="list-style-type: none"> • This is a measure of the ongoing success of the UC's campus development efforts. • It is measured through the financial value of cash flows from deals, including external grants, land payments and collaborative payments, and asset uplifts through equity contributions and building costs.

Source: ACT Audit Office based on UC documentation.

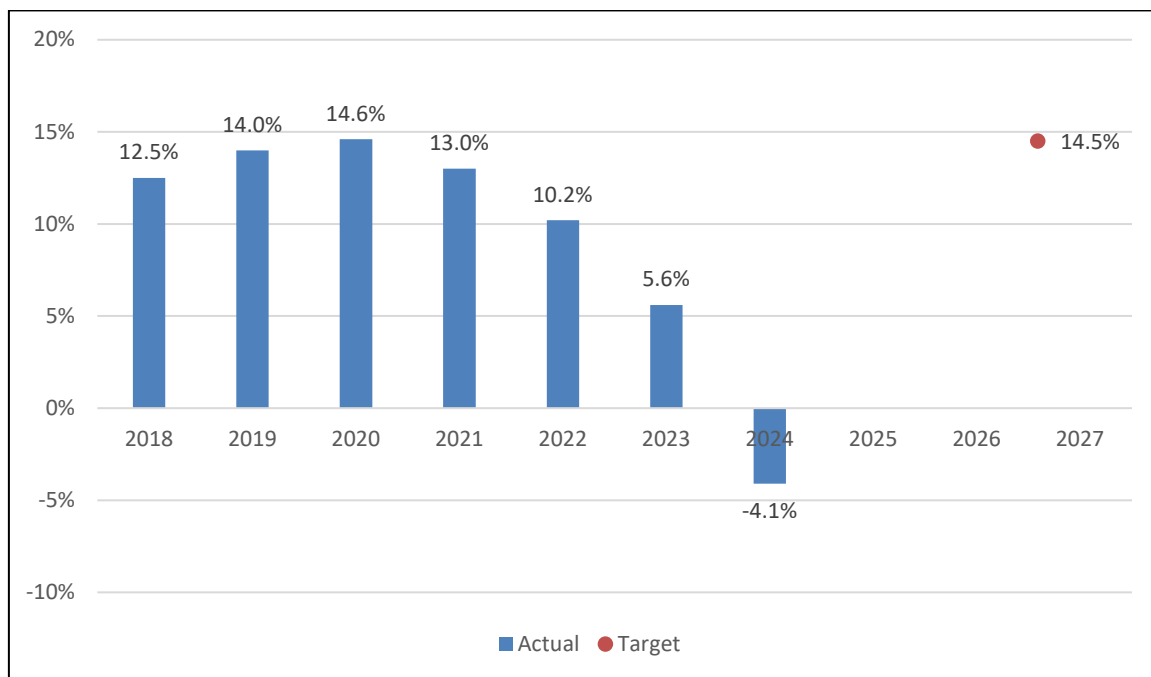
2.15 The UC monitors and reports on the three financial sustainability key performance indicators through a KPI dashboard for outcomes and measures under the Strategy. Results against the indicators are presented to the Council on an annual basis.

2.16 The following section outlines the UC's performance against the three financial sustainability indicators as it was reported to the Council in March 2025. These internal management reporting figures were adjusted to exclude one off adjustments.

EBITDA margin

2.17 Figure 2-1 shows the UC’s performance against the EBITDA margin key performance indicator since 2018. Figure 2-1 also shows the UC’s target for the indicator (14.5 percent by 2027). For the purpose of the Connected Strategy a target was developed for 2027, but not the intervening years.

Figure 2-1 EBITDA margin performance (2018 to 2024) and 2027 target



Source: UC, *Connected Primary KPI Dashboard 2024 – Final Update March 2025*.

Note: This figure is based on data presented in an internal management report that is modified to exclude ‘one-off/abnormal’ adjustments.

2.18 A review of the UC’s performance against the EBITDA margin key performance indicator shows:

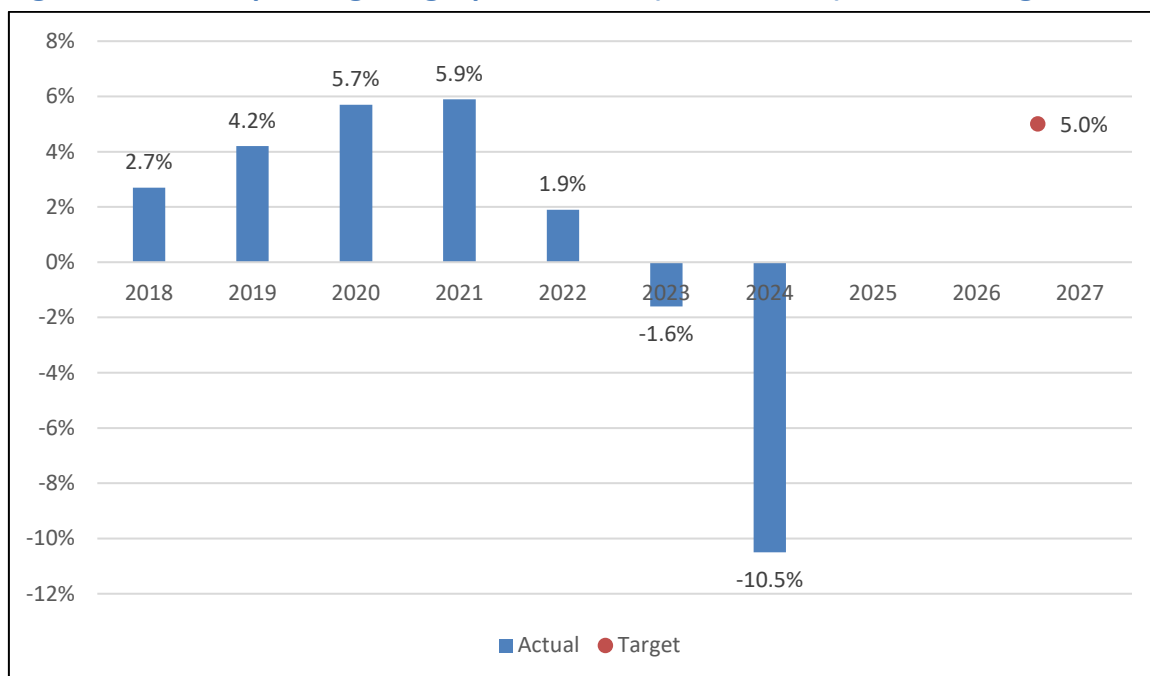
- between 2018 and 2020 the EBITDA margin steadily increased from 12.5 percent in 2018 to 14.6 percent in 2020;
- since 2020 the EBITDA margin has declined markedly. In 2023 it was 5.6 percent and in 2024 it was -4.1 percent; and
- recent results for the EBITDA margin are considerably lower than the targeted result of 14.5 percent for 2027.

Net operating margin

2.19 Figure 2-2 shows the UC’s performance against the net operating margin key performance indicator since 2018. Figure 2-2 also shows the UC’s target for the indicator (5.0 percent by

2027). For the purpose of the Connected Strategy a target was developed for 2027, but not the intervening years.

Figure 2-2 Net operating margin performance (2018 to 2024) and 2027 target



Source: UC, *Connected Primary KPI Dashboard 2024 – Final Update March 2025*.

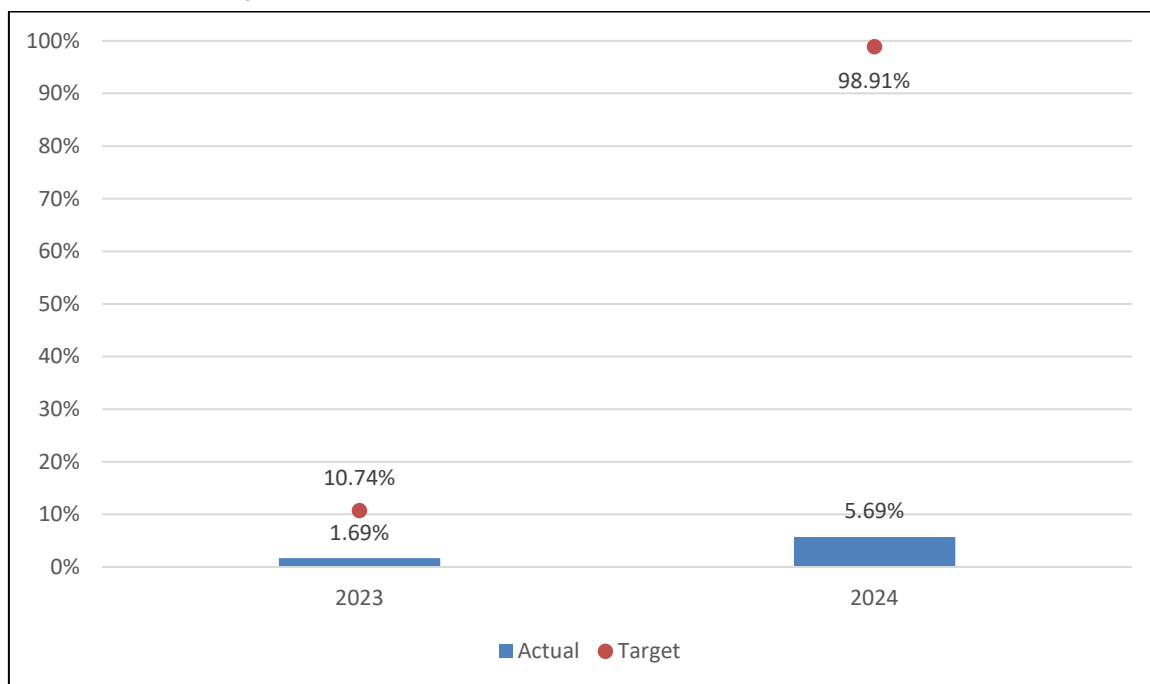
Note: This figure is based on data presented in an internal management report that is modified to exclude 'one-off/abnormal' adjustments.

2.20 A review of the UC's performance against the net operating margin key performance indicator shows Figure 2-2:

- between 2018 and 2021 the net operating margin steadily increased from 2.7 percent in 2018 to 5.9 percent in 2021;
- since 2021 the net operating result has declined markedly. In 2023 it was -1.6 percent and in 2024 it was -10.5 percent; and
- recent results for the net operating result are considerably lower than the targeted result of 5.0 percent for 2027.

Cash flow and asset uplift from campus development activities

2.21 Figure 2-3 shows the UC's performance against the cash flow and asset uplift from campus development activities key performance indicator in 2023 and 2024.

Figure 2-3 Cash flow and asset uplift from campus development activities (2023 and 2024)

Source: UC, *Connected Primary KPI Dashboard 2024 – Final Update March 2025*.

Note: This figure is based on data presented in an internal management report that is modified to exclude 'one-off/abnormal' adjustments.

2.22 A review of the UC's performance against the cash flow and asset uplift from campus development activities key performance indicator shows:

- in 2023 the UC achieved a result of 1.69 percent against a target of 10.74 percent; and
- in 2024 the UC achieved a result of 5.69 percent against a target of 98.91 percent.



2.23 The Connected Strategy identifies financial sustainability as a key outcome by which the objectives of the Strategy can be achieved. For the purpose of the Connected Strategy the UC monitors and reports on key financial sustainability key performance indicators including EBITDA margin and net operating margin. The EBITDA margin is a direct measure of the UC's financial health and the efficiency of operating performance. Since 2020 it has declined; in 2023 it was 5.6 percent and in 2024 it was -4.1 percent. Recent results are considerably lower than the targeted result of 5.0 percent for 2027. Net operating margin captures how well the UC's revenue exceeds its expenditure. Since 2021 the net operating result has declined; in 2023 it was -1.60 percent and in 2024 it was -10.5 percent. These results demonstrate a deteriorating financial position for the UC.

Reporting to the Council on financial sustainability key performance indicators

2.24 The Audit Office reviewed the key performance indicator dashboard reports that were presented to the Council for 2023 and 2024. Targets were not consistently set for future

years, particularly for EBITDA margin and net operating margin (refer to Table 2-3). For these measures a target was set for 2027, but targets were not set for intervening years.

Table 2-3 2023 and 2024 KPI dashboard reports to Council (future year targets)

Key Performance Indicators	2023 KPI dashboard	2024 KPI dashboard
EBITDA margin	<ul style="list-style-type: none"> 2024, 2025 and 2026 targets not set 2027 target set 	<ul style="list-style-type: none"> 2025 and 2026 targets not set 2027 target set
Net operating margin	<ul style="list-style-type: none"> 2024, 2025 and 2026 targets not set 2027 target set 	<ul style="list-style-type: none"> 2025 and 2026 targets not set 2027 target set
Cash flow and asset uplift from campus development activities	<ul style="list-style-type: none"> 2024, 2025, 2026 and 2027 targets set 	<ul style="list-style-type: none"> 2025, 2026 and 2027 targets set

Source: 2023 and 2024 KPI dashboard reports to Council.

Financial sustainability key performance indicators and budget development

2.25 UC staff involved in coordinating the budgeting process for 2023 and 2024 advised that in developing the budget, no instruction was given from the Council or Finance Committee on the target outcome that the budget was to achieve.

2.26 The financial sustainability goal in the Connected Strategy indicates the UC's long-term target was not a continuation of its existing financial performance but a significant strengthening of its financial position. However, there was no strategy or planning documentation to demonstrate how the financial sustainability key performance indicators were to be achieved and how the indicators would contribute to the Connected Strategy's goal of financial sustainability. There were no:

- targets for financial sustainability key performance indicators for intervening years;
- documented plans for how the UC planned to meet the key performance indicator targets, i.e. what changes would be made to the financial operations of UC to achieve those targets such as revenue growth; or
- documented plans, including business cases, that included measurable outcomes to assess whether the financial sustainability goal was being achieved and if any further changes needed to be made to meet the key performance indicators and achieve the goal.

2.27 Furthermore, while the Audit Office identified that there was some linkage between the key performance indicator targets and the budget expectations, there was a lack of documentation to demonstrate whether, and to what extent, the targets had driven the budgeting process or vice versa.

Financial goals and the Connected Strategy

2.28 The Audit Office reviewed the Council and Finance Committee meeting minutes for 2023 and 2024, as well as the Connected Strategy, and found no mention of long-term financial goals, beyond financial sustainability being an indicator in the Strategy.

2.29 The audit considered the extent to which the financial requirements to achieve the objectives of the Connected Strategy had been considered by the UC. Apart from business cases for the ETaG Program and Digital Master Plan initiatives (refer to paragraphs 2.63 to 2.113) no further documentation was available to demonstrate how the Connected Strategy would be achieved within the constraints of the UC's objective of financial sustainability.



2.30 The financial sustainability goal in the Connected Strategy indicates the UC's long-term target was not a continuation of its existing financial performance but a significant strengthening of its financial position. However, there was no strategy or planning documentation to demonstrate how the financial sustainability key performance indicators were to be achieved and how the indicators would contribute to the Connected Strategy's goal of financial sustainability. Targets were not consistently set for future years, particularly for EBITDA margin and net operating margin. For these measures a target was set for 2027, but targets were not set for intervening years. UC staff involved in coordinating the budgeting process for 2023 and 2024 advised that in developing the budget, no instruction was given from governing bodies on the target outcome that the budget was to achieve.

Budget decision-making

2023 budget

2.31 On 28 October 2022 the UC's 2023 budget was presented to the Council. The 2023 budget stated:

This budget has been developed primarily based on a single year only (2023) given the ongoing uncertainty related to the longer-term influence of COVID-19 and other economic impacts, particularly in relation to student enrolments. It has also been prepared based on a Business-As-Usual approach with any impacts from strategic initiatives excluded.

2.32 The 2023 budget presented three different scenarios for 2023 (a worst-case scenario, best-case scenario and a likely scenario). All three scenarios identified a budget deficit for 2023. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$14.6 million.

2.33 The 2023 budget was developed 'with consideration of the current operating environment with its increased uncertainties around the ability to grow revenues'. In light of this the 2023 budget stated:

The approach taken for the 2023 budget is focused on containment of a deficit position over these next 12 months. This budget also more broadly considers how business as usual activities will be optimised until such time as significant revenue growth is achieved.

2.34 The 2023 budget noted there was a continuing decline in the financial performance of core operations, which was being supported by commercial activities:

Over the recent years the University has been achieving an underlying operating deficit in Core University Operations, which has been underpinned by operating surplus results in Commercial Activities. This position remains unchanged in 2023 with a better performance in Commercial Activities but a further decline in Core University Operations.

2.35 Key features of the 2023 budget include:

- an increase in student revenue from a 2022 forecast of \$239.2 million to \$272.3 million for 2023. This was to derive from an increase in student numbers;
- an increase in salary and benefit expenditure of \$26.9 million (14.0 percent) over 2022;
- an increase in non-salary costs of \$18.0 million (21.4 percent); and
- an increase in debt from \$32.5 million in December 2022 to \$47.7 million in December 2023. This was to derive from increased borrowings.

2.36 Although an increase in debt was foreshadowed the 2023 budget noted:

The current Treasury Instrument states that that UC must be debt free by 2025. The current budget shows debt to be increasing in 2023, so further consideration is required for longer term debt requirements, or amendments to the operating model that provides for debt repayment during 2025.

The assumption for University cash management in 2023 and beyond is that available cash will be used to pay down debt.

2.37 Notwithstanding the fact that the 2023 budget was ‘based on a single year only’ a long-term financial outlook was presented for three scenarios (a worst-case scenario, best-case scenario and a likely scenario). The long-term financial outlook for all three scenarios identified net deficits each year through to 2032. The long-term financial outlook for the likely scenario stated:

It shows a period of challenge over the coming years with growth in revenue not offsetting the growth in expenditure over time. The University borrowings and debt will also increase over time, and will not be repaid in 2025 as per the current ACT Government Treasury Instrument.

Finance Committee consideration

2.38 The Finance Committee considered the UC’s 2023 budget on 21 October 2022. The minutes of the meeting note:

The VC introduced the budget discussion by noting formulation of the 2023 budget was an interesting process with the initial draft showing a considerable deficit which required significant work to reduce it to the now presented \$14.6m deficit. The VC noted this was the fourth year of deficit budget however this year it is different in that it plays out in the Long-Term Financial Model.

- 2.39 The minutes note the Vice-Chancellor's 'real concerns are the flattening in student numbers ... and the increase in the salary related cost base particularly regarding increasing professional staff'. The minutes also note the following view ascribed to the Vice-Chancellor:

Comfortable we can manage a deficit budget but more concerned with managing the emerging staff growth which may be based on Faculties engaging staff in anticipation of student growth – the preference is for the student growth to occur and then the additional resources engaged. The change in staffing is likely to take two years to complete as we need to examine and understand current and short-term positions, develop an optimum model for moving forward and then implementation of that model.

- 2.40 The minutes of the meeting note:

During discussion it was confirmed that the budget presented covers the operational aspect of the University and that whilst components of the Strategic Plan had been included in the funding, the overall projects had not yet been fully costed or integrated into the budget model. It was also noted that impacts of the Campus Development Plan had not been incorporated and it was agreed the Campus Development budget should be prepared so it can be overlaid to establish an overall budget to assist in high-level future planning.

- 2.41 The Finance Committee endorsed the 2023 budget for approval by the Council subject to:

The development and presentation of a comprehensive income growth proposal (Load Growth Business Case);

In parallel, and synchronised with (a) establish a project to redesign the University operating model with the target of improving efficiencies and reducing operating costs;

A redesign of the budget model to ensure stronger budget oversight and improved accountability.

Council approval

- 2.42 The minutes for the Council meeting of 28 October 2022 note:

The Resolution brought to the meeting today is not to accept the budget as is but includes negotiated conditions. A Special Council/Finance meeting to be held in 3 weeks' time where the plan the University is recommending, to increase the load will be presented. It is intended that this Load Growth Plan budget, combined with the business-as-usual budget being presented today will be reported in 2023.

- 2.43 The Load Growth Plan budget referred to in the minutes was the business case for the ETaG Program (refer to paragraphs 2.63 to 2.79). The 2023 budget was approved with a deficit of \$14.6 million:

... on the basis that we undertake to do the following:

- a Comprehensive Income Growth Proposal (Load Growth Business Case);
- in parallel and synchronised: a Project to redesign the University's Operating Model with the target of improving efficiencies and reducing Operating Costs; and
- a redesign of the Budget Model emphasising improved accountability and transparency.



2.44 On 28 October 2022 the UC's 2023 budget was presented to the Council. The 2023 budget presented three different scenarios for 2023 (a worst-case scenario, best-case scenario and a likely scenario). All three scenarios identified a budget deficit for 2023. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$14.6 million. A long-term financial outlook was also presented for three scenarios, each of which identified net deficits each year through to 2032. The Council approved the 2023 budget on the recommendation of the Finance Committee that 'a Comprehensive Income Growth Proposal (Load Growth Business Case)' be presented, along with 'a Project to redesign the University's Operating Model with the target of improving efficiencies and reducing Operating Costs'. The Load Growth Business Case, which subsequently became known as the ETaG Program was presented to, and approved by the Council, on 23 November 2023.



2.45 The 2023 budget, which already identified an underlying deficit, was predicated on a series of assumptions that proved to be too optimistic. The decision to approve the budget locked the UC into a path that could only succeed if student numbers increased. To assume that future cost-cutting was possible when salary and benefit expenditure was forecast to increase by \$26.9 million (14.0 percent) and non-salary costs were forecast to increase by \$18.0 million (21.4 percent) was high-risk.

2024 budget

2.46 On 8 December 2023 the UC's 2024 budget was presented to the Council. Similar to the 2023 budget the 2024 budget stated:

This budget has been developed in detail primarily based on a single year only (2024), with assumptions applied to the outlying years. It has also been prepared based on a Business-As-Usual approach with the inclusion of the Digital Master Plan (DMP) initiative and the Education Transformation & Growth (ETaG) initiative.

2.47 Similar to the 2023 budget the 2024 budget presented three different scenarios for 2024 (a worst case scenario, best case scenario and a likely scenario). All three scenarios identified a budget deficit for 2024. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$21.0 million.

2.48 The 2024 budget identified that the UC was expected to return to surplus by 2029:

The approach taken for the 2024 budget is focused on a containment of a deficit position over these next 12 months. The increased net contribution margins in the faculties over the ensuing years will support the University to return to a breakeven and then surplus position by 2029.

2.49 The 2024 budget noted the unsustainability of ongoing budget deficits, but identified that key strategic programs were expected to deliver improved financial performance:

There is a clear recognition and appreciation by University Management of the unsustainable nature of ongoing deficit budgets. However, there is a level of confidence that the delivery, with new investment, of the key components of the Connected Strategy as well as the implementation of a contribution margin budget model will ensure that UC tracks over time to a surplus budget.

2.50 Key features of the 2024 budget include:

- an increase in student revenue from a 2023 forecast of \$277.7 million to \$327.0 million for 2024. This was to derive from an increase in student numbers;
- an increase in salary and benefit expenditure from a 2023 forecast of \$198.3 million to \$235.7 million for 2024 (18.9 percent);
- an increase in non-salary costs of \$15.1 million (17.4 percent); and
- an increase in debt from \$12.5 million in December 2023 to \$63.8 million in December 2024. This was to derive from increased borrowings.

2.51 Although an increase in debt was foreshadowed the 2024 budget noted:

The current Treasury Instrument applies to end December 2025. The current budget shows debt to be increasing in 2024, so further consideration is required for longer term debt requirements.

The assumption for University cash management in 2026 and beyond is that available cash will be used to pay down debt.

2.52 Similar to the 2023 budget a long-term financial outlook was presented for three scenarios (a worst case scenario, best case scenario and a likely scenario). The long-term financial outlook for all three scenarios identified net deficits each year through to 2027 and a return to net surplus:

- in 2029 under the likely scenario;
- in 2032 under the worst case scenario; and
- in 2028 under the best-case scenario.

Finance Committee consideration

2.53 The Finance Committee considered the UC's 2024 budget on 22 November 2023. The minutes of the meeting note:

... the reduction in Commonwealth Supported Places, the 2024 budgeted increase in EFTSL and importance of forecasting student load in budget preparation was noted with the DVCA stating that the Load Plan is fundamental in measuring achievement of targets and whilst we cannot change continuing numbers in a meaningful way, we can focus on commencing students.

2.54 The minutes of the meeting also note:

... employee cost as a percentage of revenue has been climbing steadily over the past few years. The Chair noted there is a clear need to understand the correlation between headcount and salary expenses to better understand the staff profile, and in addition for Council it would be helpful to have a better understanding of the definition of which positions fitted each category, including increase in FTE, impact of annual indexation and increments, ETaG staffing changes, and the increases associated with reclassifications, market loading and employing staff at the top of a salary band rather than the bottom.

2.55 The minutes of the meeting also note the Committee's view that:

... this is a conservative budget and that management will do better than the outcome presented; that deficit budgets for extended periods is not acceptable; and where deficits are reflecting investment in strategic activities these activities must have an identified benefit. It was also noted the 2024 position needs to be closely monitored and that Semester One Census data is critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations.

2.56 The Finance Committee endorsed the 2024 budget for approval by the Council.

Council approval

2.57 On 8 December 2023 the Council approved 2024 budget. In doing so the minutes of the meeting note:

The 2024 UC Group likely base operating budget scenario was a \$21.0m operating deficit, which includes the operational funding for the Digital Master Plan. There is an additional \$5.3m operating deficit arising from non-research projects which relates to a timing difference only from a cash flow perspective. Therefore a total budget deficit of \$26.3m is being presented for 2024.

2.58 The Digital Master Plan is discussed in paragraphs 2.99 to 2.112.

2.59 The minutes of the meeting also note:

The approval of the overall 2024 Budget deficit position of \$26.3m was provided by Council given the period of investment and change, with an expectation that a breakeven or small surplus budget be delivered in 2025.



2.60 On 8 December 2023 the UC's 2024 budget was presented to the Council. Similar to the 2023 budget the 2024 budget presented three different scenarios, all of which identified a budget deficit for 2024. The likely budget scenario, on which basis the budget was prepared, presented a reportable and underlying operating deficit of \$21.0 million. A further

\$5.3 million was added to the 2024 budget relating to ‘operating deficit arising from non-research projects’. A long-term financial outlook was presented for three scenarios, which identified net deficits each year through to 2027 for all three scenarios and a return to surplus in 2029 for the likely scenario. The Council approved the 2024 budget with a deficit of \$26.3 million ‘given the period of investment and change, with an expectation that a breakeven or small surplus budget be delivered in 2025’.



2.61 The 2024 budget, which identified an underlying deficit even greater than the 2023 budget, was similarly predicated on a series of assumptions that proved to be too optimistic. Finance Committee and Council consideration of the 2024 budget recognised the fundamental importance of increased student numbers to achieving higher revenue, along with initiatives to reduce costs with a view to achieving a break-even budget for 2025. Similar to the 2023 budget this was high-risk given that salary and benefit expenditure was expected to increase by \$37.4 million (18.9 percent) and non-salary costs were expected to increase by \$15.1 million (17.4 percent). In recommending that Council approve the budget the Finance Committee noted ‘Semester One Census data is critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations’.

Key strategic initiatives

2.62 The Education Transformation and Growth Program and Digital Master Plan were key strategic initiatives of the UC that were intended and expected to improve the financial performance of the UC.

Education Transformation and Growth Program

2.63 The ETaG Program was conceived to deliver the *Reimagining our Educational Offerings* component of the Connected Strategy.

2.64 The business case for the ETaG Program, which was originally described as the *Local Growth Resource Investment Program*, was presented to, and approved by the Council, on 23 November 2022. As discussed in paragraphs 2.42 to 2.43, Council approval of the UC’s 2023 budget on 28 October 2022 was contingent on the presentation of the business case for the ETaG Program.

Purpose of the ETaG Program

2.65 The ETaG Program sought to reform and revitalise the UC’s delivery of educational services for the purpose of increasing student numbers as a means of addressing its budget challenges.

- 2.66 The business case for the ETaG Program identified that the UC had been experiencing ‘declining or flat’ student numbers over many years and that a continuation of this scenario would result in ongoing operating deficits:

UC has experienced declining or flat load over many years. In both semester 1 and semester 2 2022, load did not reach target. Projections for UC’s load trajectory over the next five years, based on current settings, indicate a decline in load before a return to current levels. Even with current actions, load is predicted to achieve only moderate growth over the medium term, assuming no further load loss. Budget projections indicate long term operating deficits under this scenario. ... Under this scenario, UC will remain a small university with fixed relative costs compounding the need to cross-subsidise its teaching and learning operations with commercially generated revenue, and a constrained budget capacity to align its offerings with changing student and market demand and broader strategic agendas.

- 2.67 The business case for the ETaG Program identified an intention to achieve a rapid and significant increase in student numbers, from 11,277 EFTSL in 2022 to 15,600 EFTSL by the end of 2027. The ETaG Program was intended to be a key driver of this growth and contribute to 3,364 of the total increase of 4,323 (77.8 percent).⁹ Through the rapid and significant increase in student numbers the UC intended to address ongoing operating budget deficits, which derive from low and incremental growth, and regain some of the market share it had lost:

This Program is not intended to provide incremental load growth over a number of years. Current load plan and budget projections indicate that the incremental approach produces ongoing operating deficits. Instead, it is meant to provide a step-change to gain large increases in load. This can only be achieved through new approaches delivered by new capabilities, which requires investment upfront. If implemented, the Program will provide new ways of delivering online, flexible and hybrid content, new approaches to marketing, sales conversion and retention, new course models with partners, expansion and improvement in some current courses, teaching staff with new skills, and the capacity to spread new practice.

- 2.68 The business case for the ETaG Program called for significant investment:

To realise this target and the benefits of achieving this growth in EFTSL, this paper outlines the case for significant investment in capacity uplift in these areas, as a subset of reaching the 15,600 EFTSL target. This investment will be strategic in providing resourcing for actions leading to load growth, and will be supported by the increased revenue generated from this growth.

Rationale for the ETaG Program

- 2.69 The business case for the ETaG Program identified that the UC had not increased its student numbers since 2017 and that only incremental growth in student numbers was forecast for the future:

⁹ The business case for the ETaG Program identified that most of the growth would come from Commonwealth supported places and domestic fee-paying student. 647.20 of the total 3,364 increase in EFTSL expected to come from the ETaG Program was from international fee-paying students (19.2 percent).

UC has been experiencing declining or flat load over recent years. ... An analysis conducted for the Size and Shape project in 2021, one of the enabling projects for development of the new strategic plan, predicted further decline in load before a stabilisation at current levels over the medium term on current settings. Even with planned actions, current load planning notes only moderate growth over the medium term.

2.70 Although incremental growth was forecast going forwards, this was predicated on a number of assumptions, including:

... no further loss of student load to other providers, no decline in demand due to minimal uplift in online delivery and partner delivery being stable against existing business plans for these partnerships.

2.71 The key issue associated with incremental growth of student numbers was that this would continue to present ongoing financial challenges for the UC, with operating deficits for core activities and a lack of funds to invest in strategic initiatives. The business case for the ETaG Program stated:

... only incremental load growth can be expected over the medium term with current levels of investment and planned activities. This growth does not provide the University with the ability to move to operating surpluses over this period.

2.72 The business case for the ETaG Program identified that ‘a step-change in load is needed, which can only be achieved through investment to provide new capabilities and capacities for the intuition’. The business case identified that reform and revitalisation of the UC’s educational offerings was the means by which a rapid and significant increase in student numbers could be achieved.

Features of the ETaG Program

2.73 The business case for the ETaG Program identified how the reform and revitalisation of the UC’s educational offerings was predicated on capacity uplift in crucial areas:

The target load in this plan and associated benefits cannot be reached without capacity uplift in crucial areas. This Business Case presents a proposal for capability and capacity uplift across online, blended and flexible learning, partners course delivery (teaching and partnership support staff), and existing course growth and improvement. These capacities will sit alongside an already implemented new student retention capability. In addition to providing the resources and staffing needed for the University Load Growth Plan, this uplift includes the ability to offer a wider range of high quality online and flexible courses, provide additional support for data analysis and insights to target load growth progress and identify new opportunities, and to more effectively market our new and revised offerings.

2.74 The Education Transformation and Growth (ETaG) program sought to deliver four projects:

- **retention of students** – using data-driven interventions by faculties and a specialist team to improve student retention;

- **online blended and flexible learning** – adding flexibility in delivery modes for existing courses and developing new courses;
- **partner course delivery** – expanding access to UC through partnerships in course delivery with other higher education institutions in Australia and internationally; and
- **existing course growth and improvement** – growing student load through increased marketing support to all faculties.

Funding associated with the ETaG Program

2.75 The business case for the ETaG Program stated:

The projects in this business case work together in financial terms, with the partner course delivery project returning early net positive income to help support the investment in other projects. The online, hybrid and flexible delivery project provides high net income in the last years of the project and contributes most to the Program discounted cash flow value, while the existing course growth and improvement project provides the high returns per EFTSL, providing significant returns from its EFTSL base.

2.76 The business case for the ETaG Program noted that significant initial costs were to be incurred before additional revenue could be expected from increased student numbers:

2023 is a year of investment and of development. This is caused by the need for resources, especially staff, to be procured for course development and pre-commencement marketing, whilst load uplift is small. This investment will be strategic in providing resourcing for actions leading to load growth.

2.77 The business case for the ETaG Program noted that the ETaG Program would experience a net loss for 2023, net revenue would be positive in 2024, and that the first two years would experience a net loss in total before 'payback' would be achieved in 2025:

Net income becomes positive in 2024 and continues to rise to the end of the Program, as load begins to climb. 2024 will be more of an uplift year for student load growth.

...

The positive return of income over expenses for the Program in 2024 is still below the negative net income figure for 2023, leading to a negative position over the first two years in total. However, 2025 is predicted to provide sufficient net revenue to repay this initial investment, and becomes the payback year.

2.78 The business case for the ETaG Program noted that additional staff were needed for the establishment of the initiative and that these were not 'an expansion of existing types of staff'. The business case also identified that significant marketing expenditure would be incurred to establish the initiative.

2.79 The Council was advised that estimated costs in the first three years was anticipated to be \$54.9 million, after which the program was expected to be self-sustaining. The business case also noted that the program would require significant upfront financial investment and that

‘University debt will likely peak at **\$70.6m** in 2024, based on the overlay of the Load Growth Resource Investment Program with the existing University budget’.

Risks associated with the ETaG program

2.80 The business case for the ETaG program identified key risks in achieving project goals including the ability to attract and recruit staff in the required timeframe, the quality of design and delivery of online content and a delay in delivery of partner courses.

2.81 The business case also identified that a ‘key risk in this Program is not meeting growth targets through lower than projected student recruitment or retention’ and another risk as ‘the possibility that if course actions are not producing target results, staff with specialist skills will be no longer needed and can’t be relocated’. The business case identified a number of strategies to mitigate these risks including:

- having a dedicated marketing spend for course to promote student load growth;
- implementing a regular review process for the program at the Program Steering Committee to assess any impacts in not meeting the growth plan;
- employing staff on three-year fixed-term contracts while the program was in its initial phase, with decisions on converting to permanent staff roles to be made in a major review of the program in its third year; and
- diversifying student types to address the risk of significant decline in one student cohort (for example an impact on internal student enrolments due to a closure of borders).



2.82 In response to the final proposed report a key Executive involved in decision-making at the time advised ‘it is fair to say this programme of work had a significant risk profile. But that risk profile was recognised and mitigations provided for’ and that ‘risk mitigation was provided within the approved project and budget’.



2.83 The Education Transformation and Growth (ETaG) Program was conceived to deliver the *Reimagining our Educational Offerings* component of the Connected Strategy. The business case for the ETaG Program identified that the UC had been experiencing ‘declining or flat’ student numbers over many years and that a continuation of this scenario would result in ongoing operating deficits. Driven by the ETaG Program the UC sought to achieve a rapid and significant increase in student numbers, from 11,277 EFTSL in 2022 to 15,600 EFTSL by the end of 2027. Through the rapid and significant increase in student numbers the UC intended to address ongoing operating budget deficits, which derive from low and incremental growth, and regain some of the market share it had lost.



2.84 The Council was advised that considerable up-front investment was required, with estimated costs in the first three years anticipated to be \$54.9 million, after which the program was expected to be self-sustaining. The business case noted that because of the

significant upfront financial investment ‘University debt will likely peak at **\$70.6m** in 2024’. The business case for the ETaG Program was approved by the Council on 23 November 2022. At a time when the UC was experiencing financial sustainability challenges the commencement of a program of work that required considerable up-front investment with increased revenue to be achieved in future years was high-risk.

Financial impact of the ETaG Program

2.85 Work on the ETaG Program commenced in mid-2023 and new units and courses were launched in 2024.

2.86 In May 2024, the Deputy Vice-Chancellor (Academic) provided an update to the Council on the ETaG Program. This was the first report to the Council with student data available. The report noted that:

- the ambitious growth assumptions for student numbers and revenue had not been realised; and
- as a result the end date for the program had been extended from 2027 to 2030.

2.87 The May 2024 briefing paper noted:

Across all aspects of the implementation of ETaG timelines in the business case were somewhat optimistic, delays have occurred and the proposed timeline for the full outcomes of ETaG to be realized have been extended.

2.88 The May 2024 briefing paper identified that the growth in student numbers was still expected, but this would likely be in 2030, three years after initially projected:

The program [was] delayed but progressing towards business case targets and [was] projected to reach 100% of EFTSL targets within the approved investment envelope by a revised date of 2030.

2.89 The May 2024 briefing paper noted expenditure of \$33.5 million was initially planned for 2023 and 2024, but this would likely be revised down to \$15.6 million:

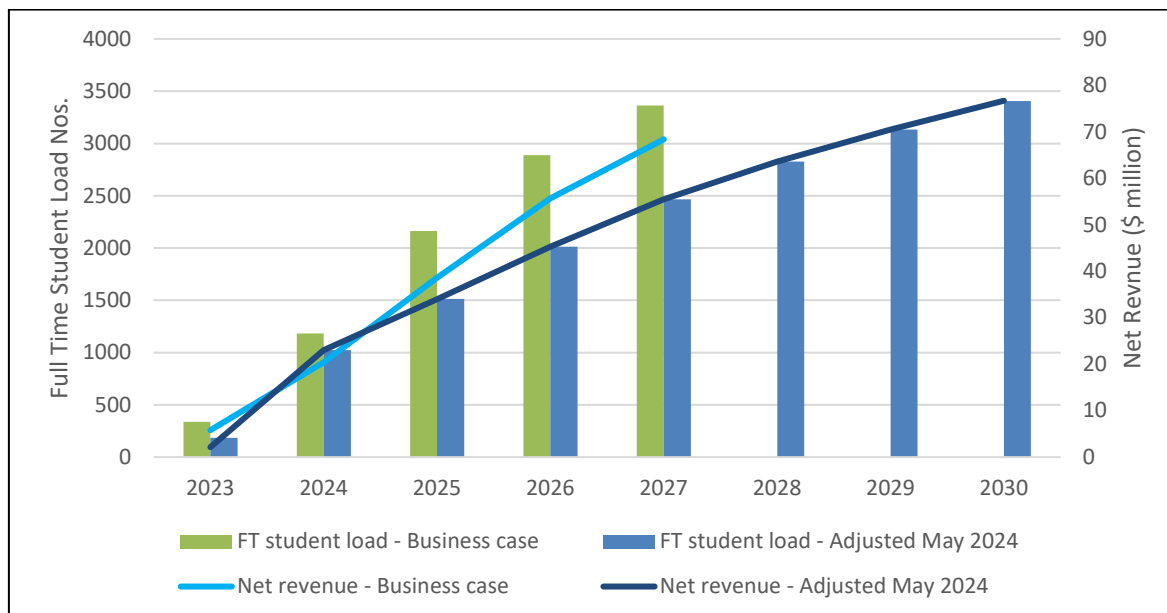
Combined expenditure for 2023 and 2024 was budgeted at a total \$33.5m but is now projected to be \$15.6m across the 2 years which will allow use of these funds in later years if needed. The program is on track to spend \$38.5 million less than the business case up until 2027.

2.90 Because the ETaG Program did not meet performance expectations in 2024, the UC revised the program targets and timeframe to be more achievable and sustainable in a restrained financial environment. Figure 2-4 shows:

- the net revenue growth and additional full time student enrolment numbers over the initial program period of 2023 through to 2027 as outlined in the original business case approved by the Council in November 2022; and

- the adjusted net revenue growth and additional full time student enrolment numbers over the revised program period of 2023 through to 2030, presented to the Council at their May 2024 meeting.

Figure 2-4 ETaG Program revised student numbers and net revenue



Source: ACT Audit Office based on information presented to the Council in May 2024.

2.91 Figure 2-4 shows that the figures anticipated in the original business case were not achieved, and that the projected growth in student numbers and revenue is expected to be achieved over a longer time period. While some of the anticipated growth in international student enrolments may have been impacted by Government policy changes restricting international student via processing and admissions, 80.8 percent of the anticipated growth in student numbers over the life of the program was expected to come domestic student enrolments.



2.92 Work on the ETaG Program commenced in mid-2023. New units and courses were launched in 2024 and up-front investment expenditure was incurred. In May 2024, the Deputy Vice-Chancellor (Academic) provided an update to the Council on the ETaG Program. This was the first report to the Council with student data available. The report noted that the ambitious growth assumptions for student numbers and revenue had not been realised and the end date for the program had been extended from 2027 to 2030. The May 2024 briefing paper clearly identified that increased student numbers had not been reached. The Finance Committee had previously identified that ‘Semester One Census data [was] critical in establishing if remedial actions will be required in 2024 in an endeavour to meet or better budget expectations’.

Student load planning

Load planning for the 2024 budget

- 2.93 Student load planning is undertaken annually as part of the budget process. Student load planning is typically coordinated by the Finance Team with input from faculties and other business areas. Load planning provides an overall estimate of Equivalent Full Time Student Load (EFTSL) for each of the UC's course offerings.
- 2.94 To determine the full-time student load for the ETaG Program for the 2024 budget, however, a separate load plan was developed in addition to the base student load plan developed by the Finance Team. The two load plans were added together to arrive at a total EFTSL.
- 2.95 The UC advised that undertaking ETaG Program load planning separately led to an overestimation of expected student numbers for 2024 and that this resulted in an overestimation of expected student revenue for 2024. Although the overestimation of student numbers has been acknowledged, the UC has not sought to quantify the impact of the two separate load plans and is therefore unable to specify how much of the overall EFTSL variance was related to the two load plans and how much was as a result of the other external factors. In response to the draft proposed report the UC advised that quantifying the impact of the separate load plans would not have been a prudent use of planning resources at the time.
- 2.96 The UC has since revised the budgeting process for the ETaG Program to align with the rest of the faculties. This has included incorporating the separate ETaG load plan into the whole of university load plan with the aim of reducing the risk of potential double counting of student numbers.

Load planning for the 2025 budget

- 2.97 For the 2025 budget the load planning process was amended, with the Finance Team taking responsibility for the development and coordination of a single load plan. A calendar of activities for 2024 was developed for the load planning process, which focused on better aligning load planning, pricing, business and budget planning. The 2024 calendar was approved by the Executive in January 2024 and provided to faculties and portfolios with a clear set of milestones.
- 2.98 Further changes to the process included:
- *continuing student* load planning to be:
 - managed by a Load Planning Manager within the Finance Team; and
 - supported by a load planning model; and

- *commencing student* load planning to be supported by cross-collaboration between faculties, the Finance Team and other stakeholders to better identify and validate commencing student loads; and
- generation of a combined ratio of load intensity, retention and completion rate.

2.99 Both commencing and continuing student loads are then checked by the Finance Team, in consultation with the faculties, and the final load plan is sent to the Deputy Vice Chancellor (Academic) for final approval.



2.100 To determine the full-time student load for the ETaG Program for the 2024 budget the UC developed a separate load plan in addition to the base student load plan that was developed by the Finance Team. This mistakenly led to an overestimation of expected student numbers for 2024 and this resulted in an overestimation of expected student revenue for 2024. The UC has not sought to quantify the impact of the two separate load plans and is therefore unable to specify how much of the overall EFTSL variance was related to the two load plans and how much resulted from other external factors.



2.101 The UC has subsequently revised the budgeting process for the ETaG Program to align with the rest of the faculties. For the 2025 budget the load planning process was amended, with the Finance Team taking responsibility for the development and coordination of a single load plan. A calendar of activities for 2024 was developed for the load planning process, which focused on better aligning load planning, pricing, business and budget planning.

Digital Master Plan

2.102 The Digital Master Plan is a 10-year plan to deliver the *Digital Together – Empowering Connected Experiences* component of the Connected Strategy.

2.103 The Digital Master Plan was presented to, and approved by, the Council on 10 November 2023.

Purpose of the Digital Master Plan

2.104 The Council Paper supporting the Digital Master Plan identified it as ‘our plan to deliver Digital Together, to support outstanding, digitally connected experiences that removes barriers to access’. The Council Paper stated:

The DMP is a whole-of-UC, flexible 10-year roadmap that outlines how we are going to sustainably invest in UC’s digital future, with guiding principles, objectives and key results. The plan will help us realise our digital ambitions through sustained delivery of a coordinated and prioritised set of initiatives.

Rationale for the Digital Master Plan

- 2.105 The Council Paper supporting the Digital Master Plan identified the importance of investing in digital technologies for the UC:

Digital presents new opportunities that will radically change how we learn, teach, research, work and connect. In order to thrive in this digital future, we need a shared, long-term vision for the University that is widely understood and supported. A vision that outlines how we should be operating, and the capabilities that we need across our institution to be able to continue to service the Canberra region through our teaching and research excellence.

- 2.106 The Council Paper supporting the Digital Master Plan also identified the risks in not investing in digital technologies for the UC:

Our latest UniForum data has shown year-on-year declining investment in development and transformation. In comparison to the rest of the higher education sector, overall investment is also relatively small. This is compounded by significant tech debt (liabilities relating to ongoing maintenance and sustainment of legacy systems (hardware and software) across the University). The opportunity cost of not investing now in our University, from a digital experience and satisfaction perspective, is significant.

Benefits of the Digital Master Plan

- 2.107 The Council Paper supporting the Digital Master Plan identified that there would be a series of financial and non-financial benefits of the Digital Master Plan:

Research underscores that embarking on a digital transformation journey with a coordinated and sustained investment across our people, processes, technology and data, is pivotal to achieving long-term impacts, including a financial return. Digital Together will deliver a range of benefits over the Connected Decadal Strategy period. There will be financial and non-financial benefits across our people and our organisation.

Features of the Digital Master Plan

- 2.108 The ten-year timeframe of the Digital Master Plan included three phases with identified strategic investment envelopes to be set by the Council. Funds for the program were expected to be reviewed on an annual basis during the budget process, with project funds being allocated after a business case identifying specific deliverables and timeframes had been approved by the relevant delegate. The three phases of the program and the proposed funding were:

- **Stabilise (Years 1-3) phase**
 - focused on implementing systems, tools, processes, data, technologies and competencies to meet the immediate needs of the UC community;
 - \$30 million in funding;
- **Optimise (Years 4-5) phase**
 - focused on using digital technologies to optimise operations and improve experiences, and building flexible cultures across the UC community;

- \$50 million in funding; and
- **Thrive (Years 6-10) phase**
 - building on the first two phases and focussed on new ways of working, cultural reform and the implementation of cutting edge technologies;
 - \$90 million in funding.

2.109 Although financial and non-financial benefits were expected from the Digital Master Plan, a financial return was not expected until the sixth year of the Plan (i.e. 2029):

Tangible financial return on DMP investments overall is not anticipated until the DMP THRIVE phase in year 6, noting the design of our digital transformation journey requires us to invest heavily in the STABILISE phase first (years 1-3 of the plan). This will allow us to get the basics right and remediate the previous lack of digital investment. Across the entire 10-year life of the plan, we anticipate a neutral NPV, driven primarily by intangible benefits. We anticipate benefits in student and staff satisfaction and retention, and reduction of waste to flow through earlier in the plan as our service maturity and capabilities improve. Savings will come in the early years of the plan during the STABILISE and OPTIMISE phases (years 4-10 of the plan) through the rationalisation of our technologies, harmonised with our process and data, capitalised by our people who are working productively in new ways with new capabilities, with a renewed sense of time to focus delivering on the core missions of the University of teaching and research, not administration.

Funding associated with the Digital Master Plan

2.110 The Council Paper supporting the Digital Master Plan identified an intention for strategic funding envelopes for the three phases of the Plan:

We have identified strategic funding envelopes required to implement the plan, framed around our three phases of STABILISE, OPTIMISE and THRIVE:

- These envelopes will be SET by Council, with appropriated funding ALLOCATED by a governing body and then RELEASED by the TMO to support...
- resourcing of approved DMP Initiatives on the 10-year timeline, enabling their...
- initial and ongoing strategic ALIGNMENT/ASSESSMENT governed by governing body, GREENLIGHTING to access to the DMP per delegation limits, resourced DELIVERY by the DMP Initiative sponsor, and ongoing MONITORING overseen by Council.

2.111 The Council Paper supporting the Digital Master Plan identified an individual funding need of \$30 million (plus or minus 10 percent) for the first three years of the Plan:

The DMP is seeking an initial investment for the STABILISE (Years 1-3) phase of \$30m ± 10%, to be allocated as a specific strategic funding envelope which can be allocated and released to support delivery of greenlit DMP Initiatives.



2.112 The Digital Master Plan is a 10-year plan to deliver the *Digital Together – Empowering Connected Experiences* component of the Connected Strategy. The UC identified the Digital Master Plan as an essential program to modernise its technology capability, improve student and staff experience and contribute to its competitiveness in the higher education

sector. Although financial and non-financial benefits were expected from the Digital Master Plan, a financial return was not expected until the sixth year of the Plan (i.e. 2029). The Council Paper supporting the Digital Master Plan identified an individual funding need of \$30 million (plus or minus 10 percent) for the first three years of the Plan. The Digital Master Plan was approved by the Council on 10 November 2023.

Financial impact of Digital Master Plan

- 2.113 The Digital Master Plan is not directly revenue generating and required substantial financial investment during a period of financial difficulty for the UC.
- 2.114 The Digital Master Plan was approved by the Council in November 2023. A \$30 million 'funding envelope' was approved by the Council for the first three years of the program. (Funding for projects associated with the Digital Master Plan would then need to be approved through usual budget processes).
- 2.115 The Digital Master Plan added \$6 million to budgeted expenditure for 2024, increasing the expected deficit for 2024 to \$26.3 million.
- 2.116 In response to the final proposed report a key Executive involved in decision-making at the time advised 'without investment in the digital infrastructure of the University there was significant risk to student recruitment and retention, to the cyber security of the University and to the long term operating model of the University'.



- 2.117 The Digital Master Plan is not directly revenue generating and required substantial financial investment during a period of financial difficulty for the UC. A \$30 million 'funding envelope' was approved by the Council for the first three years of the program. The Digital Master Plan added \$6 million to budgeted expenditure for 2024, increasing the expected deficit for 2024 to \$26.3 million.

3 Budget repair initiatives

- 3.1 This chapter considers the activities of the UC, primarily reflected through the activities of the Council and Finance Committee in 2024, to recognise risks to the financial viability of the UC and bring it back to a position of financial sustainability.

Summary



Conclusions

In early 2024 it was apparent that the increased student numbers on which the high-risk 2024 budget was predicated did not materialise and a significantly higher net operating deficit for 2024 was forecast. The UC commenced a program of work that sought to 'develop a pathway to financial sustainability' and develop a new 'operating model' that was intended to provide a stronger basis for the financial management of the organisation. Progress on these activities was slow.

By September 2024 the UC recognised that more immediate and decisive action was necessary. The UC was presented with financial modelling which provided 'a clear definition of 'financial sustainability' for the University' and a recommendation for major changes 'requiring at least 175 FTE in redundancies and ... up to a 50% reduction in capital expenditure'. The 2025 budget, which identified an operating deficit of \$11.6 million for 2025 and an operating surplus of \$10.8 million for 2026, was based on more realistic assumptions about growth in student numbers.

The UC has since undertaken further work to develop a detailed financial strategy and associated financial goals, including the development of formal financial objectives to support the strategic objectives of the organisation.



Key findings

Recognition of risks to financial viability

Paragraph

In early 2024 the Finance Committee and Council was presented with information to show that the expected increase in student enrolments for 2024 did not occur. Student revenue was approximately \$10.0 million lower than expected for the first semester and it was recognised that 'if extrapolated for the full year this impact could be a reduction in revenue of \$20.0m - \$30.0m'. The UC commenced the Delivering Connected program of work which was intended to be 'an intensive 8-week project ... to develop a pathway to financial sustainability which will involve a review of current state, ongoing programs and commitments and new opportunities for increasing revenue and reducing expenditure'. The UC also intended to develop a new 'operating model' which was intended to provide a stronger basis for the financial management of the organisation.

3.15

By July 2024 minutes of the meetings of the Finance Committee and Council noted progress in relation to the Delivering Connected program. At its June 2024 meeting the Finance Committee recognised that the ‘focus now is on understanding co-dependencies and low-hanging fruit to go into operating model ... as well as understanding investment requirements and ensuring a return on investment’. At its July 2024 meeting the Council was advised that an ‘implementation plan will be confirmed in the next two months’ and that ‘by the second week in August, some details and assumptions will be available, and by end-August, the initial financial modelling to support this will be ready’. The Council was advised that the Delivering Connected program had identified ‘areas for development to both increase revenue and/or reduce costs. Some of these can be implemented quickly, others involve investment’. The Council was advised ‘the Executive are workshopping which areas should be pursued with what priority and these decisions will influence the financial modelling to be presented in August’.

3.22

By September 2024, further deterioration in operating position and the extent of the challenge to the actual financial viability of the UC had been recognised by the Finance Committee and Council and there was a recognition that more immediate and decisive action was necessary. In early September 2024 the minutes of a meeting of the Council note that the UC ‘is not generating enough cash to pay for expenditure’, ‘by the end of 2025, there will be no cash left from either the windfall gains or other sources if the current trend continues’ and the ‘the high-level forecast indicates \$78 million in borrowings by December 2025 [and that] UC will reach its borrowing capacity against the Treasury Instrument by the end of 2025 if no changes’. The Council was presented with financial modelling which provided ‘a clear definition of ‘financial sustainability’ for the University’ and advised that ‘minor changes from 2024-28 would keep [sustainability indicators] negative over the medium term, while major changes could lead to significant gains from 2026 onward, requiring at least 175 FTE in redundancies and a revised Connected Strategy with up to a 50% reduction in capital expenditure’. The Council was advised that ‘significant changes are necessary to achieve financial sustainability as defined’.

3.40

Future directions for financial management

On 6 December 2024 the UC’s 2025 budget was presented to the Council. The budget was subsequently revised and approved by Council on 13 March 2025. The 2025 budget acknowledged work underway at the time to safeguard the financial sustainability of the organisation and that ‘through an organisational change process commenced in October 2024, the resourcing, activities and structure of the institution will change’. A key underlying assumption for the 2025 budget was reduced growth in student numbers and that ‘financial performance reflects a tempered view of revenue growth based upon detailed load planning’. The 2025 budget identified an operating deficit of \$11.6 million for 2025 and an operating surplus of \$10.8 million for 2026. The 2025 budget also identified longer term operating surpluses for 2027 and 2028. Key activities identified in the 2025 budget that were expected to result in reduced operating expenditure were:

3.51

- the planned reduction in staffing levels, with \$39.8 million annualised reduction in base operating salary costs;

- the reduction or deferral of strategic program expenditure, specifically expenditure associated with the Digital Master Plan, resulting in a \$3.6 million reduction in expenditure; and
- reduction in discretionary expenditure, including \$9.4 million in base operating non-salary costs.

At the time of audit fieldwork the UC was continuing to develop a detailed financial strategy and associated financial goals. The UC further advised: 3.56

- work is being undertaken to revise the Connected Strategy and this work is in its early stages; and
- the UC's financial plan (for the 2025 budget and indicative 2026 and 2027 budgets) would be reviewed to determine if any changes were required to support the revised Connected Strategy.

In June 2025, the CFO presented a paper to the Finance Committee on developing formal financial objectives to support the strategic objectives of the organisation, which included a set of proposed financial objectives and measures to replace the existing key performance indicators. The aim of the proposed financial objectives is to evaluate financial sustainability and measure the financial resources for the UC to achieve its mission over the longer term. 3.57

Recognition of risks to financial viability

3.2 The results of a review of Council and Finance Committee meeting papers for 2024, specifically with respect to consideration of, and decision-making associated with, the UC's financial sustainability is shown below.

Finance Committee (6 March 2024)

3.3 The minutes of the meeting noted that the Finance Committee discussed financial forecasts for 2024. The minutes noted the UC 'currently [has] a budgeted deficit of \$26.3m and Semester 1 revenue is likely to be down approximately \$10.0m - if extrapolated for the full year this impact could be a reduction in revenue of \$20.0m - \$30.0m'. The Committee was advised:

... the Executive are working on identification of possible actions. The COO further noted that a plan will not be available for the 15 March Council Meeting but is hopeful that a plan, possibly not including a full financial analysis, will come to the next meeting of Finance Committee.

3.4 The minutes of the meeting noted:

... recognition of a potential 2024 deficit of up to \$44.0m at Council will generate significant interest in proposed models, evaluation of the Connected Strategy and other related plans and how successful they are and their continuation or otherwise i.e. where is the exit point for failing programs. The Committee noted the establishment of plans and potential remedial strategies is time critical and elevating the conversation also critical.

University Council (15 March 2024)

3.5 The Interim Vice-Chancellor's report to the Committee noted:

Our major challenge is the financial sustainability of the University. An intensive 8-week project is being undertaken to develop a pathway to financial sustainability which will involve a review of current state, ongoing programs and commitments and new opportunities for increasing revenue and reducing expenditure. This work will be the focus of the Council Strategy Day in May.

3.6 The minutes of the meeting note discussion on the Interim Vice-Chancellor's report and a recognition that reduced student enrolments for 2024 represented a shortfall in revenue. The minutes of the meeting also note:

An 8-week project is being undertaken with Ernst and Young (EY) who have been engaged to review elements across all parts of the University, including Finance, Strategic Programs, Course Portfolio (including partnerships) and Property to identify opportunities for opportunities and cost reduction. This work is necessary to ensure that UC is financially viable in future.

3.7 This project subsequently became known as the Delivering Connected program.

Finance Committee (24 April 2024)

3.8 The minutes of the meeting noted that a financial forecast for 2024 'will form the basis of the conversation at Council/SPG meeting next week' and that:

... the Committee has raised concerns that the projected deficit of \$31.1m was well above the budgeted deficit of \$26.2m, as well as the prospect of continued deficits in subsequent years, which the university would have difficulty in managing. The chair and committee members expressed a strong view that the institution needed to return to a sustainable balanced budget as soon as was practical. And further, given the shortfall in International Student Revenue and continued deterioration of that market, management were encouraged to continue to review options and take steps to improve the financial position of the University going forward.

University Council (16 May 2024)

3.9 The Interim Vice Chancellor's report to the Committee noted student numbers were significantly below target:

Load figures stabilise after Semester 1 Census Date which was 1 March. At 7 April 2024, the UC Equivalent Full Time Student Load (EFTSL), excluding UCC, reached 5,590.3 EFTSL against a target of 5,850.8 EFTSL.

3.10 The Interim Vice Chancellor's report also noted the importance of the ETaG Program in generating student numbers:

The Education Transformation and Growth program (ETAG) is one major initiative in place to increase student numbers.

- 3.11 The ETaG Program was specifically discussed at the meeting of 16 May 2024. The minutes of the meeting noted 'this was the first ETaG report with student data available'. The report noted 'the program is six-months behind schedule due to a delayed start and the reduced time period for marketing the new courses'. The minutes noted:

The new courses achieved 86% of the anticipated load in the original business case. The courses attracted 542 EFTSL in Semester 1. UC is learning about realistic timelines for adding new courses into market and is building a reputation as an online university. ETaG is expected to meet load targets now by 2030 and will be within budget envelope approved.

- 3.12 The minutes of the meeting identified that the Council 'noted its growth in confidence regarding the ETaG program. When there is an updated cost benefit this should be provided to Council'.

- 3.13 The minutes of the meeting noted:

The COO assured Council that the Executive are working to address the continuing deficit budget. Savings are being made but will not be adequate to achieve a net, and ideally a surplus budget. This triggered the Delivering Connected work to grow revenue and reduce expenditure. The Delivering Connected initiatives will assist with a roadmap and long-term operating model to reach surplus, however unless the major cost (salary) is addressed UC will not achieve a 2025 surplus.

- 3.14 The minutes of the meeting also noted:

The Interim VC commented that the Executive are considering immediate and longer-term factors. Budget savings are predicted to be \$6-14m in 2024. No blanket decisions have been made (e.g. job freeze) instead deans and portfolio heads are responsible for budget savings. The forecast paper estimates \$14.8m savings, with March YTD showing \$5.2m savings toward this, yet this still shows a deficit position on a deficit budget. Therefore, the EY work is essential to enable UC to 'step change', and to action longer term strategic measures for financial sustainability.

The CDO added that the EY work is in combination with the Operating Model work. Structural changes will be necessary and difficult decisions regarding staffing will need to be made as there are not many levers short-term.



- 3.15 In early 2024 the Finance Committee and Council was presented with information to show that the expected increase in student enrolments for 2024 did not occur. Student revenue was approximately \$10.0 million lower than expected for the first semester and it was recognised that 'if extrapolated for the full year this impact could be a reduction in revenue of \$20.0m - \$30.0m'. The UC commenced the Delivering Connected program of work which was intended to be 'an intensive 8-week project ... to develop a pathway to financial sustainability which will involve a review of current state, ongoing programs and commitments and new opportunities for increasing revenue and reducing expenditure'. The UC also intended to develop a new 'operating model' which was intended to provide a stronger basis for the financial management of the organisation.

Finance Committee (19 June 2024)

- 3.16 The minutes of the meeting noted progress in relation to the Delivering Connected program and that:

Focus now is on understanding co-dependencies and low-hanging fruit to go into operating model (OM) as well as understanding investment requirements and ensuring a return on investment. CDO to provide a paper to executive for consideration. Objective is to create a better version of UC, not a survival version of UC.

- 3.17 The minutes of the meeting noted that an 'update including indicative timeline of actions will be provided to 12 July meeting of Council'. The minutes also record the Finance Committee questioned whether it would see the updated operating model before the Council but was advised '12 July report will not have detailed financials so will come to FC in future'.

- 3.18 The minutes of the meeting also noted:

Committee noted that the last budget was passed on the basis that 2025 would be balanced or better. This now does not seem doable without there being a significant impact on the University. Discussion ensued as to options, pros and cons for each, necessity for restructuring and redundancies.

University Council (12 July 2024)

- 3.19 The minutes of the meeting noted discussion of the acting CFO's report, including that:

University Core Operations are -\$3.3m unfavourable to budget YTD May, driven primarily by the reduction in Semester 1 Student Revenue, and is partially offset with savings in Salary and Non-Salary YTD May. Commercial operations are unfavourable to budget with Student Accommodation down due to reduced numbers of International students.

- 3.20 In a closed session discussion the Interim Vice Chancellor provided an update on activities intended to address the financial sustainability of the UC. The minutes of the meeting noted:

The Interim Vice-Chancellor (VC) advised that ... the implementation plan will be confirmed in the next two months. By the second week in August, some details and assumptions will be available, and by end-August, the initial financial modelling to support this will be ready. The details will be shared with Council out of session. The VC will also keep Chancellor and Deputy Chancellor updated in their weekly meetings.

Cost reductions made to date feed into planned changes to the university operating model, such as enhancing administrative approval systems. An example was given of changes to administrative processes around leave, credit card and travel approvals that could release the equivalent of 2 FTE pa. On a larger scale, the EY numbers indicate the University's annual budget could be balanced in a couple of years, by 2026/7 with the current deficit removed by 2028, if the range of challenging and ambitious strategic decisions are made and implemented in a timely way. The EY/UC Delivering Connected work identified areas for development to both increase revenue and/or reduce costs. Some of these can be implemented quickly, others involve investment (e.g. a proposal that \$6m investment in GenAI and automation over 2 years invest would see a net return of \$10m return in year 3). The Executive are workshopping

which areas should be pursued with what priority and these decisions will influence the financial modelling to be presented in August.

- 3.21 The minutes of the meeting also noted 'Council supportive of commencing changes to make savings now'.



- 3.22 By July 2024 minutes of the meetings of the Finance Committee and Council noted progress in relation to the Delivering Connected program. At its June 2024 meeting the Finance Committee recognised that the 'focus now is on understanding co-dependencies and low-hanging fruit to go into operating model ... as well as understanding investment requirements and ensuring a return on investment'. At its July 2024 meeting the Council was advised that an 'implementation plan will be confirmed in the next two months' and that 'by the second week in August, some details and assumptions will be available, and by end-August, the initial financial modelling to support this will be ready'. The Council was advised that the Delivering Connected program had identified 'areas for development to both increase revenue and/or reduce costs. Some of these can be implemented quickly, others involve investment'. The Council was advised 'the Executive are workshopping which areas should be pursued with what priority and these decisions will influence the financial modelling to be presented in August'.

Finance Committee (7 August 2024)

- 3.23 In relation to an item on the UC's financial forecast for 2024 the minutes of the meeting noted:

Acknowledging there are several other factors that contribute to the deficit position, simple fact is growth in revenue year on year is being outstripped by the growth in expenditure. The issue is to acknowledge the debt and then focus on how we deal with it.

...

Very strong focus on expenditure constraint. The magnitude of the deficit requires that UC focus now needs to long- term, sustainable, organisational change.

- 3.24 In relation to an item on the UC's 'Return to a Sustainable Balanced Budget' the minutes noted the Interim Vice-Chancellor advised that next week they would be able to:

... share the plan, for feedback, for the university going forward. The proposed plan will include organisational restructure and the staffing profiles, both academic and professional, that will support this plan, with a focus on financial sustainability. It is envisaged that the plan will be complete by the end of 2024.

There will not be any large-scale organisational change program until 2025 and the 2025 budget will show that. VC advised that despite the upheavals and changes UC has faced in 2024, savings of over \$12.3m have been made.

- 3.25 The minutes of the meeting also noted:

In acknowledging the need for a restructuring of the university, the Chair voiced concern at the length of time taken/needed to achieve this. It was further noted that the FC had not seen any of the work done by EY nor had it been advised of staff reductions. COO advised the budget papers do make it visible where there have been savings.

Noted Council advice regarding any large scale organisational change: to do it fairly, be transparent and take time to get it right. Restructuring university may provide opportunities for UC to look at ways to highlight its programs, to self-identify, and to differentiate itself from other Australian universities.

In summary, Committee noted it is important that Council is kept up to date with the work being done. The Committee would like to see the timetable up to the end of 2024, and when the VC thinks this will be available. Time is running out for the September meeting of Council. The Committee is seeking information on input – i.e., who is providing that? What is their advice? Will there be opportunities for input from Council?

University Council (6 September 2024)

- 3.26 In a closed session discussion the Chief Financial Officer (CFO) provided a briefing on financial management matters. The minutes of the meeting noted:

The YTD UC Operating Performance showed expenditure increase is greater than revenue, and this is uniform across academic and professional salary costs. The University is not generating enough cash to pay for expenditure.

- 3.27 The minutes of the meeting also noted:

It was discussed that if the University uses its liquid financial reserves to cover its position, it is projected to draw down \$21m from the \$80m debt facility by the end of the 2024.

...

By the end of 2025, there will be no cash left from either the windfall gains or other sources if the current trend continues.

The high-level forecast indicates \$78 million in borrowings by December 2025. The COO clarified the origins of this figure, emphasising that UC will reach its borrowing capacity against the Treasury Instrument by the end of 2025 if no changes.

- 3.28 The minutes of the meeting also noted:

It was noted that University Management have reduced expenditure in 2024, yet a \$36m deficit was still forecast. Further savings of ~\$6m, not included in the forecast, are expected from recently announced savings measures which will result in an updated forecast end of year deficit of ~\$30m.

Changes in federal government policy have affected central funding for Commonwealth Supported Places (CSP), causing a shortfall of about \$3.7m this year and impacting next year's budget.

- 3.29 In a closed session discussion the Executive team tabled an update on the Delivering Connected work that was underway. The minutes of the meeting note the Vice Chancellor reported:

The organisational structure needs to be fit for purpose. Inflation and other cost pressures were identified as factors, and the significant growth in FTE against the stagnation of EFTSL was noted.

- 3.30 The minutes of the meeting note the Chief Operating Officer reported:

The COO presented an overview of the planned program of work, noting that the focus is on savings, which can be realised sooner than opportunities for increased revenue. He outlined that Phase 2a focused on discretionary expenditure reduction, Phase 2b on revised Connected Strategy programs, Phase 3 on the Professional Services Functional Review and the Academic Structure Review. Both the professional and academic staff reviews were to be completed in 2024 with implementation of the professional staff review in the first half of 2025 and the academic staff review through 2025 and 2026.

- 3.31 The minutes of the meeting note the Chief Financial Officer reported:

The CFO presented financial modelling examples, providing a clear definition of 'financial sustainability' for the University. The CFO shared sustainability indicators. A "do nothing" scenario was deemed unsustainable, with debt facilities exhausted by early 2026 and the debt limit breached. Minor changes from 2024-28 would keep indicators negative over the medium term, while major changes could lead to significant gains from 2026 onward, requiring at least 175 FTE in redundancies and a revised Connected Strategy with up to a 50% reduction in capital expenditure. The CFO advised that significant changes are necessary to achieve financial sustainability as defined.

- 3.32 The balance of the meeting was focused on this item, and all other matters were subsequently dealt with out of session. The minutes of the meeting record considerable discussion on this topic. The minutes of the meeting also record that the Council requested from the Executive Team inter alia:

Strategies to maximise enrolments in 2025.

Granular detail of proposed staff reductions (i.e. sign off a budget with this level of detail) and the deadline for when it will be presented.

- 3.33 A key issue for discussion was the role of program manager in taking the program of work forward. Options were discussed, including an externally engaged consultant or an in-house UC staff member. The Council did not resolve this issue and noted further discussion would occur off-line. The minutes of the meeting note that the Council resolved to:

note that it (Council) acknowledges that it is responsible for the financial management of the University and ultimately responsible for decisions made on strategy to maximise enrolments and decrease expenditure.

endorse the workplan presented to return the University to a sustainable budget in 2026, subject to incorporation of Council's comments for further development, and Council's future approval of matters requested as actions.

University Council (16 September 2024)

- 3.34 On 16 September 2024 there was an urgent closed session meeting of the Council. There was a quorum with nine members present. The minutes of the meeting note:

The purpose of the meeting was to discuss the way forward post 6 September Council meeting. Members have raised concerns that Council needs to act quickly to turnaround the financial situation.

- 3.35 The minutes of the meeting note Professor Stephen Parker had been proposed as an Interim Vice Chancellor and that he had been contacted by the Chancellor and was available to take on the role.

- 3.36 The minutes of the meeting further note:

Options were discussed for the role of program manager for the change required. It was considered that Professor Parker could receive advice from an independent program manager and determine himself, with advice from the Executive, the best way forward.

Council require a clear financial plan in four-weeks of Professor Parker's commencement. A clear problem statement should be defined. A revenue plan was required and an accurate forecast. The spend in Digital with no clear ROI was of concern. Professor Parker's understanding of UC's core business would be advantageous

Finance Committee (22 October 2024)

- 3.37 At the meeting of the Finance Committee on 22 October 2024 there was discussion in relation to the 2025 budget and the program of work that was underway that would result in staff redundancies. The minutes of the meeting noted:

CFO confirmed objective to achieve budget balance in FY2025 pending EBA and compliance requirements. If there is any shortfall in achieving a balanced budget in 2025, then it would need to be implemented in 2026. Management expects to account for redundancy expenditure relating to professional staff in FY24, but not for Academic staff.

Members expressed support for the budget strategy provided, specifying that the University should return to surplus as soon as possible and remain in surplus thereafter.

Organisational redesigns are forthcoming from senior executives. Consultations and change proposals with business units are beginning this week. The COO provided a timeline for activities over the next six weeks.

University Council (6 December 2024)

- 3.38 A key item for discussion at the Council meeting was the CFO report and associated budget for 2025. The minutes of the meeting note UC management had 'done an exceptional job to reach \$50m in savings' and 'if the budget is accepted as drafted, Council accepts a forecast \$6m deficit for 2025'.

3.39 The Interim Vice Chancellor specifically identified that ‘the budget includes academic job cuts ... the budget includes assumption of the loss of 60-70 academic staff’.



3.40 By September 2024, further deterioration in operating position and the extent of the challenge to the actual financial viability of the UC had been recognised by the Finance Committee and Council and there was a recognition that more immediate and decisive action was necessary. In early September 2024 the minutes of a meeting of the Council note that the UC ‘is not generating enough cash to pay for expenditure’, ‘by the end of 2025, there will be no cash left from either the windfall gains or other sources if the current trend continues’ and the ‘the high-level forecast indicates \$78 million in borrowings by December 2025 [and that] UC will reach its borrowing capacity against the Treasury Instrument by the end of 2025 if no changes’. The Council was presented with financial modelling which provided ‘a clear definition of ‘financial sustainability’ for the University’ and advised that ‘minor changes from 2024-28 would keep [sustainability indicators] negative over the medium term, while major changes could lead to significant gains from 2026 onward, requiring at least 175 FTE in redundancies and a revised Connected Strategy with up to a 50% reduction in capital expenditure’. The Council was advised that ‘significant changes are necessary to achieve financial sustainability as defined’.

Future directions for financial management

2025 budget

3.41 On 6 December 2024 the UC’s 2025 budget was presented to the Council. The budget was subsequently amended and resubmitted to the Finance Committee and Council in March 2025. The 2025 budget acknowledged work underway at the time to safeguard the financial sustainability of the organisation:

The University of Canberra is submitting a financial budget for 2025 that reflects change to move the institution to a position of financial sustainability. Through an organisational change process commenced in October 2024, the resourcing, activities and structure of the institution will change. The ultimate objective of this change is a positive Operating Result in 2026 and continuing in future years.

3.42 The 2025 budget also recognised some of the factors associated with the increased expenditure since 2021:

Since 2021, the operating expenses of the university have grown faster than total revenue, placing the university into a position of continuing structural deficits. Significant strategic project expenditure such as ETaG (Educational Growth and Transformation) and DMP (Digital Master Plan) had been added to the university’s cost base since 2022, partially justified by expected increases in EFTSL and student revenue. The combination of exogenous factors and unrealistic growth assumptions have resulted in growth in costs unaligned to growth in revenue.

3.43 Key activities identified in the 2025 budget that were expected to result in reduced operating expenditure were:

- the planned reduction in staffing levels, with \$39.8 million annualised reduction in base operating salary costs;
- the reduction or deferral of strategic program expenditure, specifically expenditure associated with the Digital Master Plan, resulting in a \$3.6 million reduction in expenditure; and
- reduction in discretionary expenditure, including \$9.4 million in base operating non-salary costs.

3.44 In this respect the 2025 budget stated:

Risk and sensitivity analysis of this budget illustrates the importance of the inherent revenue assumptions and the execution of the organisational change program in accordance with the scope and timing of the plan.

3.45 A key underlying assumption for the 2025 budget was reduced growth in student numbers:

This financial performance reflects a tempered view of revenue growth based upon detailed load planning. Student EFTSL is budgeted to grow in 2025 by 2.1% to 12,215.

3.46 The 2025 budget identified an operating deficit of \$11.6 million for 2025 and an operating surplus of \$10.8 million for 2026. The 2025 budget also identified longer term operating surpluses for 2027 and 2028.

3.47 The 2025 budget notes that the UC will rely upon debt to fund its operations. The 2025 budget notes:

Up to \$39m in debt will be drawn down by December 2025, a point at which the renegotiation of the ACT Treasury debt instrument and external debt facility is required. This budget sets out a pathway by which the debt can be repaid by 2029 and provides the justification to Treasury and potential financiers of the University's liquidity and sustainability.

Council approval

3.48 On 27 November 2024 the Finance Committee resolved to endorse the 2025 budget, subject to a series of amendments and additional activity including inter alia:

Develop sensitivity plan to accompany 2025 budget. Include risk table with associated controls.

Identify further savings to improve the budget's margin from 2025-2027.

...

Provide a brief to clarify the process by which student load modelling was developed (to include an assessment of the retention risk posed by students on academic probation and performance plans).

...

- 3.49 On 6 December 2024 the Council approved 2025 budget. In doing so the minutes of the meeting note:

The Council resolved to:

approve a breakeven 2025 UC Group Budget, and to additionally **approve** once off organisational change costs of approximately \$12m

note Management's revenue and expense monthly monitoring plan and contingency actions to achieve the breakeven result in 2025

...

- 3.50 On 14 February 2025, the 2025 Budget was revised by the Finance Committee and provided to Council for approval. Council approved the revised 2025 Budget on 13 March 2025.



- 3.51 On 6 December 2024 the UC's 2025 budget was presented to the Council. The budget was subsequently revised and approved by Council on 13 March 2025. The 2025 budget acknowledged work underway at the time to safeguard the financial sustainability of the organisation and that 'through an organisational change process commenced in October 2024, the resourcing, activities and structure of the institution will change'. A key underlying assumption for the 2025 budget was reduced growth in student numbers and that 'financial performance reflects a tempered view of revenue growth based upon detailed load planning'. The 2025 budget identified an operating deficit of \$11.6 million for 2025 and an operating surplus of \$10.8 million for 2026. The 2025 budget also identified longer term operating surpluses for 2027 and 2028. Key activities identified in the 2025 budget that were expected to result in reduced operating expenditure were:

- the planned reduction in staffing levels, with \$39.8 million annualised reduction in base operating salary costs;
- the reduction or deferral of strategic program expenditure, specifically expenditure associated with the Digital Master Plan, resulting in a \$3.6 million reduction in expenditure; and
- reduction in discretionary expenditure, including \$9.4 million in base operating non-salary costs.

Financial strategy and goals

- 3.52 The UC advised that, as at the time of audit fieldwork, it was continuing to develop a detailed financial strategy and associated financial goals. The UC further advised:

- work is being undertaken to revise the Connected Strategy and this work is in its early stages; and
- the UC's financial plan (for the 2025 budget and indicative 2026 and 2027 budgets) would be reviewed to determine if any changes were required to support the revised Connected Strategy.

Recent developments

3.53 In June 2025, the CFO presented a paper to the Finance Committee on developing formal financial objectives to support the strategic objectives of the university, which included a set of proposed financial objectives and measures to replace the existing key performance indicators. The paper to the Finance Committee noted that:

The shortcomings of the current approach to achieve this outcome is that the focus primarily on operating efficiency (EBITDA + Net Operating Margin) does not provide a longer-term capital sustainability lens.

3.54 The aim of the proposed financial objectives is to evaluate financial sustainability and measure the financial resources for the UC to achieve its mission over the long term. The existing KPIs would be replaced with four measures focusing on net operating and financial cash flows, operating result, assets replacement ratio, and net assets. All four measures would need to be met to ensure that UC is in a position of financial sustainability.

3.55 The Finance Committee endorsed the approach at their 18 June 2025 meeting.



3.56 At the time of audit fieldwork the UC was continuing to develop a detailed financial strategy and associated financial goals. The UC further advised:

- work is being undertaken to revise the Connected Strategy and this work is in its early stages; and
- the UC's financial plan (for the 2025 budget and indicative 2026 and 2027 budgets) would be reviewed to determine if any changes were required to support the revised Connected Strategy.



3.57 In June 2025, the CFO presented a paper to the Finance Committee on developing formal financial objectives to support the strategic objectives of the organisation, which included a set of proposed financial objectives and measures to replace the existing key performance indicators. The aim of the proposed financial objectives is to evaluate financial sustainability and measure the financial resources for the UC to achieve its mission over the longer term.

4 Financial management framework

4.1 This chapter considers the UC's financial management framework, with a particular focus on 2023 and 2024, including:

- financial management systems;
- financial management roles and responsibilities, policies and procedures; and
- training and support offered to staff with financial management responsibilities.

Summary



Conclusions

The UC has an appropriate and fit-for-purpose financial management framework, including:

- financial management systems that have adequate functionality, which allow for timely and accurate financial management, budgeting and reporting; and
- policies and procedures relevant to its financial management arrangements. The policies and procedures would, however, be improved if they were supported by procedural guidance, particularly in relation to budgeting and financial management.



Key findings

Systems for financial management

Paragraph

The UC uses four key information technology (IT) systems to support its financial management and budgeting processes. The systems are appropriate and fit-for-purpose. The systems have adequate functionality, are linked together through both manual and automatic processes, and allow for timely and accurate financial management, budgeting and reporting. The systems are reconciled on a regular basis.

4.8

Financial management arrangements

The UC has a centralised financial management function, with key finance functions and operations performed by the Finance Team, which is led by the CFO. The Finance Team provides guidance to faculties and portfolios to manage their budgets and financial reporting. Faculties and portfolios are responsible for managing the finances and budgets of their business area.

4.13

Formalised or ongoing training in relation to finance-related systems and financial management activities have not been established. Ongoing support to undertake financial management-related tasks is: provided through the existing team structure

4.22

of the Finance Team, and provided by the Finance Team on an as needed basis for faculty and portfolio staff involved in financial management activities.

The UC has developed and implemented a series of policies and procedures relevant to its financial management arrangements. Overall, the policies and procedures were adequate for their intended purpose and reflective of arrangements that were observed through audit fieldwork. However, the policies are high level and not supported by procedural guidance, particularly in relation to budgeting and financial management. There is also a lack of specific guidance and procedural documentation with respect to the financial management role and responsibilities of faculty managers. 4.29

Although there is a lack of detailed procedural-level guidance for financial management tasks, the Finance Team has established some internal documentation to assist in tracking its day-to-day core financial functions. The Finance Team maintains an *End of Month (EOM) Checklist* that details the key financial management tasks to be completed each month and has developed and documented a separate checklist for monthly reconciliations of balance sheet accounts. These checklists have been used to guide key Finance Team activities. 4.34

The UC has developed and implemented ten financial management policies and procedures. Of these ten, three were identified as having passed their designated review dates. There is no evidence that the outdated policies and procedures that have been identified have adversely impacted the UC's financial management arrangements considered in this audit. However, it is good practice to regularly maintain policies and procedures including ensuring they are updated and made available to relevant staff. 4.42

Systems for financial management

- 4.2 An important part of effective financial governance is having established financial management systems and processes to manage income, expenses assets and liabilities. Financial management systems should be supported by up to date and accurate data and documented approvals and reconciliations.

Financial management IT systems

- 4.3 The UC uses four key information technology (IT) systems to support its financial management and budgeting processes. The systems, their purpose and functions are outlined in Table 5-1.

Table 4-1 UC financial IT systems

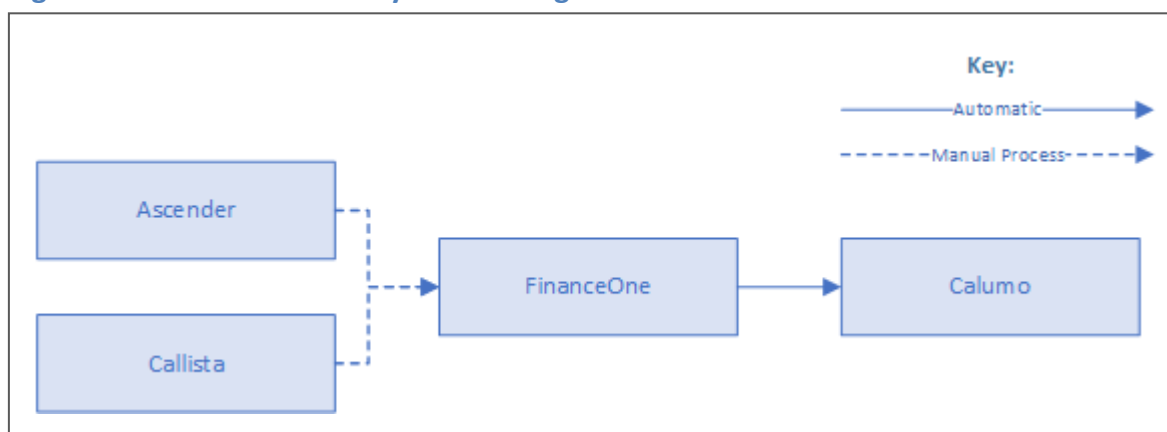
System and purpose	Functions
FinanceOne	<ul style="list-style-type: none"> Used by the Finance and Analytics Team (Finance Team), faculties and portfolios.

System and purpose	Functions
Core financial management system	<ul style="list-style-type: none"> Integrates directly with Calumo with current financial information. Has extensive integration with TechnologyOne, UC's enterprise resource planning system.
Calumo Financial reporting and budgeting system	<ul style="list-style-type: none"> Used as the primary reporting and budgeting tool by the Finance Team, faculties and portfolios. Allows for users to see their up-to-date financial position at any time, through dashboards, or navigating directly to specific financial areas of interest.
Ascender Payroll system	<ul style="list-style-type: none"> An off the shelf system used by UC to manage its large and diverse employee base, which represents UC's largest expenditure item. Primarily used by UC's Human Resource and Payroll teams. Payroll information from Ascender is manually uploaded to FinanceOne as part of the fortnightly payroll process and reconciled as part of end of month processes.
Callista Student management system	<ul style="list-style-type: none"> Designed for use by the Australian tertiary education sector. Primarily used by UC's Student Connect and Finance teams. System through which UC collects student fees, which flows through to FinanceOne, through weekly manual uploads. A reconciliation between the two systems is performed as part of end of month processes.

Source: ACT Audit Office based on UC documentation.

4.4 Figure 4-1 illustrates the linkages between the UC's financial IT systems.

Figure 4-1 UC financial IT systems linkages



Source: ACT Audit Office based on UC documentation.

4.5 The Finance and Analytics Team (Finance Team) undertakes monthly manual reconciliations to check that data and financial results are complete, accurate and consistent between the systems. These reconciliations are captured in the Finance Team's month-end checklist.

Functionality of the financial budgeting and reporting systems

4.6 The systems most relevant to the UC's financial management, reporting and budgeting process are FinanceOne and Calumo. The Audit Office reviewed the systems to assess if they:

- had adequate functionality to undertake financial and budgeting monitoring and reporting; and
- supported timely and accurate processing, budgeting and reporting.

4.7 Table 4-2 shows the outcomes of this assessment.

Table 4-2 Financial budgeting and reporting systems assessment

System	Functionality	Timeliness
FinanceOne	<ul style="list-style-type: none"> • Allows for recording current financial information. • Information is available to users, Finance Team, faculties and portfolios to inform budget information, current financial position, and financial reporting. 	<ul style="list-style-type: none"> • Currency of information is maintained through: <ul style="list-style-type: none"> – inputting directly into FinanceOne; or – manually uploading from other systems such as Callista and Ascender on a regular basis.
Calumo	<ul style="list-style-type: none"> • Allows the Finance Team to generate up-to-date financial reports. • Reports are used for the whole of university, individual faculties and portfolios. • Used by Finance Team, faculties and portfolios to develop budgets. • Allows for collaborative budget preparation, enabling both Finance Team, faculties and portfolios to work together in a shared environment. 	<ul style="list-style-type: none"> • Receives financial information directly from FinanceOne, allowing Calumo to produce accurate reports using the most up to date information available. • Allows for live monitoring of financial performance. Faculties and portfolios can use Calumo to monitor their financial performance daily, if required. • Facilitates the budgeting process, allowing Finance, faculties and portfolios to work on the budgets at the same time. • Enables UC to generate accurate and timely reports, and up to date financial performance information.

Source: ACT Audit Office assessment.



4.8 The UC uses four key information technology (IT) systems to support its financial management and budgeting processes. The systems are appropriate and fit-for-purpose. The systems have adequate functionality, are linked together through both manual and automatic processes, and allow for timely and accurate financial management, budgeting and reporting. The systems are reconciled on a regular basis.

Financial management arrangements

4.9 To assess the effectiveness of the UC's financial arrangements, the audit sought to understand whether the UC had established:

- clearly defined roles and responsibilities that outline the financial management responsibilities of the centralised finance function, faculties and portfolios; and
- documented and up-to-date policies, procedures and guidance that support staff to undertake their financial management roles.

Financial management roles and responsibilities

4.10 The UC has a centralised financial management function, with key finance functions and operations performed by the Finance Team, which is led by the CFO.

4.11 The Finance Team supports the UC's faculties and portfolios to manage their revenue and expenditure and monitor their overall financial performance in line with agreed budgets. The roles and responsibilities of the Finance Team and the faculties and portfolios in relation to financial management at the UC are summarised in Table 4-3.

Table 4-3 UC financial management roles and responsibilities

Business area	Roles and responsibilities
Finance Team	<ul style="list-style-type: none"> • Overseen by the CFO, the Finance Team is responsible for overseeing financial management within the university, including: <ul style="list-style-type: none"> – undertaking core financial management functions; – maintaining oversight of financial performance across faculties and portfolios; and – providing financial guidance where required. • The Finance Team has the following functions: <ul style="list-style-type: none"> – financial and grant accounting; – financial reporting and operations; – payroll; – strategic procurement; – financial planning (including treasury and cash flow, and financial management); and – data analytics.
Faculties and portfolios	<ul style="list-style-type: none"> • Each faculty has a faculty manager position responsible for a range of functions related to the commercial operation of the faculty, including management of faculty finances and budgets. • The executive deans of each faculty are responsible for the financial performance of the faculty. • Faculties undertake procurement activities and incur expenditure, within the limits prescribed in UC's <i>Procurement Policy</i> and <i>Schedule of Delegations</i>.

Business area	Roles and responsibilities
	<ul style="list-style-type: none"> Portfolio finances are managed through a similar arrangement to the faculties, with the head of the portfolio (namely DVC, the COO, and the VC) maintaining overall responsibility for the financial performance of the portfolio.

Source: ACT Audit Office based on UC documentation.

4.12 As shown in Table 4-3, the UC has established a centralised financial function that oversees its financial management and provides guidance to faculties and portfolios to manage their budgets and financial reporting. Faculties and portfolios are responsible for managing the finances and budgets of their business area.



4.13 The UC has a centralised financial management function, with key finance functions and operations performed by the Finance Team, which is led by the CFO. The Finance Team provides guidance to faculties and portfolios to manage their budgets and financial reporting. Faculties and portfolios are responsible for managing the finances and budgets of their business area.

Financial management training and support

4.14 For staff at the UC commencing in financial management related roles, experienced members of the Finance Team provide initial one-on-one training and instruction in relation to processes that are in place and the use of finance-related IT systems, such as FinanceOne and Calumo.

4.15 Formalised or ongoing training in relation to finance-related systems and financial management activities have not been established.


4.16 Ongoing support to undertake financial management-related tasks is:

- provided through the existing team structure of the Finance Team; and
- provided by the Finance Team on an as needed basis for faculty and portfolio staff involved in financial management activities.

4.17 In comments received on the draft proposed report, stakeholders advised that the Senior Managers and Leaders Seminar also covered finance administration and budget matters.

Business partnering arrangement

4.18 The Finance Team previously supported financial management at the faculty level through a business partnering arrangement. Each faculty was allocated a dedicated Finance Business Partner to assist with queries and the analysis of monthly financial results. Finance Business Partners also provided faculties with limited assurance over their financial performance, as they monitored financial results and provided faculties with financial advice and expertise.

- 4.19 The Finance Business Partner model ended in late 2024 as part of the UC's broader reduction and restructure of its staffing. After this time, faculty staff have been able to access support from the Finance Team on an ad-hoc and as needed basis.
- 4.20 As part of audit fieldwork, faculty staff identified that the business partnering arrangement was highly regarded as it supported faculty financial management capability. Faculty staff raised concerns regarding the discontinuation of this arrangement.
- 4.21 The UC advised that expected future arrangements are for the CFO and staff from the Finance Team to meet with faculty executive deans and faculty managers on a quarterly basis to discuss financial performance, results and reporting.
-  4.22 Formalised or ongoing training in relation to finance-related systems and financial management activities have not been established. Ongoing support to undertake financial management-related tasks is provided through the existing team structure of the Finance Team, and provided by the Finance Team on an as needed basis for faculty and portfolio staff involved in financial management activities.

Financial management processes and procedures

- 4.23 The Australian Institute of Company Directors highlights the importance of having established financial policies and procedures to support an organisation's financial governance arrangements:

Comprehensive financial policies and procedures form the core of governance systems. They provide guidelines for managing cash flows, investments, expenditures, accounting, reporting, auditing and other processes. Policies aim to balance control with efficiency.¹⁰

- 4.24 The UC maintains a policy library on its public website (UC Policy Library), which provides access to all the university's policies and procedures. The UC Policy Library records details on policies and procedures including:
- approval dates;
 - effective dates;
 - scheduled review dates; and
 - policy and procedure approvers.
- 4.25 There are ten policies and procedures relevant to the UC's financial management arrangements. These policies, along with their effective dates, review dates and purpose, are summarised in Table 4-4.

¹⁰ Australian Institute of Company Directors, *The Importance of Financial Governance*.

Table 4-4 UC financial management policies and procedures

Policy/procedure Effective date and review date	Purpose of document
<i>Finance Governance Policy</i> Effective: 1 January 2025 Review: 17 June 2027	<ul style="list-style-type: none"> Dictates use of university funds in accordance with the: <ul style="list-style-type: none"> – <i>University of Canberra Act 1989</i>; – <i>Financial Management Act 1996</i> (FM Act); and – <i>Financial Management Investment Guidelines 2015</i>. Defines financial management and governance roles for VC, COO, CFO, Finance Committee and Audit and Risk Management Committee.
<i>Controlled and Related Entities Policy</i> Effective: 31 March 2023 Review: 8 December 2025	<ul style="list-style-type: none"> Outlines principles related to controlled entities, related entities and controlling interests. Details objectives of controlled entity in being consistent with university functions, and establishment of controlled entities (including reporting notifications, winding up and associated policies).
<i>Controlled and Related Entities Procedure</i> Effective: 20 March 2024 Review: 8 December 2025	<ul style="list-style-type: none"> Outlines procedures relating to establishing, amendments to constitution, remunerations, benefits, winding up, etc. of a Controlled Entity. Outlines reporting and notification requirements of Controlled Entity.
<i>Corporate Credit Card Procedure</i> Effective: 11 September 2024 Review: 12 June 2027	<ul style="list-style-type: none"> Outlines management of corporate credit cards which are used for certain business expenses.
<i>Investment Policy</i> Effective: 31 March 2023 Review: 31 March 2024	<ul style="list-style-type: none"> Details the university's investment philosophy and principles for investment objectives regarding liquidity, diversification, cash flows, investment manager performance, and investment guidelines.
<i>Procurement Policy</i> Effective: 3 December 2024 Review: 21 May 2027	<ul style="list-style-type: none"> Details policy requirements for effective governance of procurement activities, including value for money in procurement and accountability.
<i>Procurement Procedure</i> Effective: 3 December 2024 Review: 21 May 2027	<ul style="list-style-type: none"> Details operational procedures for conducting procurement activities, including spending thresholds and required approvals.
<i>Treasury Policy</i> Effective: 1 January 2025 Review: 1 January 2028	<ul style="list-style-type: none"> Details the core objectives of the University's treasury function. Outlines the university's borrowing policy, liquidity risk management, funding risk management, interest rate risk management, and interest rate hedging. Outlines the foreign exchange policy and authorised foreign exchange instruments.
<i>Treasury Procedure</i> Effective: 13 August 2025	<ul style="list-style-type: none"> Details operations and procedures with regard to arranging and agreeing transactions with external parties.

Policy/procedure Effective date and review date	Purpose of document
Review: 1 January 2028	<ul style="list-style-type: none"> Provides guidance around approved counter parties, transaction origination, settlements procedure, foreign exchange transactions.
<i>Delegations of Authority Policy</i> Effective: 31 March 2023 Review: 31 March 2024	<ul style="list-style-type: none"> Details the framework for the delegation of authority across all functions of the University (including financial management), and the principles which apply when exercising a function under a delegation. Attachment A to the policy contains the <i>Delegations Schedule</i>.

Source: ACT Audit Office based on UC documentation.

Comprehensiveness of financial management policies and procedures

4.26 The audit considered whether the financial management policies and procedures were fit for purpose by considering the policies' clarity and usability, completeness, currency and accessibility. Overall, the policies and procedures were adequate for their intended purpose and reflective of arrangements that were observed through audit fieldwork.

4.27 It is noted, however, that the policies are high level and not supported by procedural guidance, particularly in relation to budgeting and financial management. It is also noted that there is a lack of specific guidance and procedural documentation with respect to the financial management role and responsibilities of faculty managers.

4.28 During audit fieldwork, staff performing financial management roles demonstrated a good awareness of their role and responsibilities. However, recent changes to the level of support offered to faculties and portfolios by the Finance Team (e.g. through the changes to the business partnering arrangement that has resulted in the removal of Finance Business Partners from the faculties), indicates that the development of procedural guidance for faculty managers in relation to their financial management responsibilities would be good practice.



4.29 The UC has developed and implemented a series of policies and procedures relevant to its financial management arrangements. Overall, the policies and procedures were adequate for their intended purpose and reflective of arrangements that were observed through audit fieldwork. However, the policies are high level and not supported by procedural guidance, particularly in relation to budgeting and financial management. There is also a lack of specific guidance and procedural documentation with respect to the financial management role and responsibilities of faculty managers.

**Recommendation 1****Procedural guidance for faculty and portfolio managers**

The University of Canberra should develop procedural guidance for faculty and portfolio managers in relation to financial management processes. The procedural guidance should include clear descriptions of roles and responsibilities for financial management.

Operational-level guidance on budgeting and financial management

4.30 Although there is a lack of detailed procedural-level guidance for financial management tasks, the Finance Team has established some internal documentation to assist in tracking its day-to-day core financial functions.

4.31 The Finance Team maintains an *End of Month (EOM) Checklist* that details the key financial management tasks to be completed each month. The Checklist is updated each financial year to reflect current practice. It includes information on:

- the key tasks to be performed including balance sheet and system reconciliations, creditor and debtor processing, revenue and expense accruals, journals and the production of financial reports;
- responsibility for each task, which is allocated to a specific member of the team, along with a deadline for performing the task; and
- details of supervisor responsibilities for confirming that all tasks have been completed.

4.32 A review of the checklist for 2024 shows that preparers had marked their sections as complete. Supervisor signoffs are not recorded on the checklist.

4.33 Monthly reconciliations of balance sheet accounts are performed by the Finance Team and documented through a separate checklist. The audit considered the completion of the checklist for two accounting periods in 2024 and 2025. In both instances the checklist had been used, finalised and signed off. Reconciliations for balance sheet accounts were identified as being appropriately documented and contained evidence of separate preparers and reviewers.



4.34 Although there is a lack of detailed procedural-level guidance for financial management tasks, the Finance Team has established some internal documentation to assist in tracking its day-to-day core financial functions. The Finance Team maintains an *End of Month (EOM) Checklist* that details the key financial management tasks to be completed each month and has developed and documented a separate checklist for monthly reconciliations of balance sheet accounts. These checklists have been used to guide key Finance Team activities.

Currency of policies and procedures

4.35 The UC has developed and implemented ten financial management policies and procedures. Of these ten, three were identified as having passed their designated review dates:

- *Investment Policy* (review date 31 March 2024);
 - this policy was subsequently revised during 2024, approved by the Council in June 2025 and as at January 2026 UC was still awaiting co-approval by the ACT Treasurer; and
- *Delegations of Authority Policy* (review date 31 March 2024).
 - the policy has been subject to minor amendments through to December 2024 to reflect organisation structure changes.

4.36 Further, the *Schedule of Delegations* attachment to the *Delegations of Authority Policy* (accessed from the UC Policy Library):

- was dated 2021; and
- did not reflect the current organisational structure (for example, the position of Chief Operating Officer was not listed in the Schedule).

4.37 The UC subsequently provided an updated version that was approved by the Council on 15 May 2025.

4.38 There is no evidence that the outdated policies and procedures that have been identified have adversely impacted the UC's financial management arrangements considered in this audit. However, it is a matter of good practice to regularly maintain policies and procedures including ensuring they are updated and made available to relevant staff.

4.39 It is noted, however, that the UC had difficulty in locating prior versions of policies and procedures from the period 2022 onwards. This impacted the ability of the audit to assess all of the policy and procedural guidance in place during the full period that the audit considered. While the UC's Policy Library contains functionality to store prior versions of policies and their effective dates, this functionality is not used.

4.40 The *Finance Governance Policy* was approved on 17 June 2024, with an effective date of 1 January 2025. No explanation was provided regarding the long interval between the approval and effective dates.

4.41 Given the high-level nature of the *Finance Governance Policy*, detailed testing was not performed with respect to compliance with policy requirements. The audit instead considered whether the UC undertakes assurance activities to check compliance with policies, processes and internal controls related to financial management. This is discussed in Chapter 5.



4.42 The UC has developed and implemented ten financial management policies and procedures. Of these ten, three were identified as having passed their designated review dates. There is no evidence that the outdated policies and procedures that have been identified have adversely impacted the UC's financial management arrangements considered in this audit. However, it is good practice to regularly maintain policies and procedures including ensuring they are updated and made available to relevant staff.



Recommendation 2

Financial management policies and procedures

The University of Canberra should improve the management of its financial management policy and procedures by:

- a) maintaining historical versions of the policy and procedural guidance in the Policy Library;
- b) accurately recording approval, review and expiry dates in the documents; and
- c) undertaking scheduled reviews of the documents in a timely manner.

5 Preparation of financial budgets

5.1 This chapter considers the UC's preparation of financial budgets including:

- processes for developing the budget;
- management and oversight of the budget process; and
- development of budget assumptions.

5.2 The chapter specifically comments on the development of the 2024 budget.

Summary



Conclusions

The development of the annual budget is led by the Finance Team, which is responsible for coordinating the relevant input from faculties and portfolios. The development of the annual budget has, in the past, been characterised by a lack of operational-level procedural documentation.

For the purpose of developing its annual budgets, the UC has identified:

- key drivers that significantly impact financial performance and which are directly linked to specific revenue and expenditure line items in its annual budget; and
- key assumptions associated with these key drivers, which are identified and articulated to Finance Committee and Council for consideration and approval as part of the budget process.

Key assumptions necessarily relate to student revenue. The assumptions for student revenue for the 2024 budget were too optimistic. Assumptions for student revenue for the 2025 budget were based on more realistic expectations about growth in student numbers.



Key findings

Developing the budget

Paragraph

The Finance Team is responsible for coordinating the annual budgeting process, with relevant input provided by the faculties and portfolios. There has been a lack of operational-level procedural documentation to guide the formulation and development of the UC's budget, although it is noted that some email guidance has been issued by the Finance Team as part of the budget coordination process. The development of operational-level guidance for stakeholders involved in the

5.9

formulation of the budget would help define roles and responsibilities and communicate the budget methodology.

The 2024 budget process was characterised by the use of a ‘contribution margin’ approach, whereby faculties and portfolios were expected to meet targets for their contribution to net surplus, and the lack of a target operating result. Finance Team staff involved in the budgeting process advised that their role was to consolidate all budgets and present the final result to the Finance Committee and Council but they were not working towards achieving a target figure to drive the budgeted position. 5.10

The UC’s budget process is managed and oversighted by the CFO and the Finance Team, who provide budget and financial guidance to the faculty and portfolio heads and a first line of assurance on the budgetary inputs. With respect to the budget process for 2023 and 2024 it was evident that the Finance Team: 5.18

- coordinated the budget process, performed reasonableness checks on fixed cost inputs, consolidated all inputs and determined the final budget position; and
- facilitated budget inputs for faculties which are fixed and accounted for by the Finance Team.

The roles and responsibilities of the Council, the ARMC and the Finance Committee in relation to the budget process is outlined in the *University of Canberra Act 1989* and their governing documents. The Finance Committee is responsible for providing the initial detailed review of the annual budget including the underlying principles for its development. The Council is responsible for reviewing and signing off on the budget. A review of the minutes of the 2022 and 2023 meetings of the Council and Finance Committee shows that for the 2023 budget and 2024 budget the Finance Committee and the Council fulfilled their responsibilities in accordance with their charters in relation to the university budget. 5.25

Since the 2024 budget the UC has moved to a contribution margin model whereby each faculty is required to contribute a set percentage of its revenue to fund the operating costs of the university. Under this approach faculties are required to meet a specified contribution margin target. The faculty managers and executive deans consulted during the audit identified that the move to the contribution margin model is positive as it allows faculties more autonomy and responsibility for faculty financial management. 5.31

The UC has not established a formal, lessons learnt process for budget cycles. The development and implementation of a documented lessons learnt process could provide the UC with a clearer understanding of aspects of the budgeting process that work well and those requiring improvement, thereby allowing UC to further strengthen the budget process over time. 5.34

Budget assumptions

The UC has identified key drivers that significantly impact financial performance and which are directly linked to specific revenue and expenditure line items in its annual 5.51

budget. As part of the budget approval process, 13 key assumptions associated with these key drivers are identified and included in the budget papers that are presented to, and approved by, the Finance Committee and the Council. The budget assumptions are largely the same from year to year, but may be adjusted as necessary, and this is generally done within six months of the commencement of the budget period. Assumptions are developed at a point in time and are informed by information available at the time of development.

A key assumption relates to student revenue, which made up 76 percent of the UC's income for 2024. The assumptions used to estimate student revenue for 2024 did not hold true to the actual results achieved. The UC experienced shortfalls in its student load targets for 2024 due to a range of factors that led to an overestimation of student numbers. To address learnings from 2024 changes have since been made to the load planning process to centralise coordination of the process within the Finance Team. 5.52

Developing the budget

- 5.3 The UC's financial year is from 1 January to 31 December. The development of the budget is guided by two census dates at which all student enrolments and fees are finalised.¹¹ The census dates are early April for semester one and mid to late August for semester two.
- 5.4 While largely consistent from year to year, the process for the preparation of the budget can change. The audit primarily focused on the budget process for 2024 but also examined other years as necessary.

Timeline and key responsibilities in developing the budget

- 5.5 The Finance Team is responsible for coordinating the annual budgeting process, with relevant input provided by the faculties and portfolios. Figure 5-1 shows the timeline for the key stages of the 2024 budget process along with timeframes for input from the responsible business areas.

¹¹ Census date is the last date students can finalise or withdraw from units of study, suspend studies or discontinue courses without it affecting their grades or being financially liable for units of study.

Figure 5-1 2024 UC budget process – timelines and responsibilities

	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Census Dates	Semester 1 (01/04/2024)				Semester 2 (23/08/2024)					
Faculties			Load planning		Budget formulation and approval					
Finance Team		Fee setting			Budget formulation		Budget consolidation and approval			
Finance Committee								Budget approval and recommendation to Council		
University Council									Budget approval and sign-off	

Source: ACT Audit Office based on UC documentation.

5.6 Table 5-1 shows the steps involved in the development and approval of the annual budget for 2024.

Table 5-1 Process for the development and approval of the 2024 UC budget

Step	Description
1. Fee setting	<ul style="list-style-type: none"> Fee setting was coordinated by Finance Team, in consultation with faculties, at the beginning of the budgeting process.
2. Load planning	<ul style="list-style-type: none"> Load planning was undertaken by faculties, coordinated by the Finance Team and supported by other relevant teams (such as marketing, student recruitment and data analytics). The output of the load planning process estimated full-time student load for each of UC's course offerings, which is consolidated to arrive at the overall full time student load for the year.
3. Budget kick-off	<ul style="list-style-type: none"> The Finance Team sent emails to brief key stakeholders on the budget process that provided: <ul style="list-style-type: none"> an overview of the process; responsibilities; and relevant timelines.
4. Budget input preparation	<ul style="list-style-type: none"> The Finance Team prepared the initial budget inputs for each faculty and portfolio. This included student revenue, salary expenditure and other fixed costs. The Finance Team opened fields for other expense items related to the operational expenditure of the faculty or portfolio (such as supplier expenses, travel, and equipment purchases).
5. Faculty and portfolio input	<ul style="list-style-type: none"> Faculties and portfolios were provided access to the budget to enter their estimates. All budgeted revenue and expenditure amounts were phased across the financial year's accounting periods, to allow for accurate budget to actual monitoring and reporting. Revenue and expenditure were budgeted against the month in which the specific transactions are expected to occur.

Step	Description
6. Lock down of budget figures	<ul style="list-style-type: none"> At the conclusion of the period allowed for inputs, faculties and portfolios confirmed finalisation of their inputs and the budget was locked down in Calumo by the Finance Team to prevent any further changes.
7. Finance team review and consolidation	<ul style="list-style-type: none"> The Finance Team reviewed all faculty and portfolio budgets and performed reasonableness checks on the amounts entered. This process involves working with faculty and portfolio staff to refine budget inputs and agreeing adjustments where necessary. Faculty and portfolio budgets are then consolidated to form the UC budget.
8. CFO and COO review	<ul style="list-style-type: none"> The CFO is involved in the preparation of the budget, as part of an iterative process with the Finance team. The CFO performed the final review of the budget prior to review and endorsement by the COO. The detailed review responsibilities for the CFO and the COO are not documented.
9. Executive review	<ul style="list-style-type: none"> In addition to the CFO and COO review of the budget, the Executive team and the Vice Chancellor's Group held discussions during the development of the budget.
10. Finance Committee and Council approval	<ul style="list-style-type: none"> The budget is presented to the Finance Committee for review. The Finance Committee may request changes to the budget prior to endorsement and recommendation to the Council. The Council reviews the budget and may request changes prior to approval. Once the budget is approved, all figures in the budget are then used for financial reporting purposes.

Source: ACT Audit Office based on UC documentation.

5.7 There has been a lack of operational-level procedural documentation to guide the formulation and development of the UC's budget. It is noted, however, that some email guidance has been issued by the Finance Team as part of the budget coordination process.

5.8 The 2024 budget process was characterised by:

- Budget Forums to brief key participants** – the Finance Team holds an annual Budget Forum to brief all key participants (including the faculty managers) on the budget process and relevant timelines.
 - although not held for the 2022 and 2023 budgets there was a 2024 Budget Forum that was held on 2 August 2023;
 - the 2024 Budget Forum discussed the UC's financial operating environment, overall budget strategy, key aspects of the 2024 budget and timelines.
- the use of a 'contribution margin' approach** – the 2024 budget process involved the use of a 'contribution margin' approach, whereby faculties and portfolios were expected to meet targets for their contribution to net surplus.

- while faculties and portfolios predominantly achieved their contribution margin targets, the consolidation of all contributions was ultimately not successful for returning a balanced budget position for 2024 following the 2023 deficit budget.
- **the lack of a target operating result** – the process for developing the 2024 budget did not involve working to a target operating result (net surplus) figure.
 - Finance Team staff involved in the budgeting process advised that their role was to consolidate all budgets and present the final result to the Finance Committee and Council but they were not working towards achieving a target figure to drive the budgeted position.



5.9 The Finance Team is responsible for coordinating the annual budgeting process, with relevant input provided by the faculties and portfolios. There has been a lack of operational-level procedural documentation to guide the formulation and development of the UC's budget, although it is noted that some email guidance has been issued by the Finance Team as part of the budget coordination process. The development of operational-level guidance for stakeholders involved in the formulation of the budget would help define roles and responsibilities and communicate the budget methodology.



5.10 The 2024 budget process was characterised by the use of a 'contribution margin' approach, whereby faculties and portfolios were expected to meet targets for their contribution to net surplus, and the lack of a target operating result. Finance Team staff involved in the budgeting process advised that their role was to consolidate all budgets and present the final result to the Finance Committee and Council but they were not working towards achieving a target figure to drive the budgeted position.



Recommendation 3 Policy and procedural guidance for annual budget process

The University of Canberra should develop policy and procedural guidance for the annual budgeting process, including:

- a) the methodology by which the budget is developed;
- b) responsibilities and accountabilities of all key stakeholders in the process; and
- c) a process for updating and communicating the guidance to relevant stakeholders at the commencement of each annual budget process.

Management and oversight of the budget process

5.11 The UC's budget process is:

- managed and oversgited by the CFO and the Finance Team, who provide:
 - budget and financial guidance to the faculty and portfolio heads; and

- a first line of assurance on the budgetary inputs; and
- oversighted and approved by key UC governance bodies including the Council and the Finance Committee.

Finance Team

5.12 Although the *Finance Governance Policy* (17 June 2024) does not explicitly define the role of the Finance Team, it defines the role of the CFO as providing financial management for the university and, in relation to the budget process, being responsible for:

- leading and coordinating processes for the development and preparation of the University's budget; and
- ensuring the University has the appropriate systems, capabilities and processes in place for meeting its financial compliance obligations.

5.13 The audit considered the Finance Team's performance of its responsibilities, as outlined in the *Finance Governance Policy*, with respect to the budget process for 2023 and 2024 through:

- fieldwork discussions with the Finance Team, faculty and portfolio heads; and
- documents showing evidence of the budget process (such as internal checklists and email communication from the Finance Team and the faculties and portfolios).

5.14 Through audit fieldwork it was observed that the Finance Team:

- coordinated the budget process, performed reasonableness checks on fixed cost inputs, consolidated all inputs and determined the final budget position; and
- facilitated budget inputs for faculties which are fixed and accounted for by the Finance Team. These inputs included, but were not limited to:
 - salary increases (such as the scheduled increase in rates for staff as per the *University of Canberra Enterprise Agreement 2023-2026*);
 - depreciation schedules (for plant, equipment and other assets);
 - licencing and subscription costs (managed on a UC-wide basis to achieve savings); and
 - other costs applied at a university-level that are not specific to faculties (including occupancy costs, and repairs and maintenance).

5.15 It was also apparent that, during the budgeting process, the Finance Team and the CFO provided guidance to faculties and portfolios.

5.16 Faculties and portfolio staff advised that general guidance around timelines and milestones was provided by the Finance Team and the CFO, however, there was limited specific documented advice and process guidance.

5.17 It was also noted that the Finance Team and the faculties discussed issues on the formulation of budgets, particularly in relation to expenditure items allocated to cost centres. These discussions assisted in managing risks during the consolidation of the university budget.



5.18 The UC's budget process is managed and oversighted by the CFO and the Finance Team, who provide budget and financial guidance to the faculty and portfolio heads and a first line of assurance on the budgetary inputs. With respect to the budget process for 2023 and 2024 it was evident that the Finance Team:

- coordinated the budget process, performed reasonableness checks on fixed cost inputs, consolidated all inputs and determined the final budget position; and
- facilitated budget inputs for faculties which are fixed and accounted for by the Finance Team.

Governance bodies

5.19 Table 5-2 outlines roles and responsibilities in relation to the budget process for the Council, the Audit and Risk Management Committee (ARMC) and the Finance Committee as outlined in the *University of Canberra Act 1989* and governing documents.

Table 5-2 UC governance bodies' roles and responsibilities in relation to the budget process

Governance body	Roles and responsibilities
University Council	<p>The <i>Reserved Powers of the University Council</i> (11 May 2024) outlines the Council's financial management responsibilities.</p> <p>The <i>Council Governance Charter</i> (31 March 2023) states that:</p> <ul style="list-style-type: none"> • the budget parameters and strategy for the next financial year are discussed by the Council at the August meeting; • the preliminary budget is considered at the October meeting; • the final budget is considered at the December meeting; • financial performance reports are presented at each Council meeting; and • the Council is responsible for the sign off of the annual Financial Accounts. <p>The Council's financial management responsibilities are outlined in sections 7(2)(l), 10(1), 34, and 36 of the <i>University of Canberra Act 1989</i>.</p>
ARMC	<p>The <i>Audit and Risk Management Committee Charter</i> (5 April 2024) does not outline specific responsibilities for the ARMC in relation to the budget process.</p> <p>It does however state that:</p> <p style="padding-left: 40px;">where the ARMC identifies issues of possible concern relating to the financial management, budget sustainability or commercial activities of the university, it shall refer such matters to the Finance Committee.</p>
Finance Committee	<p>The <i>Finance Committee Charter</i> (28 June 2023) outlines the following responsibilities for the Committee:</p>

Governance body	Roles and responsibilities
	<ul style="list-style-type: none"> • Monitoring, advising and recommending to the Council, as appropriate, on the University's financial and operational performance including to: <ul style="list-style-type: none"> – Review and recommend to the Council the annual University budget, financial and cash forecasts; financial plans; – Approve the principles underlying the development of the University budget; – Review the financial performance of the University and recommend financial performance reports to the Council, as appropriate. • Where the Committee identifies issues that may present a material risk to the University, it shall refer such matters to the Audit and Risk Management Committee.

Source: ACT Audit Office based on UC documentation.

5.20 Table 5-2 shows that the roles and responsibilities of each of the UC's governance bodies in relation to the development of the UC budget is clearly defined:

- the Finance Committee is responsible for providing the initial detailed review of the annual university budget, including the underlying principles for developing the budget;
- the Finance Committee makes recommendations to the Council on the budget;
- the Council provides input to the budget parameters and strategy;
- the Council reviews and signs off on the preliminary budget and final budget; and
- the ARMC is not involved in the budget process except to refer issues of possible concern on budget sustainability to the Finance Committee.

5.21 The audit considered the minutes for the 2022 and 2023 meetings of the Council and Finance Committee in order to identify:

- the adherence of the governance bodies to their roles and responsibilities in relation the budget process outlined in Table 5-2; and
- the key points at which the 2023 and 2024 budgets were discussed, reviewed and approved.

5.22 The results of this review are summarised in Table 5-3.

Table 5-3 UC governance bodies oversight of 2023 and 2024 budgets

Meeting and date	Evidence of oversight and review
Finance committee 10 August 2022	The minutes record the Committee's discussion on, and endorsement of, the 2023 budget assumptions and approach.
Finance Committee 21 October 2022	Finance Committee endorsed the 2023 annual university budget and recommended same to the Council for approval.

Meeting and date	Evidence of oversight and review
University Council 28 October 2022	Council approved the 2023 University budget with a \$14.6 million deficit, on the proviso that: <ul style="list-style-type: none"> • further expenditure in relation to ETaG would be added once the business case was considered; • the budget model be redesigned to improve accountability and transparency; and • the operating model be redesigned to improve efficiencies and reduce operating costs.
Finance Committee 25 October 2023	The minutes record discussion on the development and progression of the 2024 University budget.
Finance Committee 22 November 2023	Finance Committee endorsed the 2024 annual university budget and recommended same to the Council for approval. The budgeted position was a \$26.3 million deficit (including \$6 million in expenditure for the DMP program, added at the request of the Finance Committee).
University Council 8 December 2023	Council approved the 2024 University budget with a deficit of \$26.3 million.

Source: ACT Audit Office based on UC documentation.

5.23 A review of the minutes of the 2022 and 2023 meetings of the Council and Finance Committee shows that in 2022 and 2023 the Finance Committee and the Council fulfilled their responsibilities in accordance with their charters in relation to the university budget. This included:

- the Finance Committee’s review and approval of the budget approach and recommendation of endorsement of the budget to the Council; and
- the Council’s review and endorsement of the preliminary and final budgets.

5.24 While the minutes show evidence of discussion and approvals provided by the respective Committees, the discussions are generally high level in nature and restricted to the information tabled at the meeting rather than broader consideration of the UC’s financial position.



5.25 The roles and responsibilities of the Council, the ARMC and the Finance Committee in relation to the budget process is outlined in the *University of Canberra Act 1989* and their governing documents. The Finance Committee is responsible for providing the initial detailed review of the annual budget including the underlying principles for its development. The Council is responsible for reviewing and signing off on the budget. A review of the minutes of the 2022 and 2023 meetings of the Council and Finance Committee shows that for the 2023 budget and 2024 budget the Finance Committee and the Council fulfilled their responsibilities in accordance with their charters in relation to the university budget.

Contribution margin approach

5.26 Since the 2024 budget the UC has moved to a contribution margin model whereby each faculty is required to contribute a set percentage of its revenue to fund the operating costs of the university. Under this approach faculties are required to meet a specified contribution margin target. The remaining portion of revenue is used as required for the operations of the faculty, such as staffing and other course delivery costs.

5.27 The aim of the contribution margin approach is to:

- incentivise faculties to increase their revenue by accessing additional funding, thereby assisting in returning the university budget to a position of financial sustainability; and
- allow faculties to maintain autonomy over their budgets, with limited scrutiny provided they met the target.

5.28 For the purpose of determining the targets, the base operating contribution margin was calculated as net revenue less direct expenses divided by net revenue. The annual targets for each of the faculties for 2024 were:

- Business, Government and Law – 40 percent;
- Education – 38 percent;
- Arts and Design – 43 percent;
- Health – 46 percent; and
- Science and Technology – 52 percent.

5.29 For budgets prior to 2024, the CFO assigned expenditure targets for salary and non-salary expenditure to each of the faculties.

5.30 The faculty managers and executive deans consulted during the audit identified that the move to the contribution margin model is positive as it allows faculties more autonomy and responsibility for faculty financial management. They indicated that the contribution margin model provided predictability and accountability with respect to changes in load profile over time.



5.31 Since the 2024 budget the UC has moved to a contribution margin model whereby each faculty is required to contribute a set percentage of its revenue to fund the operating costs of the university. Under this approach faculties are required to meet a specified contribution margin target. The faculty managers and executive deans consulted during the audit identified that the move to the contribution margin model is positive as it allows faculties more autonomy and responsibility for faculty financial management.

Incorporating lessons learned from previous budget cycles

5.32 The UC has not established a formal, lessons learnt process for budget cycles. The development and implementation of a documented lessons learnt process could provide the UC with a clearer understanding of aspects of the budgeting process that work well and those requiring improvement, thereby allowing UC to further strengthen the budget process over time.

5.33 The UC advised that the budget process has remained largely unchanged from 2016, but two recent changes have been made to the budgeting process including:

- the net revenue contribution margin approach that was implemented in response to the 2023 budget deficit; and
- a change to how load planning was performed for the 2025 budget with responsibility and coordination undertaken by the Finance team to develop a single load plan (discussed in Chapter 2).



5.34 The UC has not established a formal, lessons learnt process for budget cycles. The development and implementation of a documented lessons learnt process could provide the UC with a clearer understanding of aspects of the budgeting process that work well and those requiring improvement, thereby allowing UC to further strengthen the budget process over time.

Budget assumptions

5.35 The UC has identified a number of assumptions as the foundation for creating its annual budget. The assumptions involve the forecasting of future expenses, revenues and other financial factors.

Identification and documentation of budget assumptions

5.36 The UC has identified key drivers that significantly impact financial performance and which are directly linked to specific revenue and expenditure line items in its annual budget. As part of the budget approval process, the assumptions associated with these key drivers are identified and included in the budget papers that are presented to, and approved by, the Finance Committee and the Council.

5.37 The budget assumptions are largely the same from year to year. However, they may be adjusted as necessary, and this is generally done within six months of the commencement of the budget period. Assumptions are developed at a point in time and are informed by information available at the time of development. The accuracy of the assumptions may necessarily be impacted by future events.

5.38 Table 5-4 outlines the 13 key budget assumptions presented in the 2024 budget papers, with descriptions of the reasoning behind the assumptions.

Table 5-4 2024 budget assumptions

Assumption	Description
1. Student Revenue	<p>Student revenue is based on:</p> <ul style="list-style-type: none"> estimates from faculties and other teaching units on commencing load; and an estimation of continuing load from the planning tool.
2. Commonwealth Supported Places (CSP)	<ul style="list-style-type: none"> The Job Ready Graduates funding implications with grandfathering have been incorporated using published CSP rates for 2024. During the transition years (2024 and 2025) the Higher Education Community Guarantee (HECG) ensures that the university receives the Maximum Basic Grant Amount (MBGA), which is the funding cap. The 2024 budgeted student load remains under the funding cap by \$3.7 million.
3. Domestic Fee-Paying	<ul style="list-style-type: none"> Represents domestic students studying in Australia. This assumption was reviewed for 2024 and increases varied across the board, with an average indexation of 5 per cent applied across all courses.
4. International Onshore	<ul style="list-style-type: none"> Represents international students studying in Australia. This assumption was reviewed for 2024 and increases varied across the board, with an average indexation of 5 per cent applied across all courses.
5. Domestic Partnership Revenue	<ul style="list-style-type: none"> Revenue from UC courses that are delivered by partner organisations. This figure was developed based on load plan and faculty assumptions for 2024.
6. Other Income	<p>Other income represented student accommodation and is based on National Rental Affordability Scheme (NRAS) indexation requirements and agreements with accommodation providers.</p>
7. Research Revenue Block Grants	<ul style="list-style-type: none"> UC receives various grants to undertake research activities. Research expenditure budgets are aligned the available grant funding. Based on the estimates for 2024, \$4.5 million of carry forward funds from 2021 - 2023 were included in the budget for 2024.
8. Salaries	<ul style="list-style-type: none"> Salaries were indexed at 3.5 per cent in 2024 plus salary increments and agreed staffing changes. Faculties and business units applied individual vacancy provisions based on their own profile.
9. Annual Leave	<p>Full annual leave acquittal each year has been assumed (that is, 4 weeks taken per full time equivalent).</p>
10. Other Goods and Services	<p>Based on differing assumptions depending on the category of spend. These assumptions are reflective of the current operation environment of the University. They include:</p>

Assumption	Description
	<ul style="list-style-type: none"> Agent Commissions paid for the recruitment of international students which are based upon the centrally calculated estimate for International Onshore load; and CPI increases bases on the current trend with significant growth in the cost of utilities.
11. Strategic Initiative Funds	<p>Funds of \$12.2 million are included. This is made up of:</p> <ul style="list-style-type: none"> \$9.7 million for Research Strategic Funds; and \$2.5 million for VC Strategic Funds.
12. Borrowings	<p>Excess cash is used to reduce debt. Seasonal cash flows are managed within the existing \$80 million bank facilities under the \$134 million Treasury Instrument limit.</p>
13. Capital Expenditure	<p>A total of \$25 million capital expenditure was assumed for 2024 and included:</p> <ul style="list-style-type: none"> \$15 million allocated for new projects in 2024; \$2 million for the Digital Master Plan; \$3.8 million estimated carry forwards; and \$4.2 million for the Solar Project.

Source: ACT Audit Office based on UC documentation.

5.39 The audit considered the reasonableness of three assumptions that have the highest impact on revenue and expenses, which rely on work performed by the UC and are not impacted by outside factors (e.g. Commonwealth Supported Places). These are:

- student revenue** – the primary revenue stream for the UC. Assumptions associated with student revenue rely on work performed across faculties and supporting functions to determine the load plan for the year;
- salaries** – the largest expense for the UC. Salary expenses equalled 65 per cent of revenue and 59 per cent of total expenses in 2024; and
- other income (accommodation)** – following student revenue this is the next largest source of revenue for the UC that does not rely on the student load plan.

Student revenue

5.40 Student revenue (domestic and international student fees) made up 76 per cent of the UC's income for 2024. As noted in Table 5-4, the UC's assumption for student revenue is:

Student revenue has been built up from faculties and other teaching unit estimates of commencing load, and an estimation of continuing load from the planning tool.

5.41 The primary driver for the development of the student revenue assumption is the load planner tool. To determine the load plan for each of their courses, faculties use estimates of commencing numbers that are developed with support from the UC's marketing and

recruitment teams. In addition to new students, a part of the student load plan is necessarily the number of continuing students. Continuing student load is calculated on the basis of past performance, retention and load intensity.

- 5.42 The assumptions used to estimate student revenue for 2024 did not hold true to the actual results achieved. The UC experienced shortfalls in its student load targets for 2024 due to a range of factors that led to an overestimation of student numbers. To address learnings from 2024 changes have since been made to the load planning process to centralise coordination of the process within the Finance Team. This is discussed further in Chapter 2.

Salaries

- 5.43 In 2024, salaries were the largest expense for the UC (59 per cent of total expenses). As noted in Table 5-4, the key assumption for salaries is:

Have been indexed at 3.5% in 2024 plus salary increments and agreed staffing changes. Faculties and Business Units have applied individual vacancy provisions based on their own profile.

- 5.44 To assess the reasonableness of this assumption, the audit considered the *University of Canberra Enterprise Agreement 2023-2026* (the Enterprise Agreement). The Enterprise Agreement provides for 'salaries [to] increase by 3.5% in the first full pay period following 1 January in the years 2023, 2024 and 2025'. The assumed increase of 3.5 per cent is in line with the Enterprise Agreement and the first part of the assumption is reasonable.

- 5.45 The second part to the assumption relies on faculties and business units predicting their staffing needs for the year ahead. Faculty staff advised that employee provisions are based on:

- current staffing (as at the first pay run in July of the current year);
- current vacancies; and
- known need in the budgeted year, such as if there is a project commencing that will require employment of new staff.

- 5.46 This approach is reasonable. While there could be unknown factors leading to an increase or decrease in staff after the budget has been set, faculties and portfolios are using data that is accurate as possible at a point in time to inform their budget.

Other income (accommodation)

- 5.47 Accommodation revenue was the second largest source of revenue for the UC in 2024 (eight per cent of revenue). Accommodation revenue is a function of accommodation value and occupancy percentage (with the occupancy percentage of each accommodation facility being the primary assumption). Accommodation value is set by the National Rental

Affordability Scheme (NRAS) and the agreements with accommodation providers.¹² The NRAS value used by UC for the 2024 assumption aligned with the NRAS incentive on the Department of Social Services website.

5.48 The UC calculates an assumed occupancy rate for each of its accommodations. To calculate the assumed occupancy rates, the UC calculates an average occupancy rate based on:

- actual monthly occupancy data up to the time the budget is calculated, based on the current year and the prior year in relation to the budgeted year; and
- the forecasted occupancy percentage for the remaining months.

5.49 For the 2024 budget this calculation was performed in August 2023, using actual occupancy rates from January to July and forecasted rates from August to December. This calculation produced the assumed occupancy rates for each of the UC's accommodations for the 2024 budget.

5.50 This approach is reasonable, because the UC is using accurate and up to date information available to inform their assumption calculation.



5.51 The UC has identified key drivers that significantly impact financial performance and which are directly linked to specific revenue and expenditure line items in its annual budget. As part of the budget approval process, 13 key assumptions associated with these key drivers are identified and included in the budget papers that are presented to, and approved by, the Finance Committee and the Council. The budget assumptions are largely the same from year to year, but may be adjusted as necessary, and this is generally done within six months of the commencement of the budget period. Assumptions are developed at a point in time and are informed by information available at the time of development.



5.52 A key assumption relates to student revenue, which made up 76 percent of the UC's income for 2024. The assumptions used to estimate student revenue for 2024 did not hold true to the actual results achieved. The UC experienced shortfalls in its student load targets for 2024 due to a range of factors that led to an overestimation of student numbers. To address learnings from 2024 changes have since been made to the load planning process to centralise coordination of the process within the Finance Team.

¹² The National Rental Affordability Scheme (NRAS) was introduced by the Australian Government to help increase the supply of affordable rental dwellings. NRAS provides an annual financial incentive to approved participants who rent dwellings to eligible people at a rate at least 20 per cent below market rent.

6 Monitoring and reporting on financial performance

- 6.1 This chapter considers the UC's processes for monitoring and reporting financial performance. The chapter includes consideration of arrangements for the preparation of financial reports and oversight of financial reporting as well as assurance processes for financial management and reporting.

Summary



Conclusions

The UC has established fit-for-purpose lines of accountability in relation to financial reporting and prepares:

- monthly financial management reports for the Finance Committee, Council and Vice-Chancellor's Group; and
- monthly faculty and portfolio reports for Executive deans, faculty managers and portfolio heads.

Monthly financial reporting is relevant and comprehensive and provides recipients with sufficient information to inform financial decisions.



Key findings

Financial monitoring and reporting processes

Paragraph

The UC has established fit-for-purpose lines of accountability in relation to financial reporting. The Chief Financial Officer presents financial information to senior executive and governing bodies. Senior executive and the Financial Committee review financial information and provide advice and recommendations to the Council.

6.7

The UC's Finance Team prepares monthly financial management reports for the Finance Committee, Council and Vice-Chancellor's Group. The monthly financial management reports provide senior executives and governing bodies with a comprehensive and structured view of the finances for the university, alongside a high-level summary of the faculties and portfolios. The reports provide clear comparisons to budget and prior year results and further breakdowns of significant financial line items as necessary. The information in the reports supports relevant stakeholders gain an understanding of the UC's financial performance and informs decision-making.

6.12

The UC's Finance Team prepares monthly faculty and portfolio reports for Executive deans, faculty managers and portfolio heads. The monthly faculty and portfolio reports contain comprehensive and relevant financial information that provides recipients with a useful understanding of the financial position and sufficient information to inform financial decisions. Recipients of the reports indicated that the financial reports provided them with accurate and timely information to support them to undertake their financial duties.

6.21

In addition to monthly financial reports on performance, the UC's Finance Team has developed:

6.26

- a triannual financial forecast report that is provided to senior executive and governance bodies. The forecast projects the year-end financial results, details any significant variance the budget and resultant risks; and
- a financial dashboard that draws on information in the UC's primary financial reporting and budgeting system (Calumo). The dashboard provides the senior executive, faculties and portfolios with real time information on their financial performance.

The UC has established appropriate processes for the review and oversight of its financial reporting. There is evidence that the senior executive and members of the governing bodies review and query the financial reports at their regular meetings. The UC also has assurance mechanisms in place to assess the accuracy and content of the financial reports with the CFO, senior executive and governing boards reviewing the reports at multiple points.

6.32

Assurance framework for financial management and reporting

To support second line assurance on financial management, the UC has established a Finance Committee and an Audit and Risk Management Committee. Each committee has responsibilities for the provision of assurance on financial management and control outlined in their respective charters. In practice, however, the Audit and Risk Management Committee has limited involvement in financial management and related assurance activities, which have been delegated to the Finance Committee.

6.44

Audit and Risk Management Committee and Finance Committee meeting minutes for 2023 and 2024 show evidence of consideration of risk, review of the financial statements and provision of advice and recommendations to the Council on financial matters. However, the meeting minutes do not record evidence of any specific financial related assurance activities being initiated by the Committees in 2023 and 2024. There is an opportunity to clarify the responsibilities between the Audit and Risk Management Committee and the Finance Committee in relation to the provision of assurance over the UC's financial management and controls.

6.45

The UC's internal audit work programs for 2022-23 and 2023-24 primarily focused on non-finance related requirements for the university and did not include any

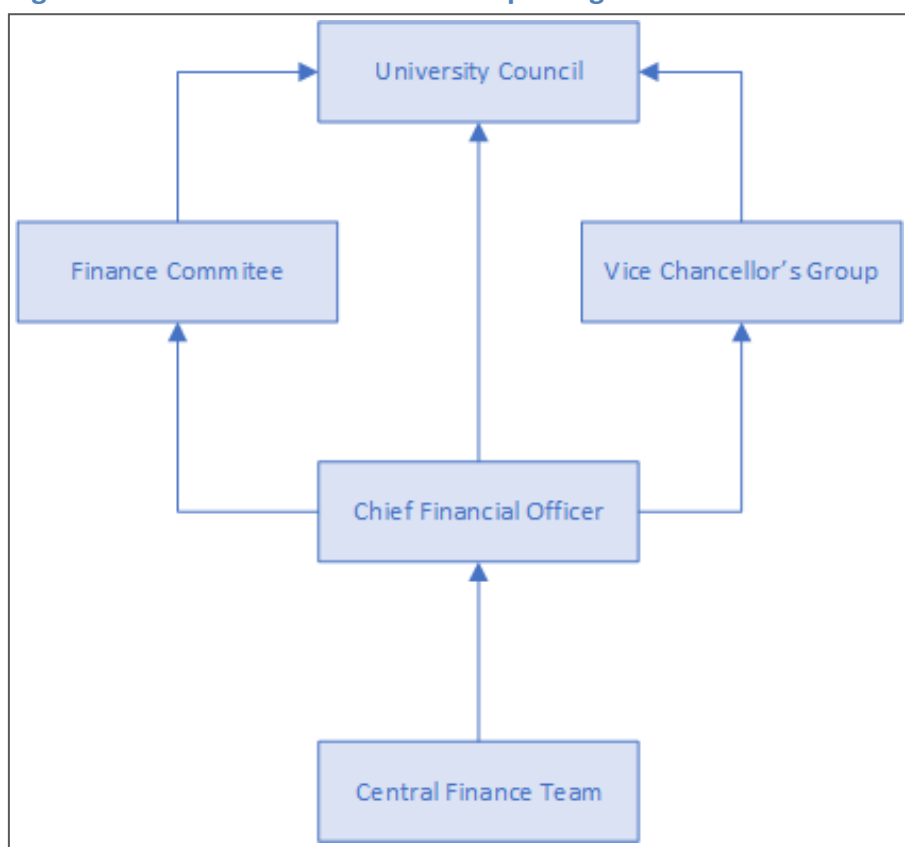
6.56

financial management or governance audits. The Internal Audit Work Plan for 2025 includes finance focused audits including a 'Review of Financial Budgeting and Management'.

Financial monitoring and reporting processes

6.2 The UC's Finance Team prepares multiple reports for the use of the governing bodies, senior executive and key personnel. Figure 6-1 shows the financial reporting lines between the Finance Team, CFO, senior executive and governing bodies.

Figure 6-1 UC executive financial reporting lines



Source: ACT Audit Office based on UC documentation and audit fieldwork discussions.

6.3 Figure 6-1 shows that the Finance Team prepares financial reporting information that is presented by the CFO to the Vice-Chancellor's Group, the Finance Committee and Council. The Finance Committee and Vice-Chancellor's Group review the financial information and provide advice and recommendations to the Council.

6.4 Table 6-1 shows the key financial reports that are produced and their purpose, as well as the frequency of the reports and recipients of the reports.

Table 6-1 UC financial reports

Report	Frequency	Recipient(s)	Purpose
Financial management report	Monthly	Finance Committee, Council and Vice-Chancellor's Group	Provides the senior executive and governing bodies with an overview of the UC's financial performance.
Faculty and portfolio reports	Monthly	Executive deans, faculty managers and portfolio heads	Provides faculties and portfolios with an overview of their monthly financial performance.
Full Year Forecasts	Tri-annually	Finance Committee, Council and Vice-Chancellor's Group	Forecasts the anticipated outcome for the full financial year. Production of forecasts are aligned with the census dates of the main teaching periods.
Dashboard (implemented May 2025)	As needed	Executive deans and faculty managers	Available through Calumo the Dashboard provides a high-level snapshot of financial performance, with the ability to drill down if needed.

Source: ACT Audit Office based on UC documentation and fieldwork meetings.

6.5 As shown in Table 6-1, financial reports are regularly prepared and provided to relevant stakeholders at the UC including:

- the Council and the Finance Committee;
- senior executives through the Vice-Chancellor's Group; and
- executive deans, faculty managers and portfolio heads.

6.6 For faculties and portfolios, the reports are typically generated after month end procedures in the second or third week of the following month. Financial management reports are prepared in advance of the monthly meetings for the Vice Chancellor's Group, the Council and Finance Committee.



6.7 The UC has established fit-for-purpose lines of accountability in relation to financial reporting. The Chief Financial Officer presents financial information to senior executive and governing bodies. Senior executive and the Financial Committee review financial information and provide advice and recommendations to the Council.

Coverage of financial reports

6.8 The following sections describe the coverage, completeness and comprehensiveness of the financial reports listed in Table 6-1.

Financial management report

6.9 Financial management reports that provide an overview of the UC's financial performance are provided on a monthly basis to the senior executive and governing bodies. The audit considered the content of six financial management reports:

- three for 2023 (April, July and November); and
- three for 2024 (March, June and October).

6.10 The financial management reports include an executive summary, which provide a high-level summary of the UC's financial performance. This includes:

- year-to-date tracking against budget and a projected year-end financial position; and
- analysis on year-to-date performance and projected results and commentary on significant deviations from the budget.

6.11 The financial management reports also provide a detailed breakdown of base operating performance including on individual financial line items. This includes analysis and summaries of variances of the items, whether the items are above or below budget as well as comparisons to prior year performance as a further reference point for specific line items.



6.12 The UC's Finance Team prepares monthly financial management reports for the Finance Committee, Council and Vice-Chancellor's Group. The monthly financial management reports provide senior executives and governing bodies with a comprehensive and structured view of the finances for the university, alongside a high-level summary of the faculties and portfolios. The reports provide clear comparisons to budget and prior year results and further breakdowns of significant financial line items as necessary. The information in the reports supports relevant stakeholders gain an understanding of the UC's financial performance and informs decision-making.

Faculty and portfolio reports

6.13 The faculty and portfolio reports follow a similar format to the financial management reports but differ slightly in structure and do not include the same level of detail.

Faculty reports

6.14 The audit considered a selection of faculty reports including:

- three faculty reports each for 2023 across five faculties (a total of 15 faculty reports for 2023); and
- three faculty reports each for 2024 across five faculties (a total of 15 faculty reports for 2024).

6.15 The faculty report, which is provided on a monthly basis to executive deans and faculty managers, includes the following information:

- a breakdown of the financial performance of all groups and the base operating results for the faculty, including comparisons between year-to-date, budget and prior year results;
- detail on key financial line items, in particular student revenue and salaries;
- comparative analysis across year-to-date actuals, budget and prior year results;
- commentary and analysis on any significant budget variances; and
- a summary of research and project financial performance year-to-date.

Portfolio reports

6.16 Portfolio reports, which are provided monthly to portfolio heads, follow a similar format to the faculty reports and include

- a breakdown of the total position, comparison and analysis of significant financial line items (including salaries); and
- a high-level summary of faculty performance, both for individual faculties and collectively.

6.17 Overall, the faculty and portfolio reports contain comprehensive and relevant financial information. The reports provide recipients with a useful understanding of the UC's financial position and sufficient information to inform financial decisions. In combination with the report, faculties and portfolios have discussions with the Finance Team as required on their financial position and forecasting.

Accuracy and timeliness of reports

6.18 The audit sought to assess the accuracy and timeliness of the financial information in the reports by:

- reviewing a selection of financial management reports and faculty and portfolio reports;
- reviewing the 2024 meeting minutes for the Council, the Finance Committee and the Vice-Chancellor's Group; and
- conducting discussions with Council and Finance Committee members, senior executive and staff from faculties and the Finance Team.

6.19 In doing so the audit found:

- there were no instances of inaccurate reports or reports not being provided on a timely basis; and

- meeting minutes recorded that financial management reports were regularly tabled and discussed at meetings for the Council, the Finance Committee and the Vice-Chancellor's Group.

6.20 Recipients of the reports indicated that the financial reports provided them with accurate and timely information to support them to undertake their financial duties.



6.21 The UC's Finance Team prepares monthly faculty and portfolio reports for Executive deans, faculty managers and portfolio heads. The monthly faculty and portfolio reports contain comprehensive and relevant financial information that provides recipients with a useful understanding of the financial position and sufficient information to inform financial decisions. Recipients of the reports indicated that the financial reports provided them with accurate and timely information to support them to undertake their financial duties.

Other reporting

Full year forecast

6.22 The UC's Finance Team prepares three financial forecasts each year, which cover the anticipated outcome for the current financial year. These forecasts are aligned with the census dates of the main teaching periods.

6.23 The forecasts are presented to the UC executive (at Vice-Chancellor's Group meetings), the Finance Committee and the Council. The forecast reports project the year-end results, based on actual data to date. The forecasts provide a detailed analysis of any significant variance to budget (such as student revenue or staff expenditure) and an analysis of any risks resulting from the forecast.

Dashboard

6.24 The Dashboard was implemented in May 2025 with the aim of reducing the manual preparation of monthly reports and to have financial information available on an as-needed basis to senior executives, faculties and portfolios.


6.25 The dashboards are generated through Calumo as the UC's primary financial reporting and budgeting system. Users can access the dashboard for an up-to-date view of their financial performance, and they have the ability to drill into significant financial line items for further detail as necessary. The dashboard was implemented due to the Finance Business Partner model ending in late 2024 as well as to provide enhanced financial information to users in real-time.



6.26 In addition to monthly financial reports on performance, the UC's Finance Team has developed:

- a triannual financial forecast report that is provided to senior executive and governance bodies. The forecast projects the year-end financial results, details any significant variance the budget and resultant risks; and
- a financial dashboard that draws on information in the UC's primary financial reporting and budgeting system (Calumo). The dashboard provides the senior executive, faculties and portfolios with real time information on their financial performance.

Review and oversight of financial reporting

- 6.27 The Finance Team prepares the financial management reports, faculty and portfolio reports and financial forecast reports and provides them to the CFO for review prior to issuing. There is evidence that the senior executive and members of the governing bodies review and query the financial reports at their regular meetings.
- 6.28 Of the UC's governing bodies, only the Finance Committee has a further responsibility to report to the Council as per its charter. The *Finance Committee Charter* (28 June 2023) states that the Finance Committee is to 'review the financial performance of the University and recommend financial performance reports to Council, as appropriate'.
- 6.29 Although the Vice-Chancellor's Group does not have a charter, as a member of the Council the Vice-Chancellor can report to the Council on any concerns regarding the UC's financial performance.
- 6.30 2023 and 2024 meeting minutes for the Council and Finance Committee record the financial management reports being tabled and discussion occurring on the content of the report, including instances of members querying the financial information presented and the financial performance of the UC. The meeting minutes for the Finance Committee show that the Finance Committee fulfilled its responsibilities under its charter, and there are records of the Committee regularly reviewing financial performance reports and providing recommendations to the Council.
- 6.31 The UC has assurance mechanisms in place to assess the accuracy and content of the financial reports with the CFO, senior executive and governing boards reviewing the reports at multiple points.
-  6.32 The UC has established appropriate processes for the review and oversight of its financial reporting. There is evidence that the senior executive and members of the governing bodies review and query the financial reports at their regular meetings. The UC also has assurance mechanisms in place to assess the accuracy and content of the financial reports with the CFO, senior executive and governing boards reviewing the reports at multiple points.

Assurance framework for financial management and reporting

- 6.33 The assurance framework for financial management and reporting at the UC consists of:
- a first line of assurance that includes management controls and internal control measures such as financial systems, defined roles and responsibilities and established policies and processes (discussed in Chapter 3 of this report);
 - a second line of assurance that includes risk management and compliance reviews undertaken by the UC's Audit and Risk Management Committee and Finance Committee; and
 - a third line of assurance that includes external reviews and the annual UC internal audit work program.

Second line assurance on financial management

Audit and Risk Management Committee

- 6.34 To gain an understanding of the Audit and Risk Management Committee's role in providing second line assurance for the financial management, budgeting and reporting processes, the audit:
- reviewed the responsibilities of the Audit and Risk Management Committee, as outlined in the *Audit and Risk Management Charter* (5 April 2024) (ARMC Charter); and
 - reviewed Audit and Risk Management Committee meeting minutes for 2023 and 2024.
- 6.35 Fieldwork discussions were also held with key governing body members and senior executives with respect to the Audit and Risk Management Committee and its role and responsibilities.

ARMC Charter

- 6.36 The ARMC Charter identifies that the purpose of the Audit and Risk Management Committee is to, jointly with the Finance Committee, 'oversee the financial reporting requirements of the University'. The ARMC Charter also identifies that the responsibilities of the Audit and Risk Management Committee are to:
- monitor the financial and operational control environment through the implementation of internal audit, external audit and other relevant external body recommendations;
 - jointly, with the Finance Committee:

- review and recommend annual financial statements and audit reports to the Council for approval;
- monitor annual financial and compliance reporting and the impact of any developments in accounting standards or regulatory requirements; and
- where the Audit and Risk Management Committee identifies issues of possible concern relating to the financial management, budget sustainability or commercial activities of the UC, refer such matters to the Finance Committee.

Review of ARMC meeting minutes for 2023 and 2024

- 6.37 During 2023 and 2024 the Audit and Risk Management Committee held ten meetings, two of which were joint meetings with the Finance Committee to review the annual financial statements. In the course of the meetings there were regular instances in meeting minutes of the Audit and Risk Management Committee discussing the risk register and financial risk indicators, including those relating to financial sustainability.
- 6.38 During 2023 and 2024 the Audit and Risk Management Committee did not identify or refer any issues of financial concern to the Finance Committee.
- 6.39 The ARMC Charter identifies that that the responsibility of the Audit and Risk Management Committee is to ‘monitor the financial and operational control environment through the implementation of internal audit, external audit and other relevant external body recommendations’. No instances of this occurring in relation to the financial control environment were identified through a review of the 2023 and 2024 Audit and Risk Management Committee meeting minutes.

Fieldwork discussions on the role of the ARMC

- 6.40 Fieldwork discussions with members of the governing bodies and UC senior executive staff showed that, in practice, the Audit and Risk Management Committee has limited involvement in financial management and related assurance activities. These have been delegated to the Finance Committee.

Finance Committee

- 6.41 Although the Audit and Risk Management Committee delegates financial assurance activities to the Finance Committee, the *Finance Committee Charter* does not include any reference to the Finance Committee having any responsibility for providing assurance over financial management or governance. Rather, the Finance Committee’s primary responsibilities relate to:
- monitoring financial performance and funds; and
 - reviewing and providing recommendations to the Council regarding the annual budget, financial forecasts and annual report.

6.42 Apart from documents prepared to address assurance of certain items as part of the sign-off of the annual Financial Statements, the Finance Committee meeting minutes for 2023 and 2024 did not record any evidence of financial related assurance activities being initiated by the Committee.

6.43 There is an opportunity to clarify the responsibilities between the Audit and Risk Management Committee and the Finance Committee in relation to the provision of assurance with respect to financial management and financial controls and ensure that the work plans of the committees reflect how these responsibilities will be met.



6.44 To support second line assurance on financial management, the UC has established a Finance Committee and an Audit and Risk Management Committee. Each committee has responsibilities for the provision of assurance on financial management and control outlined in their respective charters. In practice, however, the Audit and Risk Management Committee has limited involvement in financial management and related assurance activities, which have been delegated to the Finance Committee.



6.45 Audit and Risk Management Committee and Finance Committee meeting minutes for 2023 and 2024 show evidence of consideration of risk, review of the financial statements and provision of advice and recommendations to the Council on financial matters. However, the meeting minutes do not record evidence of any specific financial related assurance activities being initiated by the Committees in 2023 and 2024. There is an opportunity to clarify the responsibilities between the Audit and Risk Management Committee and the Finance Committee in relation to the provision of assurance over the UC's financial management and controls.



Recommendation 4

Responsibilities of the Audit and Risk Management Committee and Finance Committee

The University of Canberra should:

- a) clarify the responsibilities of the Audit and Risk Management Committee and Finance Committee in relation to the oversight of financial management arrangements and financial controls; and
- b) ensure that work plans of the committees reflect how these responsibilities will be met.

Audits and reviews of financial management

6.46 To assess the UC's third line of assurance on financial management, the audit considered:

- previous and current internal and external reviews that have touched on financial management, or financial governance and oversight; and

- the UC's internal audit program and planned audits of financial management between 2022 and 2025.

6.47 The audit also sought evidence of the UC incorporating lessons learned from previous budget cycles into future budget cycles.

Previous and current reviews

Wells Review (2023)

6.48 In 2023 the former Tertiary Education Quality and Standards Agency¹³ (TEQSA) Commissioner Michael Wells headed a review that focused on the UC's corporate governance arrangements (the Wells Review). The purpose of the Wells Review was to provide the UC with an assessment against corporate governance standards in the *Higher Education Standards Framework (2021)*.

6.49 The Wells Review made largely positive findings on the governance arrangements at the UC and did not make any findings or recommendations directly targeted at financial oversight and governance. The Wells Review did, however, make ten recommendations in relation to:

- the Council, in particular the skills and expertise of members, visibility of Council deliberations and ensuring the Council meeting agendas gave adequate consideration to strategy risk and compliance;
- the support offered to governance bodies including an adequately resourced secretariat and the appointment of a risk executive to support governance bodies and the university's senior executive; and
- improving compliance monitoring in relation to HESF standards.

Governance review

6.50 In 2025, the UC went through the re-registration process as both a Higher Education Provider (HEP) and a Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) provider.

6.51 In preparation for re-registration, the University commissioned external independent experts to undertake audits of corporate governance, academic governance and adherence to the requirements of the standards. The outcome of these audits, along with the action plans and progress to addressing recommendations was provided to TEQSA as a component of the re-registration application package.

¹³ Under the *Tertiary Education Quality and Standards Agency Act 2011*, TEQSA is responsible for regulating and assuring the quality of all providers of higher education in Australia.

- 6.52 The final report of the governance review was considered by the Council at its July 2025 meeting where 23 of the 24 recommendations were accepted. These recommendations were around providing clear measures to enhance communication, transparency and decision making across all levels of governance and university management. The UC advised that the recommendations were either implemented in 2025 or are scheduled for implementation by mid-2026.

Internal audit work program

- 6.53 There is no legislative or policy requirement for the completion of regular audits, other than the financial statement audit. However, it is better practice for regular audits to be performed over financial management and governance functions on a rotational basis.
- 6.54 Internal Audit Work Plans for 2022-23 and 2023-24 did not include financial management or financial governance focused audits. The Internal Audit Work Plans focused on non-finance related requirements, such as the UC's student visa compliance process as well as student-focused reviews including a review into the UC's strategies and mechanisms for supporting student welfare and well-being.
- 6.55 In response to the 2023 and 2024 financial deficits, the Internal Audit Work Plan for 2025 includes finance focused audits including a 'Review of Financial Budgeting and Management'. During stakeholder discussion for this audit, members of the Audit and Risk Management Committee and senior executive identified that the UC's internal audit program will have a greater focus on financial controls going forwards.



- 6.56 The UC's internal audit work programs for 2022-23 and 2023-24 primarily focused on non-finance related requirements for the university and did not include any financial management or governance audits. The Internal Audit Work Plan for 2025 includes finance focused audits including a 'Review of Financial Budgeting and Management'.

Audit reports

Reports Published in 2025-26	
Report No. 02 - 2026	Management of the Home Buyer Concession Scheme
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Report No. 07 - 2025	2024-25 Financial Audit Program – Overall Results
Report No. 06 - 2025	Annual Report 2024-25
Report No. 05 - 2025	Specialist assessment services for dementia and cognitive decline
Reports Published in 2024-25	
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Report No. 01 - 2025	Management of the Growing and Renewing Public Housing Program
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Report No. 11 - 2024	Governing boards of selected ACT Government entities
Report No. 10 - 2024	Safer Families Levy
Report No. 09 - 2024	2023-24 Financial Audits – Overview
Report No. 08 - 2024	Annual Report 2023-24
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Report No. 02 - 2024	Management of key contracts under A Step Up For Our Kids
Report No. 01 - 2024	Urban Tree Management
Report No. 11 - 2023	2022-23 Financial Audits – Financial Results and Audit Findings
Report No. 10 - 2023	Human Resources Information Management System (HRIMS) Program
Report No. 09 - 2023	2022-23 Financial Audits Overview
Report No. 08 - 2023	Supports for students with disability in ACT public schools
Report No. 07 - 2023	Annual Report 2022-23
Report No. 06 - 2023	Implementation of the ACT Aboriginal and Torres Strait Islander Agreement
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