FINANCIAL MONITORING AND CONTROL POLICY

Section	Finance
Contact	Chief Financial Officer
Last Review	February 2021
Next Review	February 2024
Approval	C19/167

Purpose:

The purpose of this policy is to provide assurance to the University Council and Senior Leadership Team (SLT) that responsibility for University's financial performance and stewardship of its assets is clearly defined.

For clarity purposes, each of the University subsidiaries are governed by their respective board of directors who are responsible for developing and implementing the policies and controls in their respective entities; therefore, are excluded from the scope of this policy document.

Definitions:

Activity: Internal financial reporting splits University operations into five activity types. The three income generating activities, 'Teaching and Supervision', 'Research' and 'Trading and Trusts' are also collectively known as core activities. The two non-income generating activities are 'Support Services' and 'Strategic Initiatives'.

Annual Budget: Annual financial statements budget approved by the University Council

Budget Centre: Cost/Profit centre defined as "Budget Centre" in the University's chart of accounts and represented by a unique three-digit numerical code (e.g. 123). Budget centres normally have income and expense budgets allocated to them and accumulates actual income and expenses against those budgets during a financial year.

Reporting Line: A Reporting Line in the context of this policy, consists of one or more budget centres and is led by an SLT member. Budgets are allocated annually by SLT to the Reporting Lines which are further sub-allocated to the budget centres within that Reporting Line at the discretion of the respective SLT member.

Budget Centre Manager: The Budget Centre Manager is a University employee with delegated financial authority under the University's Delegations of Authority Policy to make financial commitments for the budget centre. Other staff with sub delegations for a budget centre are not budget centre managers.

Contribution: The bottom line on the budget centre financial reports, calculated as budget centre income less expenses. For non-income generating activities contribution may also be referred to as the 'net cost' of the activity.

Margin: For core activities, the margin is contribution as a percent of income from that activity – e.g. $20 contribution from $100 income is a 20% margin. For support services and strategic initiatives, the margin is the net cost of the activity as a percent of University core income – e.g. in a university generating $500 of core income, a support service with a net cost of $5 has a margin of 1%.

Materiality: An item can be material if it has a significant financial impact on the financial performance of the budget centre. Professional judgement is required in assessing material items but as a guide 5% of the budget centre's total cost or revenue budget or $ 100,000 whichever is lower might be considered material.

Other examples of items that may be materially important and should be included in reports include contract disputes, overdue debtors, receiverships, breach of legislation, onerous contracts, non-performance of contract and potential for University reputational damage.

Risk Management: Refer to the University's risk management framework.

Ten Year Capital Plan (TYCP): Rolling ten-year capital plan approved by the University Council annually in December.

Policy:

Overview

The SLT will make recommendation to the University Council, for approval, an annual budget each year after considering the Consolidated University Plan, TYCP, investment plan (renewed every 2 to 3 years), strategy and financial goals of the University. This will provide the framework for managing the University finances including meeting financial performance targets, effective balance sheet management and ensuring treasury, cash flow commitments are met.

The annual budget process is initiated through an annual budget policy statement, linked to the University's strategy, that outlines the high-level economic considerations that will impact the budget.

Financial targets will be approved by the SLT based on the budget policy statement, University strategy, agreed surplus/deficit requirements and the University's investment and financial sustainability goals.

The annual planning and investment plan processes will identify how the strategic goals of the University will be met, including achievement of the financial targets.

Budget Centre Managers will prepare budgets for the budget centre, including any projects within the budget centre, following the planning process guidelines so the financial implications from the planning round are identified within the financial plans.

1. **Reporting Line Budget Allocation**

   The Budget Allocation Framework (BAF) determines the overall level of budgetary resources available to each reporting line by setting target margins for each of its activity types. For core activities target margins represent the expected contribution as a percent of reporting line income from that activity. For support services and strategic initiatives, target margins represent the expected net cost of the activity as a proportion of University core income.

   Margin targets for each activity are evidence based and approved by SLT on a periodic basis.

Budget Preparation

   Once target margins have been approved by SLT, budgets will be prepared for each budget centre and project in the University. The aggregate of all budgets within a reporting line must align with target margins set for that reporting line.

2. **Budget Phasing**

To ensure financial performance and cash flow management are appropriately monitored and managed, Budget Centre Managers will phase the annual budgets across the twelve months of the financial year. This budget phasing will form the basis of variance analysis and commentary on financial performance.

Monthly capital budgets/forecasts will be phased by the Facilities Directors, ITS and Capital Projects Managers in consultation with the Senior Capital Planner / Accountant.

3. **Financial Management**

Budget Centre Managers are responsible for ensuring all income and expenditure budgets approved by their respective SLT member are met including the individual projects within their budget centres. In turn, the respective SLT members are responsible for meeting income and expenditure budgets at their Reporting Line level. SLT and Vice-Chancellor are responsible to meet the income and expenditure budget set by the University Council. The delegations of authority policy and framework outline specific responsibilities in respect of commitment to contracts and purchasing goods or services.

All Budget Centre Managers and Reporting Line Finance/Business Managers are expected to have an appropriate level of financial literacy and will ensure they develop and maintain their financial competency. This includes understanding the fundamental financial concepts of accruals, commitments, income, operating expenditure, capital expenditure, delegations, and the impact of their actions on the financial statements.

The Chief Financial Officer (CFO) will request the Reporting Line Finance/Business Managers to reforecast their income and expenditure periodically with the assistance from the budget centre managers to reflect where factors behind assumptions included in the original annual budget have changed significantly.

In normal circumstances, reporting lines are expected to forecast to and achieve the target margins approved by SLT. However, an inability to achieve the target margin for a specific activity may be offset by overachievement of the target margin for another activity within the same reporting line.

4. **Financial Monitoring and Reporting**

Reporting Line Finance/Business Managers

Reporting Line Finance/Business Managers are accountable for reporting against their approved budgets and forecasts on a monthly basis. A commentary in relation to material variances should be provided to Finance, including action being taken to address the variance.

Reporting Line Leaders

SLT members are responsible for reporting against their Reporting Line budget and forecast to the Vice-Chancellor on a monthly basis. The specific reporting requirements will be defined by the Vice-Chancellor.

Material variances should be commented on, noting the reason for the variance and any action being taken to mitigate the variance.

Finance will provide an independent assessment of reporting line performance to SLT.

SLT & Council

SLT will recommend an annual budget for University Council to approve.

The Vice-Chancellor and SLT are responsible for the University’s compliance with the Council approved budget and will report to the Council at each Council meeting.

The DVC Finance and Technology (DVC F&T), through the CFO, will provide an independent assessment of financial performance, financial position and cash flows for the University and clearly identify responsibility for changes in financial performance, financial position or cash flow.

The CFO, through the DVC F&T, is responsible for preparing the annual report for the University.

5. **Delegations & Internal Controls**

Financial delegations must be adhered to.

Good financial management requires that Budget Centre Managers enforce internal control systems that ensure (1) segregation of duties in the purchasing process, and (2) ethical commercial practice.

Budget Centre Managers must ensure that all potential conflicts of interest arising from commercial transactions are identified and appropriately managed.

All external and internal financial reporting must comply with generally accepted accounting practice as defined in the Financial Reporting Act 1993 and Amendments.

Audience:

All staff.

Relevant Legislation:

Public Finance Act 1989 and Amendments
Education and Training Act 2020 and Amendments
Financial Reporting Act 1993 and Amendments

Legal Compliance:

Section 41 of the Public Finance Act 1989 requires Universities to prepare the annual report as soon as possible after the end of the financial year.

Section 305 of the Education and Training Act 2020 states that Section 41 (above) will apply to every (tertiary) institution, and further that the financial year will read as academic year.

Financial Reporting Act 1993 and Amendments requires a reporting entity to prepare financial statements in accordance with generally accepted accounting practice and present a true and fair view of their affairs. The University falls within the Financial Reporting Acts 1993's definition of a reporting entity.

Related Procedures and Documents:

Asset Investment Policy
Conflict of Commitment and Interest Policy
Delegations of Authority Policy
Fraud and Corruption Policy
Risk Management Policy
Procurement Policy
Procurement Procedures

Document Management Control:

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