



The University of Western Australia

# Financial Governance Structures And Processes

## Document History

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## Introduction

The Cycle of Planning and Accountability describes a systematic formal process for ensuring that the University monitors and accounts for its performance against its plans. It is integral to the University's corporate governance system in that it reflects both external reporting obligations and internal management responsibilities.

The Cycle of Planning and Accountability describes and schedules key steps in the annual planning process for reviewing, evaluating and reporting on performance, and assigns overall responsibility to designated office bearers for these activities.

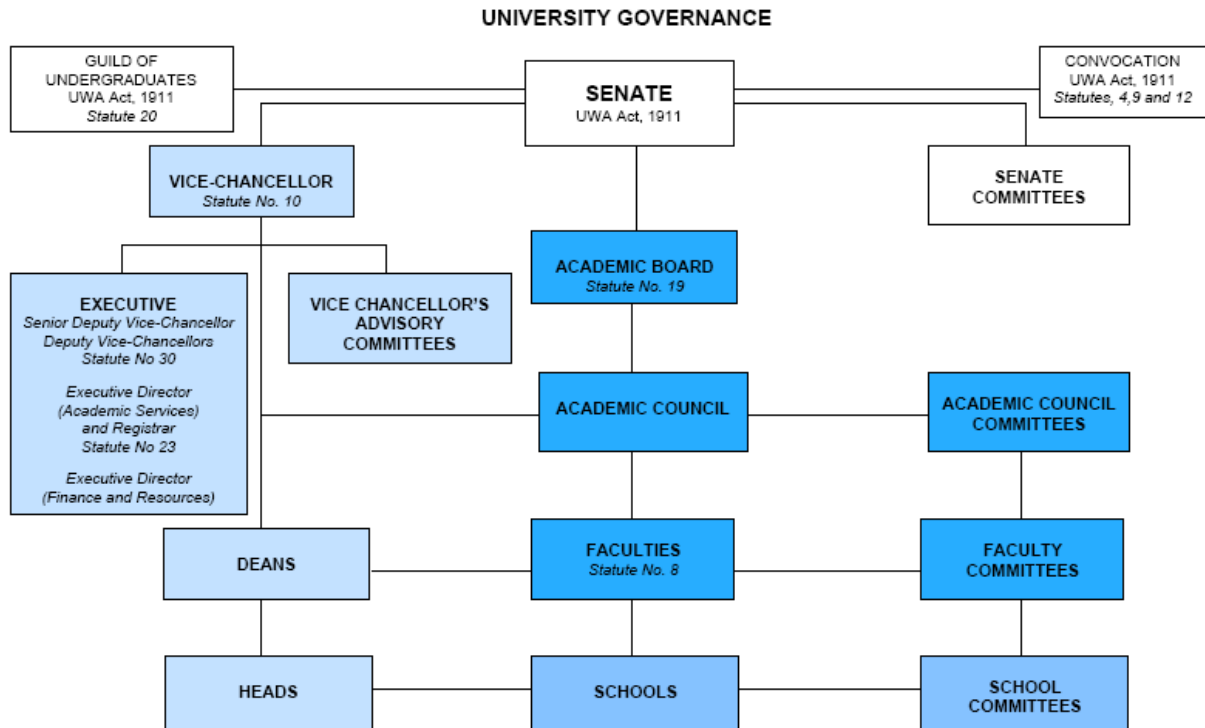
From a Financial Governance perspective this document complements the Cycle of Planning and Accountability in articulating financial management responsibilities and the processes that support these responsibilities within the University devolved management structure.

## Responsibilities

Given the hybrid nature of the organisation, delegations of responsibilities have occurred in a number of ways including through hierarchical management structure, organisational business unit structure and committees.

### University Committees

The following diagram illustrates the University's overall governance structure incorporating the various committees at each level of the organisation.



The key committees that support the financial management responsibility of the University are:

Senate and Standing Committees

- Strategic Resources Committee (SRC)
- Audit and Review Committee (ARC)

Academic Council Standing Committees

- Planning and Budget Committee (P&B) [advisory to the Vice-Chancellor]
  - General Services Resources Committee (GSRC) [committee of P&B]

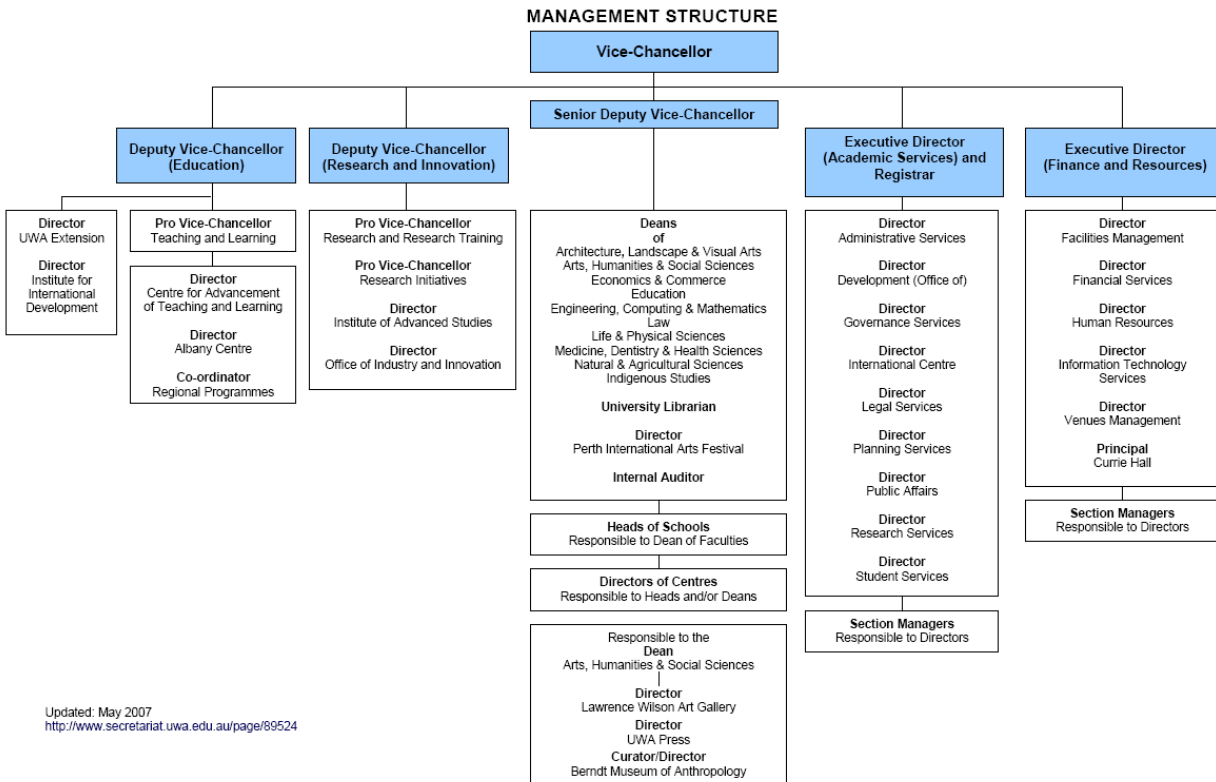
A more detailed outline of key responsibilities of the various committees is contained in Appendix A.

**University Hierarchical Management Responsibility**

Whilst the University has devolved the financial management responsibility from the Vice-Chancellor (VC) to Deans/Executive Director who have devolved responsibilities to Heads of School (HOS)/Director the degree to which financial responsibility has been devolved at the University rests somewhere between a centralised and fully devolved model.

Statute No. 8 establishes the faculties, which are responsible for the general administration of the courses under their governance. Each faculty is headed by a Dean who has dual responsibility: to the faculty for providing vision, academic leadership and effective management, and to the Vice-Chancellor via the Senior Deputy Vice-Chancellor (SDVC) for the effective leadership and management of the faculty's human, physical and financial resources located in the schools resourced by the faculty. A significant level of operational budgetary autonomy is delegated to the faculties. Centrally within the Executive of the University the financial management responsibilities includes setting of strategic direction, providing higher level policy, ensuring appropriate systems and processes are in place, monitoring business unit and University performance identifying risk areas determining if responsible management is occurring and recommend intervention if performance is not satisfactory.

The following diagram illustrates the University's Hierarchical Management Structure.



Updated: May 2007  
<http://www.secretariat.uwa.edu.au/page/89524>

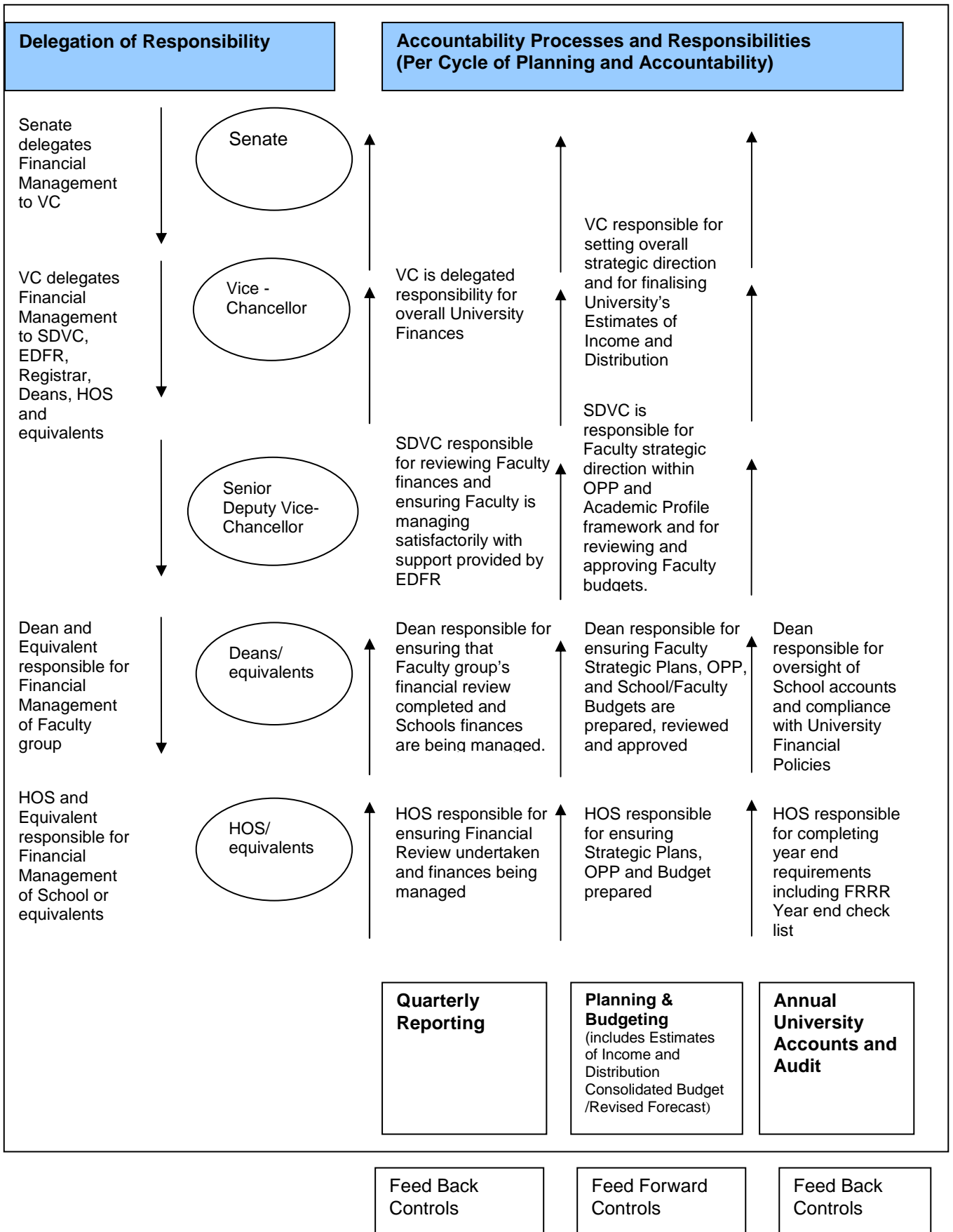
It is important to acknowledge the diversity of University activities and the business structures that are established to undertake them. (Refer Business Unit Organisational Structure Diagram contained in Appendix D).

The financial management responsibility for various business units is clearly delegated to responsible officers, including for example responsibilities for the financial management and monitoring of areas other than standard operating areas i.e. academic and administrative areas. For example, related parties including possible joint ventures, associated and controlled entities, affiliates, commercial activities and certain centres which may or may not be picked up as part of a faculty and may actually run independently and often with their own board. A clear link between the management structure and the business unit hierarchy needs to be in place and it is the responsibility of hierarchical managers to ensure that all business units and activities under their responsibility are monitored.

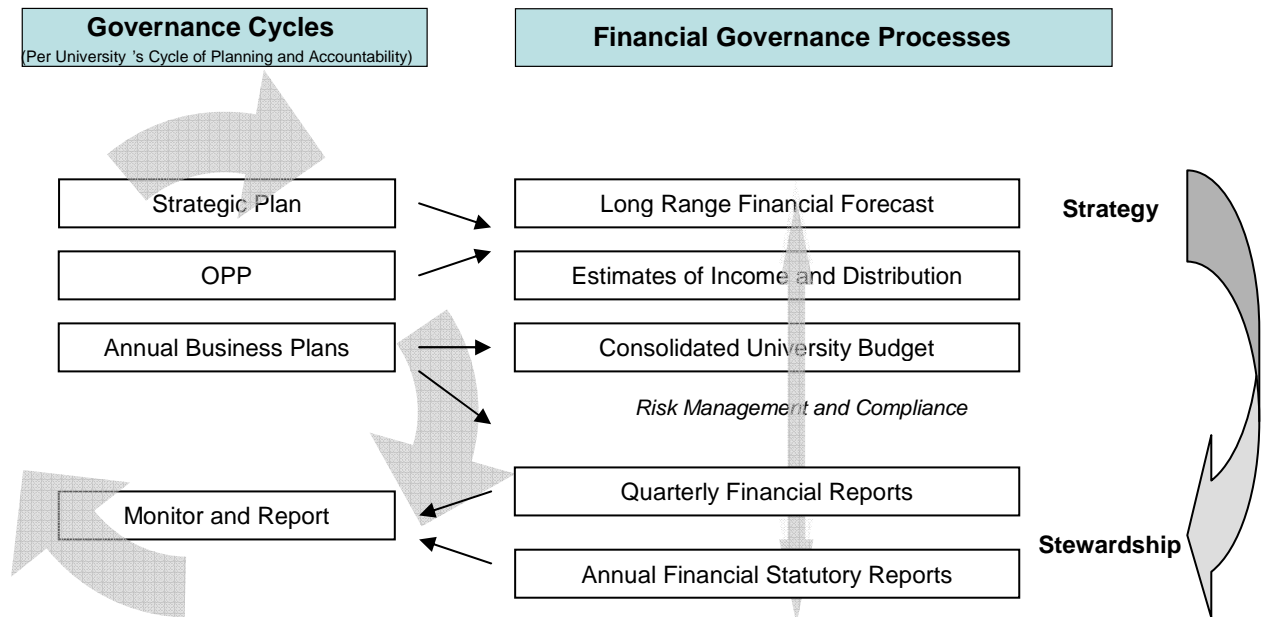
A more detailed outline of key responsibilities of various hierarchical managers is contained in Appendix B.

### **Hierarchical Accountabilities and Accountability Processes**

The following diagram provides a higher level outline of the financial responsibilities at each level of hierarchical management and provides a summary of the key financial risk assessment and compliance processes that support these responsibilities across the University.



## Overview of Processes and Linkage to Governance Cycle



Following is a listing of key processes that support hierarchical management and committees in meeting their respective financial management responsibilities through the provision of relevant information, monitoring and review processes. (The previous diagram provides an overview of key cycles)

### Long Range Strategic Financial Forecast

The development of a long range financial planning model enables the costing of strategic initiatives and longer term financial trends in the University to be presented annually to Executive Director Finance and Resources (EDFR), Senior Deputy Vice-Chancellor (SDVC) and Vice-Chancellor (VC). The model enables the estimation of the financial impacts of strategies identified in the University's Strategic Plan and Operational Priorities Plan (OPP). The model could ultimately be expanded or similar tools developed for Faculty/School use.

### Annual Planning and Budget Cycle

The annual Planning and Budget cycle is described in detail by the "Cycle of Planning and Accountability" document.

In summary

- Areas prepare Operational Priority Plans and Business plans
- Planning Services prepare student number estimates
- Financial Services prepares **Estimates of Income and Distribution** and allocate to Faculties/Offices and equivalent
- Faculties/Offices allocate Estimates of Income and Distribution to schools/divisions
- Schools/Divisions prepare a three year budget, with commentary for submission to faculty/office
- Approved by HOS or equivalent
- Faculty/Office review and approves budget for schools/divisions within faculty/office group
- Faculty/Office submits three year budget, faculty commentary and approval by Dean to Financial Services for university consolidation
- Financial Services prepare **University consolidated budget** report for EDFR, SDVC, VC for review and approval by VC.

- University consolidated budget and Faculty/Office budget summaries provided to Planning and Budget (P&B) Committee for review
- Senate approves the Estimate of Income and Distribution
- VC approves the University consolidated budget

### **Quarterly Reporting Cycle**

In summary

#### Quarterly Financial Report - Executive Format

- Schools/divisions report and provide commentary to faculty/office on financial performance including:-
  - Year to date actual vs year to date budget
  - Commentary including operating, research and prizes and bequest funds and identifying areas of concern
- Faculty/office submits reports to their faculty committee for review
- Faculty/office submits reports to Financial Services including explanations for variation to budget, areas of concern and recovery plans, and quantifying any anticipated variation in the full year result.
- Financial Services collate, review and distribute to the Executive including:
  - Income Statement, Balance Sheet Cash flow Statement
  - Summary of risk areas
  - Faculty summary reports

#### Senate & Strategic Resources Committee University Level Reports

- Income Statement
- Investment Performance
- Reports and commentary on key issues are prepared and provided by Financial Services

#### Planning & Budget Committee Reports

- Income Statement and Balance Sheet
- Summary of risk areas

Overdrawn areas must have been supported by the faculty/office unless the faculty/office is not able to support in which case VC must be advised. VC required to approve all schools/divisions in deficit. For this purpose, an area will be considered to be in deficit if it is overdrawn in the operating area as reported in the quarterly financial report however if there are other matters that a Faculty/Office/School/Division is aware of that should result in them being discussed as a risk area then they should be brought forward by the Faculty/Office. All VC endorsements should be stored on a central records file

### **Annual University Financial Statements and External Audit**

- FRRR year end check list issued to schools/faculty equivalents to sign and confirm compliance with University policies and procedures and statutory requirements
- Financial Services prepares the year end Financial Statements
- External Audit process conducted by The Office of the Auditor General
- Audit and Review Committee recommends the Financial Statements for Senate approval
- Senate approves accounts
- Vice-Chancellor (VC), Chancellor, Chief Financial Officer (CFO) sign accounts

### **Half yearly SDVC, Dean, EDFR Financial Review Meeting**

The purpose of this meeting is to:

- Review budget projections and risk areas
- Review actual performance and risk areas
- Review recovery plans

For Schools or equivalent areas in deficit or areas at risk of falling into deficit within the next 3 years or classified as risk areas:

- A recovery business plan is required to be developed by the school or equivalent and approved by the Faculty/Office
- Faculty/Office is responsible for supporting/underwriting a school or equivalent's deficit provided the faculty group has sufficient overall funds to cover the deficit
- SDVC and EDFR to review and endorse
- VC to approve
- Copy of VC approval to be stored on a central records file

If the Faculty/Office group is falling into deficit within the next 3 years or classified as a risk area:

- Recovery plan to be developed
- SDVC and EDFR to review and endorse
- VC to approve
- Copy of VC approval to be stored on a central records file

For the purposes of these meetings an area will be required to produce a business plan if any of the following have occurred:

- The area is overdrawn in the operating area as reported in the quarterly financial report
- The area has budgeted to be overdrawn in the operating area as reported in the quarterly financial report
- The area has had an annual deficit for the activities in the operating area (as reported in the quarterly financial report) for three successive years
- Other matters result in the area being considered a risk and should be brought to the attention of the executive by the Faculty/Office

### **Project Financial Evaluation and Analysis (currently being developed within 2006-2008 OPP)**

Establishing central policy, tools, templates, service etc to support the development and assessment of new initiatives (including capital projects) as part of the decision making process for the selection of initiatives across the University.

### **Course Costing**

Student Enrolment Cost Allocation Model has been developed centrally and Faculty/Schools have been given training and support to undertake costing within their respective areas. The costing model combines student load, financial and other relevant data to model the contribution of programmes, courses and various views of fee types. The tool can be used to understand areas of inefficiency and to model the potential financial impact of resource and course structure decisions.

### **Benchmarking**

Assessment of the financial performance of the University compared to trends in similar universities through time. This will enable the identification of potential areas for efficiency improvements to be considered.

**Internal Audit**

Internal Audit operates as an independent review team, reporting to the Audit and Review Committee or, if required, directly to the Vice Chancellor. The Internal Audit office schedules specific activities and/or Schools/Areas for internal annual audits. Under the Internal Audit Charter, the office operates as follows:

- The Office is primarily responsible to the UWA's Audit and Review Committee. However, for practicality purposes, Office management reports:
  - operationally to the Senior Deputy Vice-Chancellor (under delegation from the Vice-Chancellor), and
  - administratively to the Executive Director, Finance and Resources.
- The Office submits all draft Annual and Strategic Audit plans, audit reports and final audit certifications to the Senior Deputy Vice-Chancellor and Executive Director, Finance and Resources for consideration, discussion and endorsement.



- (b) approving the mission and strategic direction of the higher education provider, as well as the annual budget and business plan;
- (c) overseeing and reviewing the management of the higher education provider and its performance;**
- (d) establishing policy and procedural principles, consistent with legal requirements and community expectations;
- (e) approving and monitoring systems of control and accountability, including general overview of any controlled entities. A controlled entity is one that satisfies the test of control in s.50AA of the Corporations Act;**
- (f) overseeing and monitoring the assessment and management of risk across the higher education provider, including commercial undertakings;**
- (g) overseeing and monitoring the academic activities of the higher education provider; (h) approving significant commercial activities of the higher education provider.

7.5.70 Protocol 10: the governing body is required to oversee controlled entities by taking reasonable steps to bring about the following:

- (a) ensuring that the entity's board possesses the skills, knowledge and experience necessary to provide proper stewardship and control of the entity;
- (b) appointing some directors to the board of the entity who are not members of the governing body or officers or students of the higher education provider, where possible;
- (c) ensuring that the board adopts and regularly evaluates a written statement of its own governance principles;
- (d) ensuring that the board documents a clear corporate and business strategy which reports on and updates annually the entity's long-term objectives and includes an annual business plan containing achievable and measurable performance targets and milestones; and
- (e) establishing and documenting clear expectations of reporting to the governing body, such as a draft business plan for consideration and approval before the commencement of each financial year and at least quarterly reports against the business plan.**

7.5.75 Protocol 11: A higher education provider must assess the risk arising from its part ownership of any entity (including an associated company as defined in the Accounting Standards issued by the Australian Accounting Standards Board), partnership and joint venture. The governing body of the provider must, where appropriate in light of the risk assessment, use its best endeavours to obtain an auditor's report (including audit certification and management letter) of the entity by a State, Territory or Commonwealth Auditor-General or by an external auditor.

### Senate Standing Committees

#### *Strategic Resources Committee*

The role of the committee is to -

- (a) to monitor the financial welfare of the University and report to Senate annually on its findings;
- (b) to monitor campus planning and advise Senate on major physical developments and associated policy issues;
- (c) to monitor policy on staffing resources in the context of the current Priority Staffing and Industrial Relations Objective, and report to Senate annually on its findings;
- (d) within the limits of agreed delegations to make decisions or recommendations to Senate on investments within a framework of strategy approved by the Senate; and
- (e) to bring to the Senate's attention emerging strategic issues related to the committee's role which have the potential to impact on the University and which it believes should be addressed by the Executive and/or the Senate.

#### *Audit and Review Committee*

The role of the committee is to -

- (a) investigate financial matters within the University, either within an audit programme which it determines or as directed by the Senate;
- (b) satisfy itself that the University has sound policies/arrangements in place for—
  - (i) corporate governance including adherence to ethical standards;
  - (ii) controlling the institution's exposure to risk and minimising its exposure to fraud; and
  - (iii) ensuring high standards of financial, statutory and operational accountability;

- (c) receive summary reports on internal and external reviews, and monitor compliance with recommendations of those reviews;
- (d)
  - (i) receive and review the University's annual report including the financial statements and performance indicators and recommend its adoption by the Senate;
  - (ii) receive other statutory annual reports from within the University;
- (e) sample compliance with specific external or internal legislation or internal policy or review documents from time to time;
- (f)
  - (i) advise the Senate of its findings in relation to assessing the performance and objectivity of the internal audit function and regarding work undertaken under (a) to (e), whether satisfactory or unsatisfactory; and
  - (ii) if the findings are unsatisfactory, identify material matters arising and recommend to the Senate on the advice to be given to the Vice-Chancellor on action to be taken;
- (g) bring to the Senate's attention emerging strategic issues related to the committee's role which have the potential to impact on the University and which the committee believes should be addressed by the Executive and/or the Senate; and
- (h) undertake any other tasks referred to it by the Senate from time to time.

### Academic Council Standing Committee

#### *Planning and Budget Committee*

The role of the Planning and Budget Committee is to—

- (a) advise and make recommendations to the Vice-Chancellor on behalf of the Academic Council on the following matters:
  - (i) the formulation of the University's strategic and operational plans;
  - (ii) the formulation of the University's budget strategy;
  - (iii) the adoption of mechanisms for resource allocation;
  - (iv) the structure of the University budget; and
  - (v) the setting of priorities and the allocation of funds for major building works and any major re-allocation of space within a faculty or among faculties;
- (b) report its advice and recommendations on the matters listed in paragraph (a) to the Academic Council;
- (c) review annually the level of tuition fees approved by the deans of faculties for Australian postgraduate and international students;
- (d) review annually the financial viability of each transnational programme conducted by the faculties; and
- (e) advise and submit recommendations to the Academic Council on policy matters and on major procedural matters relating to University accommodation.

#### *General Services Resources Committee*

The General Services Resources Committee is a committee of the Planning and Budget Committee.

The role of the committee is to—

- (a) make recommendations to the Planning and Budget Committee with respect to the annual submissions for funding from the University Facilities budget line and the associated distribution of this allocation;
- (b) make recommendations to the Planning and Budget Committee with respect to the annual budget submissions for funding from the Community Activities budget line;
- (c) make recommendations to the Planning and Budget Committee with respect to the annual budget submission for funding the activities of Unipark;
- (d) determine the distribution of the Academic Services component of the University Budget.

## Appendix B

### Responsibilities of Hierarchical Management

#### Vice-Chancellor and Executive

In order to fulfil its responsibilities effectively the Senate appoints the Vice-Chancellor as its Chief Executive Officer and works in partnership with him to maximise the University's capacity and performance and to ensure its fiscal viability. The Senate delegates operational responsibility to the Vice-Chancellor and monitors, guides and supports the work of the Vice-Chancellor and Executive. It has identified its key activities as the setting of strategic directions, the oversight, audit and review of proper governance processes, the assessment and monitoring of performance against established targets, and the making and amending of University legislation. It has adopted a charter that provides for these roles.

#### *The Vice-Chancellor*

Appointed by the Senate, following public advertising and standard recruitment procedures, for a period normally not exceeding seven years.

The Vice-Chancellor appoints an Executive group to assist with his/her responsibilities for the academic, financial, administrative and other business of the University. In 2005 the Executive comprised:

#### *Senior Deputy Vice-Chancellor*

Responsible for broad line management of the Faculty Deans, the Dean of the School of Indigenous Studies and the University Librarian, for staffing policy, and deputising for the Vice-Chancellor in his/her absence

#### *Deputy Vice-Chancellor (Research and Innovation)*

Responsible for research and research training, industry liaison and commercialisation

#### *Deputy Vice-Chancellor (Education)*

Responsible for teaching and learning, undergraduate students

#### *Executive Director (Academic Services) and Registrar*

Responsible for all matters relating to the academic administration of the University

#### *Executive Director (Finance and Resources) – Chief Financial Officer*

Responsible for all matters relating to finance and resources

#### Responsibilities of Deans

Responsibilities of the Dean are determined by the Vice-Chancellor and include the following:

- To provide effective academic leadership and management of the faculty
- To develop, implement and maintain an academic plan for the faculty
- To prepare and present the faculty's submissions for resources and to administer the resources provided
- To chair the faculty council
- To represent the faculty in the University and externally
- To ensure adherence to the policies of the University and the legal requirements placed on it
- To encourage staff development and a high level of staff performance
- To provide advice to the Vice-Chancellor and Senior Deputy Vice-Chancellor on matters relating to the faculty
- To assume administrative responsibility for other academic and service facilities as may be required by the Vice-Chancellor
- To contribute towards policies which enhance the effectiveness of the University as a whole and to counsel and represent the Vice-Chancellor accordingly

- To undertake any other duties specified by the Vice-Chancellor

#### Role of the Head of School

The Head of School is responsible to the Dean for the academic leadership and management of the School. The Head works in partnership with a School Manager, and together they are responsible for the efficient and effective functioning of the School.

The general responsibilities of the Head of School from a financial management perspective are:

- Strategic Planning and Coordination
- Provide academic leadership in the development and ongoing review of the School's strategic plan and operational priorities
- With the School Manager, ensure compliance with the University's statutory obligations and policies
- Work with the School Manager in overseeing the responsible financial management of the School, including preparation of transparent budgets, allocation of resources and development of marketing plans where appropriate
- Encourage staff to identify and develop new externally funded opportunities for teaching, research and consultancy
- Work with the School Manager in overseeing the management of the physical assets of the School, including office and teaching spaces, and equipment

#### Internal Audit

The activities of Internal Audit include, but are not limited to, the following:

- Determining the extent of compliance with relevant statutes, regulations, directions, instructions, delegations and standards
- Assessing the currency and reliability of delegations and instructions
- Reviewing and appraising the effectiveness and appropriateness of financial and administrative controls
- Monitoring the adequacy, reliability, integrity and security of accounting and other management information systems
- Reviewing the efficiency and effectiveness of operations
- Examining the validity of measures used to assess the achievement of University operational objectives

## Appendix C

### Annual Financial Accountability Cycles - Timetable

Month	Activity	Committee	Hierarchical Manager
January	Annual certification of compliance with University policies and procedures		Deans/HOS's and Equivalent
February	Presentation of University Annual Financial Statements. Approval and certification.	Audit and Review, Strategic Resources Committee*, Senate  *presented for review not approval	VC EDFR (CFO)
	Report on actual financial performance against budget previous year. Review Consolidated University budget for current year	Planning and Budget Committee	VC EDFR (CFO)
March	Half yearly SDVC, Dean financial review meeting		SDVC Dean EDFR
April			
May	Review March quarterly executive format reports - performance against plan	Planning and Budget Committee	VC SDVC EDFR Deans HOS
	March quarter Senate format reports	Strategic Resources Committee, Senate	VC SDVC EDFR
June			
July			
August	Review June quarterly executive format reports - performance against plan	Planning and Budget Committee	VC SDVC EDFR Deans HOS
	June half year Senate format reports	Strategic Resources Committee, Senate	VC SDVC EDFR
	Half yearly SDVC, Dean financial review meeting		SDVC Dean EDFR
September	Revised forecast completed		VC SDVC EDFR Deans HOS

<b>Month</b>	<b>Activity</b>	<b>Committee</b>	<b>Hierarchical Manager</b>
October	Estimates of Income and Distribution	Planning and Budget Committee, Academic Council, Strategic Resources Committee, Senate, Academic Board	VC EDFR
November	Review September quarterly executive format reports - performance against plan	Planning and Budget Committee	VC SDVC EDFR Deans HOS
	September quarter Senate format reports	Strategic Resources Committee, Senate	VC SDVC EDFR
December	Consolidated University budget presented to VC for approval	Planning and Budget Committee	VC SDVC EDFR Deans HOS

Note: this timetable is indicative only and may alter due to committee dates or requirements

## Appendix D

### Business Unit Organisational Structure Diagram

<http://www.uwa.edu.au/web/?f=190218>