Purpose:

The purpose of this policy is to provide assurance to the University Council and Senior Leadership Team that the financial goals of the University are being met and that accountability and responsibility for financial performance and stewardship of assets is clearly defined.

Definitions:

**Annual Budget**: Annual revenue and expenditure budget approved by the University Council including the rolling five year capital plan.

**Budget Centre Manager**: The Budget Centre Manager is the level 3 or level 4 manager with financial delegated authority, to make financial commitments for the budget centre. Other staff with sub delegations for a budget centre are not budget centre managers.

**Materiality**: An item can be materially important 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 total budget or $100,000 which ever is lower would be considered material.

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

**Accounting Advisors**: Are all accountants within the FAM Management Accounting Team.

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

Policy:

**Overview**

The University Council will approve an annual budget each year after considering the annual plan, investment plan and financial goals of the University. This will provide the framework for managing the University finances including meeting financial performance targets, maintaining an appropriate financial position and ensuring treasury and cash flow commitments are met.

The annual budget process is initiated through a budget policy statement that outlines the high level economic considerations that will impact the budget process.

Financial targets will be approved by the Senior Leadership Team based on the budget policy statement and the Councils investment and financial sustainability goals after reviewing the long term financial model.
The annual planning and investment plan process will identify how the strategic goals of the University will be met including achievement of the financial targets.

Detailed budgets will be prepared by budget centre managers following the planning processes, for all budget centres and projects within the budget centre, to allow the financial implications from the planning round to be incorporated in the detailed budgets.

1. Budget Phasing

To ensure financial performance and cash flow management is carefully monitored and managed the annual budgets must be accurately allocated by budget centre managers across the twelve months of the financial year. This budget phasing will form the basis of all variance analysis and commentary about financial performance.

Capital budgets will be phased by the National Capital Manager in consultation with the Facilities Directors and Capital Projects managers.

2. Financial Management

Budget Centre Managers are responsible for ensuring all income and expenditure budgets approved by Council are met including the individual projects under their budget centre. The delegations policy and framework outline specific responsibilities in respect of commitment to contracts and purchasing goods or services.

All budget centre managers are expected to have a high 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, assets, liabilities, cash flow, and the impact of their actions on the financial statements.

The Director, Finance and Asset Management will request budget centre managers to reforecast their income and expenditure periodically to identify where assumptions included in the annual budget have changed significantly.

3. Financial Monitoring and Reporting

Budget Centre Managers

Budget Centre Managers are accountable for reporting their compliance with the approved Council budget on a monthly basis for their budget centre and all projects under their budget centre.

Any material variances should be advised to the appropriate accounting advisor for the reporting line and note the reason for the variance, what action is being taken to mitigate the variance and what the timeframe to mitigate the variance will be.

Non financial material variances should be noted as well as these may have a consequential financial effect.

Reporting Line Managers

SLT members are accountable for reporting their compliance with the approved Council budget for their reporting line, including all projects under their reporting line, to the Vice Chancellor on a monthly basis. The specific reporting requirements will be defined by the Vice Chancellor.

Any material variances must be advised to the appropriate accounting advisor for the reporting line and note the reason for the variance, what action is being taken to mitigate the variance and what the timeframe to mitigate the variance will be.
The accounting advisors will provide an independent assessment of reporting line performance to the Senior Leadership Team member.

**Senior Leadership Team & Council**

The Vice Chancellor and SLT are accountable for the University’s compliance with the Council approved budget and will report to the Council on a monthly basis.

The Director, Finance and Asset Management 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 Director, Finance and Asset Management is responsible for preparing the annual report for the University.

**4. Delegations & Internal Controls**

An important internal control is the financial delegation authorities which 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 Managers must ensure that all potential conflict of interests arising from commercial transactions are identified and minimised.

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 Act 1989 and Amendments
- Financial Reporting Act 1993 and Amendments

**Legal Compliance:**

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

Section 203 of the Education Act 1989 states that Section 41 will apply to every (tertiary) institution, and further that the financial year will read as academic year.

Financial Reporting Act 1993 and Amendments require issuers of securities to the public to prepare financial statements in accordance with generally accepted accounting practice, and present a true and fair view of their affairs. This requirement extends to other institutions, including Universities.

**Related Procedures and Documents:**

- Conflict of Commitment and Interest Policy