THE UNIVERSITY of ADELAIDE

Financial Management: Expectations Handbook

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Introduction

Financial Management at the University of Adelaide

The University of Adelaide is a world-class tertiary education and research institution committed to delivering high quality and distinct learning, teaching and research experiences.

The University is centred on:

- Discovering new knowledge
- Pursuing innovation
- Preparing educated leaders of tomorrow who are independent, creative thinkers with an international perspective

The University can be considered a 'social enterprise' as it is:

- A 'public' entity which exists under an act of State Parliament
- Independent of government, but not private sector
- Responsible for ensuring its own financially sustainability
- Has a mission based on the social purpose of teaching, research & engagement, enabled by sound financial and commercial management.

The University is entrusted with private and public money and assets to fulfil its mission of learning and teaching, research and community engagement. The budgets and financial parameters established across the University represent the outcomes of the University's strategic and financial planning processes. It is against these budgets and financial parameters that all employees in the University who have financial management responsibilities will be held accountable.

The Financial Management Expectations Handbook

This handbook was prepared in consultation with Financial Services and the University's Chief Financial Officer, the Vice-Chancellor's Executive, and local Finance representatives. The purpose of the handbook is to detail the expectations of positions within the University that have accountability or responsibility for the management of finances.

This handbook presents financial management expectations for five categories of roles in the University:

- Chapter 1 – The Council, Committee & Vice-Chancellor
- Chapter 2 – Division Heads
- Chapter 3 – Faculty Executive Deans
- Chapter 4 – Heads of Schools
- Chapter 5 – Branch Directors and Cost Centre Managers

For each category, expectations are broken in the following financial management areas:

1. Targets
2. Reporting
3. Planning
4. Decision-making
5. Control

This handbook can be used by University staff to support understanding of how finance is managed and the corresponding financial responsibilities of roles that enable the University to meet its targets and achieve its objectives.

Chapter 1: Expectations of Council, Committees and the Vice-Chancellor

The University of Adelaide is governed by its Council, as established through the University of Adelaide Act 1971. The Council must in all matters endeavour to advance the interests of the University. As described in the Act, the Council's principal responsibilities are:

- Appointing the Vice-Chancellor & President as the Chief Executive Officer of the University and monitoring his or her performance.
- Approving the mission and strategic direction of the University, as well as the annual budget and business plan.
- Overseeing and reviewing the management of the University and its performance.
- Establishing policy and procedural principles, consistent with legal requirements and community expectations.
- Approving and monitoring systems of control and accountability, including general overview of any entities controlled by the University (within the meaning of section 50AA of the Corporations Act 2001).
- Overseeing and monitoring the assessment and management of risk across the University, including commercial undertakings.
- Overseeing and monitoring the academic activities of the University.
- Approving significant commercial activities of the University.

A summary of the financial expectations of the Council, Committees and the Vice-Chancellor & President is contained in the following five sections. With regard to financial matters, the Council is supported by the Finance Committee and the Audit, Compliance and Risk Committee. The Vice-Chancellor & President is supported by the Vice-Chancellor's Executive, the Planning and Budget Committee and the Chief Financial Officer in meeting these expectations. A summary of the Terms of Reference for each of the committees referred to above are provided at the end of this chapter.

1. Financial Targets

The Council endorses the Five Year Financial Plan for the University. It does this consistent with the Council's approved mission and strategic direction for the University. A key objective of the current Financial Plan is to ensure that sufficient financial capacity is generated to allow for the University's Strategic Plan (*Beacon of Enlightenment*) to be achieved through funding of *Beacon* initiatives and the Infrastructure Investment Plan.

The University's long term financial strategy is to generate the operating surpluses necessary to enable it to invest in new or upgraded assets, and the strategic development of the University, with levels of borrowing deemed appropriate by the Council.

- The Council is expected to approve five year financial targets for the University that specify the extent of operating surpluses required and the priority investments in new and upgraded assets.
- The Council is expected consider the five year financial plan with due regard to the mission and strategic direction of the University and to the long-term sustainability of the University.

How the University goes about achieving these financial targets is a matter for University management.

- The Vice-Chancellor & President is expected to develop the strategies and initiatives necessary to achieve the financial targets. Close alignment of financial targets to existing operations can result in a largely 'business as usual' approach with incremental change. Larger gaps between financial targets and existing operations will require a fundamental review of the portfolio business model and can require transformational change.

- The Vice-Chancellor & President is expected to translate the University's five year financial plan into specific financial targets for each of the Faculties and Divisions within the University.
- The University operates a gross surplus financial model, where faculties are expected to generate surpluses based on the revenue derived from the activities they manage. Divisions operate as cost centres whereby they are expected to manage activities within an agreed expenditure level. The financial targets set for each portfolio are based on the overall financial performance required for the University to achieve the objectives of its Strategic Plan.

2. Financial Reporting

One of the Council's principal responsibilities is "overseeing and reviewing the management of the University and its performance".

- It is therefore expected that the Council has access to financial reporting throughout the year to enable it to monitor progress against budget.
- It is expected that Council sign off on end-of-year financial statements that have been prepared in accordance with the accounts and record of the University, and that present a true and fair view of the financial position of the University and the results of its operations and cash flows.

To this end, the Chief Financial Officer (on behalf of the Vice-Chancellor & President) is expected to:

- Maintain financial systems that ensure a range of reports are available to meet the needs of the Council and Finance Committee, but also deliver the reports necessary to Divisions and Faculties to enable them to monitor and analyse their financial performance relative to the financial targets and budgets set.
- Establish an approach to reporting for the University that enables the early identification of variances that require action, either to remedy the variance or to find alternate means of achieving the University's financial targets.

3. Financial Planning

Good financial planning leads participants to a deeper understanding of both the parameters that drive their business and the levers they have available to them to control their business.

- The Council is expected to oversee both long-term strategic planning and business planning for University which identifies the financial impacts of issues and opportunities, and approve the estimated revenues and expenses associated with ongoing activities.
- The Vice-Chancellor & President is accountable for ensuring financial planning is informed by detailed analysis and understanding with participants in planning having regard to the cost and activity drivers of the budgets across the University from the 'bottom-up'. Understanding the budget from the 'bottom up' is fundamental to understanding the impact of day-to-day management decisions on the resources used and the revenue generated.
- The Chief Financial Officer is expected to establish and utilise a Financial Management and Budget Model to ensure there is a transparent link between financial targets and the following:
    - student numbers (revenue driver)
    - staff levels (cost driver)
    - research projects (revenue & cost driver)
    - capital requirements,
    - new strategic priorities (both revenues and expenses)

The Planning and Budgeting Committee advises the Vice-Chancellor & President on matters relating to the planning and budgeting of the University.

4. Financial Decision-Making

The projected levels of activity and costs will not always be consistent with the approved budget or with what happens in real-time, requiring decisions to be made to adapt the business to reality.

- Council expects University management to make the decisions necessary to ensure financial performance occurs consistent with financial targets and where necessary, Council will approve alteration of the financial targets of the University.

The following decision-making is necessary by the Vice-Chancellor & President:

- Prior to each year, reconcile financial targets arrived at through 'top-down' budget process with financial plans formulated from 'bottom-up' budgeting.
    - Oversee the University budget and planning process that prioritises the allocation of investment resources and that establishes the financial targets for Faculties and Divisions.
    - Design the University budget development process to ensure it can accommodate some negotiations around levels of activity, performance and service to determine budget settings (including consideration of business cases).
- During the year, remedy unfavourable variations from budget targets identified in the reporting process or to put in place alternate measures (including reprioritising allocations or finding new sources of revenue) to achieve budget targets.

The Planning and Budgeting Committee advises the Vice-Chancellor & President on matters relating to the planning and budgeting of the University. Decision-making can include (but is not limited to):

- Scaling aspects of the University down – reducing expenses to accommodate reductions in revenue through reducing inputs.
- Scaling aspects of the University up – increasing expenses and revenue.
- Pushing for increased productivity – increasing the utilisation of staff, equipment and assets to increase revenue proportionally more than increases in expenses.
- Changing the business model – finding alternate sources of revenue to offset losses of revenue.

5. Financial Controls

Included amongst the Council's principal responsibilities are:

- Establishing policy and procedural principles, consistent with legal requirements and community expectations.
- Approve and monitor systems of control and accountability, including general overview of any entities controlled by the University (within the meaning of section 50AA of the Corporations Act 2001).

Internal financial controls are measures designed to guide, regulate, constrain or restrict activity in order to provide reasonable assurance regarding the efficient achievement of objectives relating to operations, reporting, and compliance.

- Council is expected to approve and monitor the controls, policies and procedures necessary to comply with relevant legislation and regulations and to ensure services are delivered as efficiently as possible to achieve financial targets.

- Types of policies and practices will typically include:
    - Procurement
    - Risk management
    - Legal and governance
    - Internal audit

- The Chief Financial Officer, Council Secretary and General Counsel are expected to put in place measures to ensure relevant University staff are aware of their obligations to comply with University policies and procedures.
- Council is responsible for overseeing and monitoring the assessment and management of risk across the University, including commercial undertakings.

Terms of Reference for University Committees

The following are relevant sections from the Terms of Reference for the following University Committees:

- The Finance Committee of Council
- The Audit, Compliance and Risk Committee of Council
- The Planning and Budgeting Committee

Finance Committee of Council

The Finance Committee recommends and advises Council on financial, investment, building and commercial matters. The Committee reserves the right to investigate matters and conduct its own enquiries, including requiring officers of the University to attend meetings, and has the power to seek any financial information it sees fit. The scope of operation of the Finance Committee includes any subsidiary of the University.

The Finance Committee shall review and make recommendations to Council on:

- Financial policies – policies for the University and its subsidiaries with respect to the control and management of recurrent financial resources, and the ownership, management and divestment of assets (including properties, investments, borrowings and management of funds).
- Budgeting process – the resources available to the University to achieve its goals as put forward in the annual budget of the University and its subsidiaries.
- Financial performance – regular management reports to Council on the financial performance of the University and its subsidiaries against the approved financial targets.
- Financial reporting – the annual financial statements of the University, and in conjunction with the Audit, Compliance and Risk Committee, recommend to Council the adoption of those statements.
- Commercial activities – the commercial activities of the University and its subsidiaries.

Audit, Compliance and Risk Committee of Council

The Audit, Compliance and Risk Committee shall:

- Oversee the internal audit procedures of the University and review the performance of the internal auditor.
- Recommend to Council for its approval the periodic appointment of an internal auditor.
- Approve an internal audit plan and see to its effective implementation.
- Monitor the external audit of the University and cooperate with the Auditor General in its preparation and implementation.
- Oversee and monitor the observance and implementation by University management of:
    - Recommendations of the Committee and of the internal and external auditors.
    - Any duties and obligations imposed by relevant statutory provisions.
    - Any other duties or obligations of the University management with respect to any matter within these terms of reference.

- Identify and monitor the exposure of the University and its subsidiaries to environmental, occupational health, welfare and safety risks and all other operational risks, including financial and business risks, and risks associated with litigation, conflicts of interest, fraud, theft and third party liability.
- Monitor compliance by the University with accounting, privacy, competition policy, equal opportunity, discrimination, and all other relevant legislation and standards.
- Monitor and review the policies and procedures of the University and its subsidiaries with respect to financial and other operational controls relating, including but not limited to, the risks (*referred to in 5.1.6 of the Committee's Terms of Reference*), the appropriate and effective exercise of delegated authority and the reporting of significant risks, however arising, to Council.
- Review the annual financial statements of the University and its subsidiaries, including significant or unusual transactions, and in conjunction with the Finance Committee recommend the adoption of those statements.
- Review and assess the effectiveness of and compliance with relevant codes of ethical conduct.
- Report any significant matter promptly to Council.
- The Committee shall undertake such other responsibilities as may be directed by Council.

Planning and Budgeting Committee

The Planning and Budgeting Committee is an advisory committee that reports to the Vice-Chancellor & President. Its Terms of Reference state that the Committee shall advise the Vice-Chancellor & President on matters relating to the planning and budgeting of the University, in particular regarding the development and implementation of:

- Strategic, operational and unit business plans
- Resource plans and issues of resource allocation
- Annual budgets and budget planning processes
- Integrated planning and budgeting processes
- Targets and key performance indicators

Chapter 2: Expectations of Division Heads

Division Heads are accountable in a range of ways for the performance of the University and their portfolios, including financial management. Financial accountabilities pertaining to Division Heads are summarised below under the five areas of financial management.

1. Financial Targets

The University operates a gross surplus financial model where Divisions operate as cost centres and are expected to manage activities within an agreed net expenditure level. The financial targets set for each portfolio are based on the overall financial performance required for the University to meet the objectives of its Strategic Plan.

- Division Heads are expected to understand the financial targets for their portfolio and be involvement in their establishment.
- Divisions are required to manage their finances within the budgeted net expenditure level.
- How each portfolio goes about achieving their financial targets is a matter of portfolio strategy and therefore Division Heads are expected to develop strategies and initiatives necessary to deliver their financial targets. Close alignment of financial targets to existing operations can result in a largely ‘business as usual’ approach with incremental change. Larger gaps between financial targets and existing operations will require a fundamental review of the portfolio business model and can require transformational change.
- Division Heads are expected to ensure their financial targets are translated into specific financial targets for each branch or project within their Division.

2. Financial Reporting

The University’s internal financial reporting system is used to capture transactions, allocate them to categories (revenue, expense, asset or liability) and compare them with budget, resulting in variance reports for users to monitor progress against budget.

- Division Heads are expected on a monthly basis, to access financial reports that detail variances in actual financial performance from budget. With assistance from their Executive Managers, portfolio heads should interrogate variance reports, transaction reports and activity reports to understand, explain and remedy the root causes of variances. Where possible, timing variances should be distinguished from permanent variances.
- Division Heads are expected to put in place an approach to reporting for their portfolio that enables the early identification of variances that require action either to remedy the variance or to find alternate means of achieving financial targets.

3. Financial Planning

Good financial planning leads participants to a deeper understanding of the parameters that drive the business and the levers available to control the business.

- Division Heads (with assistance from Executive Managers) are accountable for ensuring there is an understanding of the detail of Division budgets from the ‘bottom-up’ with clarity regarding the cost and activity drivers of the Division budget. Understanding the budget from the ‘bottom up’ is fundamental to understanding the impact of day-to-day management decisions on the resources used and the revenue generated.
- Division Heads are expected to undertake both long-term planning and business planning for their portfolio to identify the financial impacts of issues and opportunities and determine the estimated revenues and expenses associated with ongoing activities and change projects.

- Division Heads (with assistance from Executive Managers) are expected to ensure there is a transparent link between budgets and the following:
  - student numbers (revenue driver)
  - staff levels (cost driver)
  - research projects (revenue & cost driver)
  - capital requirements
  - new priorities (both revenues and expenses)

4. Financial Decision-Making

Projected levels of activity and costs will not always be consistent with the approved budget or with what happens in real-time, requiring decisions to be made to adapt the business to reality. Division Heads are expected to make decisions necessary to ensure financial performance occurs consistent with their financial targets.

The following decision-making is necessary:

- Prior to each year, reconcile financial targets arrived at through 'top-down' budget process with financial plans formulated from 'bottom-up' budgeting. This involves:
  - Participating in the University budget development process by negotiating levels of activity, performance and service to determine budget settings (including producing business cases).
  - Overseeing a Division budget and planning process that prioritises the allocation of resources across Branches and Schools.
- During the year, remedy unfavourable variations from budget targets identified in the reporting process, or put in place alternate measures (including reprioritising allocations or finding new sources of revenue) to achieve budget targets.

Decision-making can also include (but not be limited to):

- Scale the portfolio down (reduce expenses to accommodate reductions in revenue through reducing inputs) or scale the portfolio up (increasing expenses and revenue).
- Push for increased productivity - increase the utilisation of staff, equipment and assets to increase revenue proportionally more than increases in expenses.
- Change the business model - find alternate sources of revenue to offset losses of revenue.

5. Financial Controls

Internal financial controls are measures designed to guide, regulate, constrain or restrict activity in order to provide reasonable assurance regarding the efficient achievement of objectives relating to operations, reporting, and compliance.

- Division Heads are expected to put in place the controls necessary to comply with University policies and procedures and to ensure services are delivered as efficiently as possible to achieve financial targets.
- Relevant University policies include:
  - procuring goods and services in accordance with the procurement policies of the University
  - risk management policies
  - legal and governance policies
- Division Heads are expected to put in place measures to ensure relevant staff in their Division are aware of their obligations to comply with University policies and procedures.
- Division Heads are expected to identify, analyse and evaluate risks associated with the decision-making (referred to in point 4 above).

Chapter 3: Expectations of Faculty Executive Deans

Faculty Executive Deans are accountable in a range of ways for the performance of the University and their portfolios, including financial management. A summary of the financial accountabilities are outlined below under the five areas of financial management.

1. Financial Targets

The University operates a gross surplus financial model where Faculties are expected to generate surpluses based on the revenue derived from the activities they manage. The financial targets set for each Faculty are based on the overall financial performance required for the University to meet the objectives of its Strategic Plan.

- Faculty Executive Deans are expected to understand the financial targets for their portfolio and be involved in their establishment.
- Faculties are required to manage their finances with a high degree of autonomy to achieve the approved gross surplus for the discretionary segment, and the budget outcome for the tied segment.
- How each Faculty goes about achieving these financial targets is a matter of portfolio strategy. Faculty Executive Deans are expected to develop the strategies and initiatives necessary to deliver their financial targets. Close alignment of financial targets to existing operations can result in a largely 'business as usual' approach with incremental change. Larger gaps between financial targets and existing operations will require a fundamental review of the portfolio business model and can require transformational change.
- Faculty Executive Deans are expected to ensure the portfolio targets are translated into specific financial targets for each school or unit within their portfolio.

2. Financial Reporting

The internal financial reporting system is used to capture transactions, allocate them to categories (revenue, expense, asset or liability) and compare them with budget, resulting in variance reports for users to monitor progress against budget.

- Faculty Executive Deans are expected, on a monthly basis, to access financial reports that detail variances in actual financial performance from budget. With assistance from their Executive Managers, portfolio heads should interrogate variance reports, transactions reports and activity reports to understand, explain and remedy the root causes of variances.
- Where possible, timing variances should be distinguished from permanent variances.
- Faculty Executive Deans are expected to put in place an approach to reporting for their portfolio that enables the early identification of variances that require action to either remedy the variance or find alternate means of achieving financial targets.

3. Financial Planning

Good financial planning leads participants to a deeper understanding of the parameters that drive the business and the levers available to control the business.

- Faculty Executive Deans (with assistance from Executive Managers) are accountable for ensuring there is an understanding of the detail of Faculty/School budgets from the 'bottom-up' with clarity regarding the cost and activity drivers of the Faculty budget. Understanding the budget from the 'bottom up' is fundamental to understanding the impact of day-to-day management decisions on the resources used and revenue generated.
- Faculty Executive Deans are expected to undertake both long-term planning and business planning for their portfolio to identify the financial impacts of issues and opportunities and determine the estimated revenues and expenses associated with ongoing activities and change projects.

- Faculty Executive Deans (with assistance from Executive Managers) are expected to ensure there is a transparent link between faculty budgets, school budgets and the following:
  - student numbers (revenue driver)
  - staff levels (cost driver)
  - research projects (revenue & cost driver)
  - capital requirements
  - new priorities (both revenues and expenses)

4. Financial Decision-Making

Projected levels of activity and costs will not always be consistent with the approved budget or with what occurs in real-time, requiring decisions to be made to adapt the business to reality.

- Faculty Executive Deans are expected to make decisions necessary to ensure financial performance occurs consistent with their financial targets.

The following decision-making is necessary:

- Prior to each year, reconcile financial targets arrived at through 'top-down' budget process with financial plans formulated from 'bottom-up' budgeting. This involves:
  - Participating in the University budget development process by negotiating levels of activity, performance and service to determine budget settings (including producing business cases).
  - Overseeing a Faculty budget and planning process that prioritises the allocation of resources across Schools and units.
- During the year, remedy unfavourable variations from budget targets identified in the reporting process or put in place alternate measures (including reprioritising allocations or finding new sources of revenue) to achieve budget targets.

Decision-making can also include (but is not limited to):

- Scale the portfolio down (reduce expenses to accommodate reductions in revenue through reducing inputs) or scale the portfolio up (increase expenses and revenue).
- Push for increased productivity - increase the utilisation of staff, equipment and assets to increase revenue proportionally more than increases in expenses.
- Change the business model - find alternate sources of revenue to offset losses of revenue.

5. Financial Controls

Internal financial controls are measures designed to guide, regulate, constrain or restrict activity in order to provide reasonable assurance regarding the efficient achievement of objectives relating to operations, reporting, and compliance.

- Faculty Executive Deans are expected to put in place the controls necessary to comply with University policies and procedures and to ensure services are delivered as efficiently as possible to achieve financial targets.
- Relevant University policies include:
  - Procuring goods and services in accordance with University procurement policies
  - Risk management policies
  - Legal and governance policies
- Faculty Executive Deans are expected to put in place measures to ensure relevant staff in their Faculty are aware of their obligations to comply with University policies and procedures.
- Faculty Executive Deans are expected to identify, analyse and evaluate risks associated with the decision-making (referred to in point 4 above).

Chapter 4: Expectations of Heads of School

Heads of School are accountable in a range of ways for the performance of the University and their portfolios, including financial management. Financial accountabilities pertaining to Heads of School are summarised below under the five areas of financial management.

1. Financial Targets

The University operates a gross surplus financial model where Faculties are expected to generate surpluses based on the revenue derived from the activities they manage. The financial targets set for each portfolio are based on the overall financial performance required for the University to meet the objectives of its Strategic Plan.

- Heads of School are expected to understand the financial targets for their School and be involved in their establishment at the Faculty level.
- Heads of School are required to manage with a high degree of autonomy to achieve the approved gross surplus for the discretionary segment, and the budget outcome for the tied segment.
- Heads of School can innovate to achieve financial targets and should pursue opportunities to grow revenue above budgeted levels.
- How each School goes about achieving their financial targets is a matter of School strategy and therefore Heads of School are expected to develop the strategies and initiatives necessary to deliver their financial targets. Close alignment of financial targets to existing operations can result in a largely 'business as usual' approach with incremental change. Larger gaps between financial targets and existing operations will require a fundamental review of the portfolio business model and can require transformational change.

2. Financial Reporting

The University's internal financial reporting system is used to capture transactions, allocate them to categories (revenue, expense, asset or liability) and compare them with budget, resulting in variance reports for users to monitor progress against budget.

- Heads of School are expected, on a monthly basis, to access financial reports that detail variances in actual financial performance from budget. With assistance from their Faculty Executive Managers, Heads of School should interrogate variance reports, transaction reports and activity reports to understand, explain and remedy the root causes of variances.
- Where possible, timing variances should be distinguished from permanent variances.
- Permanent variances can be explained with reference to cost drivers (e.g. FTEs) and activity drivers (student numbers and research projects).

3. Financial Planning

Good financial planning leads participants to a deeper understanding of the parameters that drive the business and the levers available to control the business.

- Heads of School (with assistance from Faculty Executive Managers) are expected to understand the detail of their budgets from the 'bottom-up' with clarity regarding the cost and activity drivers of the budget. Understanding the budget from the 'bottom up' is fundamental to understanding the impact of day-to-day management decisions on the resources used and the revenue generated.
- Heads of School are expected to undertake both long-term planning and business planning for their School to identify the financial impacts of issues and opportunities and determine

the estimated revenues and expenses associated with ongoing activities and change projects.

- Heads of School (with assistance from Faculty Executive Managers) are expected to ensure there is a transparent link between school budgets and the following:
  - student numbers (revenue driver)
  - staff levels (cost driver)
  - research projects (revenue & cost driver)
  - capital requirements,
  - new priorities (both revenues and expenses)

4. Financial Decision-Making

Projected levels of activity and costs will not always be consistent with the approved budget or with what happens in real-time, requiring decisions to be made to adapt the business to reality.

- Heads of School are expected to make the decisions necessary to ensure financial performance occurs consistent with their financial targets.

The following decision-making is necessary:

- Prior to each year, reconcile financial targets arrived at through 'top-down' budget process with financial plans formulated from 'bottom-up' budgeting. This involves participating in the Faculty budget development process by negotiating levels of activity, performance and service to determine budget settings (including producing business cases).
- During the year, remedy unfavourable variations from budget targets identified in the reporting process or put in place alternate measures (including reprioritising allocations or finding new sources of revenue) to achieve budget targets.

Decision-making can also include (but not be limited to):

- Scale the School down (reducing expenses to accommodate reductions in revenue through reducing inputs) or scale the School up (increasing expenses and revenue).
- Push for increased productivity - increase the utilisation of staff, equipment and assets to increase revenue proportionally more than increases in expenses.
- Change the business model - find alternate sources of revenue to offset losses of revenue.

5. Financial Controls

Internal financial controls are measures designed to guide, regulate, constrain or restrict activity in order to provide reasonable assurance regarding the efficient achievement of objectives relating to operations, reporting, and compliance.

- Heads of School are expected to put in place the controls necessary to comply with University policies and procedures and to ensure services are delivered as efficiently as possible to achieve financial targets.
- Relevant University policies include:
  - Procuring goods and services in accordance with the University's procurement policies.
  - Risk management policies
  - Legal and governance policies
- Heads of School are expected to oversee the hiring of staff and the purchase or procurement of goods and services to ensure the University buys prudently.

- Heads of School are expected to put in place measures to ensure relevant staff in their School are aware of their obligations to use resources as efficiently as possible and to comply with University policies and procedures.
- Heads of School are expected to identify, analyse and evaluate risks associated with the decision-making (referred to in point 4 above).
- Heads of Schools are expected to seek out relevant benchmarking information as a means to identify opportunities for efficiency improvements.

Chapter 5: Expectations of Branch Directors and Cost Centre Managers

Branch Directors and Cost Centre Managers are accountable in a range of ways for the performance of the University and their portfolios, including financial management. Financial accountabilities pertaining to Branch Directors and Cost Centre Managers are summarised below under the five areas of financial management.

1. Financial Targets

The University operates a gross surplus financial model where Divisions operate as cost centres that are expected to manage activities within an agreed net expenditure level. The financial targets set for each portfolio are based on the overall financial performance required for the University to meet the objectives of its Strategic Plan.

- Branch Directors and Cost Centre Managers are expected to understand the financial targets for their unit and be involved in their establishment at the Division level.
- Branch Directors and Cost Centre Managers are required to manage within the budgeted net expenditure level.

How each Branch or cost centre goes about achieving these financial targets is a matter of branch strategy.

- Branch Directors and Cost Centre Managers are expected to develop the strategies and initiatives necessary to deliver their financial targets. Close alignment of financial targets to existing operations can result in a largely 'business as usual' approach with incremental change. Larger gaps between financial targets and existing operations will require a fundamental review of the portfolio business model and can require transformational change.

2. Financial Reporting

The University's internal financial reporting system is used to capture transactions, allocate them to categories (revenue, expense, asset or liability) and compare them with budget, resulting in variance reports for users to monitor progress against budget.

- Branch Directors and Cost Centre Managers are expected, on a monthly basis, to access financial reports that detail variances in actual financial performance from budget. With assistance from their Division Executive Managers, Directors and Managers should interrogate variance reports, transactions reports and activity reports to understand, explain and remedy the root causes of variances.
- Where possible, timing variances should be distinguished from permanent variances.
- Permanent variances can be explained with reference to cost drivers (e.g. FTEs) and activity drivers (student numbers and research projects).

3. Financial Planning

Good financial planning leads participants to a deeper understanding of the parameters that drive the business and the levers available to control the business.

- Branch Directors and Cost Centre Managers (with assistance from Division Executive Managers) are expected to understand the detail of their budgets from the 'bottom-up' with clarity regarding the cost and activity drivers of the budget. Understanding the budget from the 'bottom up' is fundamental to understanding the impact of day-to-day management decisions on the resources used and the revenue generated.

- Branch Directors and Cost Centre Managers are expected to undertake both long-term planning and business planning for their unit to identify the financial impacts of issues and opportunities and determine the estimated revenues and expenses associated with ongoing activities and change projects.
- Branch Directors and Cost Centre Managers (with assistance from Division Executive Managers) are expected to ensure there is a transparent link between budgets and the following:
    - staff levels (cost driver)
    - research projects (revenue & cost driver)
    - capital requirements,
    - new priorities (both revenues and expenses)

4. Financial Decision-Making

Projected levels of activity and costs will not always be consistent with the approved budget or with what happens in real-time, requiring decisions to be made to adapt the business to reality.

- Branch Directors and Cost Centre Managers are expected to make the decisions necessary to ensure financial performance occurs consistent with their financial targets.

The following decision-making is necessary:

- Prior to each year, reconcile financial targets arrived at through 'top-down' budget process with financial plans formulated from 'bottom-up' budgeting. This involves participating in the budget development process by negotiating levels of activity, performance and service to determine budget settings (including producing business cases).
- During the year, remedy unfavourable variations from budget targets identified in the reporting process or put in place alternate measures (including reprioritising allocations or finding new sources of revenue) to achieve budget targets.

Decision-making can also include (but is not limited to):

- Scale the unit down (reduce expenses to accommodate reductions in revenue through reducing inputs) or scale the unit up (increase expenses and revenue).
- Push for increased productivity - increase the utilisation of staff, equipment and assets to increase revenue proportionally more than increases in expenses.
- Change the business model - find alternate sources of revenue to offset losses of revenue.

5. Financial Controls

Internal financial controls are measures designed to guide, regulate, constrain or restrict activity in order to provide reasonable assurance regarding the efficient achievement of objectives relating to operations, reporting, and compliance.

- Branch Directors and Cost Centre Managers are expected to put in place the controls necessary to comply with University policies and procedures and to ensure services are delivered as efficiently as possible to achieve financial targets.
- Relevant University policies include:
    - procuring goods and services in accordance with the procurement policies of the University
    - risk management policies
    - legal and governance policies

- Branch Directors and Cost Centre Managers are expected to oversee the hiring of staff and the purchase or procurement of goods and services to ensure the University buys wisely.
- Branch Directors and Cost Centre Managers are expected to put in place measures to ensure relevant staff in their teams are aware of their obligations to use resources as efficiently as possible and to comply with University policies and procedures.
- Branch Directors and Cost Centre Managers are expected to identify, analyse and evaluate risks associated with the decision-making referred to in the previous section.
- Branch Directors and Cost Centre Managers are expected to seek out relevant benchmarking information as a means to identify opportunities for efficiency improvement.