

Submission two

**Submission to the Legislative Council Select Committee - Inquiry into the Provisions of the University of Tasmania Act 1992**

Recommendations

1. The University of Tasmania annual report for 2022 should be publicly released much earlier than August 2023.
2. In conclusion, a royal commission into the governance of University of Tasmania will be required to achieve the broad-ranging reforms outlined in this submission. The terms of reference should focus on the lack of transparency and accountability, profit-making activities, undemocratic structures, performance management of staff, achievement of legislated purpose and performance monitoring of this, the unhealthy relationships with senior management and external consultancies and engagement with the Big Four accountancy firms.

*Tasmania Inquiry into the Provisions of the University of Tasmania Act 1992.*

This is the **second submission** to this vital enquiry. Still, on 10 August, the 2021 University of Tasmania annual report was not publicly made available. Therefore, I have used other data sources to construct arguments. Focusing on the university brings the critical issues of governance, transparency and accountability to the fore.

The motion to establish the inquiry was as follows:

6. Mr Valentine to move – That a Select Committee be appointed, with power to send for persons and papers, with leave to sit during any adjournment of the Council, and with leave to adjourn from place to place, to inquire into and report upon the provisions of the University of Tasmania Act 1992 with particular reference to —

- (1) The constitution, functions and powers of the university;
- (2) The constitution, role, powers and obligations of the Council and Academic Senate;
- (3) The appropriateness of the Act to ensure accountable executive, fiscal and academic decision making;
- (4) The appropriateness of the Act to protect and promote academic freedom, independence and autonomy; and
- (5) Any other matters incidental thereto.

Concerning accountability and transparency, the Act specifies:

## **12. Annual report of the Council**

- (1) The Council is, within 6 months after the end of each financial year, to –
  - (a) present to the Governor an annual report of the proceedings of the university during that financial year; and
  - (b) furnish a copy of the report to the Minister.
- (2) The report is to contain a full account of the income and expenditure of the university for the financial year to which it relates.
- (3) The Minister is to cause a copy of the report to be laid before both Houses of Parliament within the first 10 sitting days of each House after the report is received by the Minister.

I have several issues with the wording of the Act. The first timing of the annual report, the second interpretation of the university's proceedings during that financial year, and the third is preparing an income and expenditure statement.

The first issue is the timing of the annual report released to the public. The University of Tasmania's 2021 annual report should be available three months after the end of the financial year, 31 December 2021, so stakeholders can analyse and debate what has been happening at the university over the previous 12 months. This is standard practice amongst other states.

The university did submit, at the last possible moment, a Charities Commission Annual Information Statement 2021 and annual financial statements as of 31 December 2021. The PDF was dated early February, and the independent auditors signed off on their report on 16 February 2022. Therefore, the financial statements were ready for insertion into the annual report in February. Releasing its annual financial statements and annual reports to the public at the very last moment in August seems to have become a habit for the University of Tasmania because this is by no means the first time it has happened.

The University of Tasmania Charities Commission Annual Information Statement 2021 described its charitable activities and outcomes as follows: "During the year, the university's activities consisted of Learning and teaching, research, knowledge transfer and research training, community engagement, and activities incidental to undertaking the above-mentioned educational activities."

I will analyse the various available public documents for the 2021 year (not the 2021 annual report), focusing on human resources, income, and expenses from continuing operations. I will

drill down on several items that raise concerns, including depreciation, executive salaries, investments and buildings.

First, concerning **Human resources** in 2021, the numbers provided include both headcounts and full-time equivalent (FTE) (Full-time employees: 2,062, Part-time employees: 841, Casual employees: 3,120 =**6,023** by headcount and FTE: 2,894). In 2019 total headcount was **7,608**, with a casualisation rate of 63.2 per cent casuals. In 2020, the headcount was down to **6,480**, and 58.79 per cent were casuals, as the charities commission report reported. Therefore, in the two years since 2019, about **1,600** or more people lost employment at The University of Tasmania. As at many other Australian universities, the university's casuals have been underpaid over some time, and as of 31 December 2021, the university recognised an \$11M provision concerning the potential historical underpayment of staff.

Second, concerning **income and expenses** from operations for the calendar year 2021.

Income and Expenses	
Comprehensive Income Statement summary	
Gross income	
Donations and bequests \$5,366,000.00	
Revenue from providing goods or services	\$139,734,000.00
Revenue from government including grants	\$560,778,000.00
Revenue from investments \$113,566,000.00	
All other revenue \$22,675,000.00	
Other income (for example, gains) \$13,762,000.00	
Total revenue \$842,119,000.00	
Total gross income \$855,881,000.00	
Expenses	
Employee expenses \$421,119,000.00	
Interest expenses \$11,151,000.00	
Grants and donations made for use in Australia \$0.00	
Grants and donations made for use outside Australia \$0.00	
All other expenses \$253,609,000.00	

Total expenses	\$685,879,000.00
Net income	
Other comprehensive income	\$140,000.00
Net surplus/(deficit)	\$170,002,000.00
Total comprehensive income	\$170,142,000.00

As we can see, in 2021, the University of Tasmania's net surplus was \$170m. When looking at the 14-year database (Appendix A), which includes total revenue and expenses from continuing operations, the numbers changed significantly over time for the following items: investment income, fees, depreciation expenses and other expenses (\$254M), which include a significant increase in advertising marketing and promotional expenses. Therefore, these items are the ones analysed.

In analysing Appendix A which is total income minus total expenses from continuing operations (the use of the term continuing operations ringfences several items that are not disclosed here), we note several observations. Total revenue, the significant increase has been fees, which would be international student fees since about 2016, and in 2021 there was only a decrease of only \$27 million. This in total income of \$860 million. Remember, the Vice Chancellor used significantly different numbers to justify the voluntary redundancies, termination and non-contracts renewable. As mentioned above, in the two years since 2019, about 1,600 or more people lost employment at The University of Tasmania.

Investment income grew over 3000% in the period to a record in 2021 of \$114 million. Now turning to total expenses, depreciation and amortisation grew by 178%. Remember, these are accrual constructs and do not constitute a cash expense. Also, these depreciation expenses are on buildings gifted by previous governments and have a so-called fair value accounting which for this public university does not make sense. The other items worth looking at are advertising marketing and promotional expenses, growing to 165%. Nevertheless, the big one is other expenses of nearly \$250 million, and there are no disclosures. I'm thinking of consulting, legal fees, executive expenses, etc.

Third, as seen above, the **investment revenue** was \$113m in 2021. The asset value of these investments was nearly \$.5 billion recognised at amortised costs and fair value. A significant

investment portfolio was managed internally by an investment manager. Although most funds are invested in listed equities or listed equity investments, these funds are also invested in various investment categories. This money would include a small number of donations and bequests; the rest would be surplus student fees and government funds for specific purposes such as teaching and capital. Under a funds system of accounting, these funds would not be allowed to be invested in shares.

Fourth, the University of Tasmania is undertaking significant property development. It established an off-balance sheet subsidiary UTAS Properties Pty Ltd, on 10 October 2019, to sell the current campus and build a new campus in the Hobart CBD and Launceston.<sup>1</sup> As no annual report is available, we do not know what the costs and benefits of this subsidiary will be. In addition to revenue and income derived from education and research activities, the consolidated entity also derives revenue and income from other fees from services that are ancillary to education and research, such as accommodation and amenities provided to students. The University of Tasmania has entered public-private partnerships in student accommodation, where the private sector funds, builds and operates the accommodation, which explains long-term liabilities of about \$250m.

For instance, in 2017, the university executed a market transaction in respect of Purpose-Built Student Accommodation (PBSA) assets, whereby it granted a 30-year licence to receive net rentals from these assets in exchange for payment of an upfront amount. The licensee is responsible for maintaining the asset condition to a pre-set regime, and the university retains the operations of the premises. After the arrangement, the asset will revert to the university's control at a pre-agreed condition, when the university will assume asset risk and rental revenue.

In 2019, the university entered into a joint arrangement with third parties to construct new Purpose-Built Student Accommodation (PBSA) at 40–44 Melville Street, Hobart. The contract was settled on 2 February 2021, resulting in an increase in service concession assets and the recognition of a corresponding grant of right to operate liability. It would be interesting to know the financial risk and guarantees concerning student occupancies associated with this venture. What losses were sustained by the University because of COVID and guaranteed occupancy? In 2019, the university had 36,484 students enrolled, and 6,644 (18.2 per cent) were international students. The COVID health crisis makes it difficult to determine the drop-off in international and mainland students that would need accommodation. This is precisely the

financing activity that got Wollongong University into financial strife, with the costs of the termination of a student accommodation partnership of at least \$169m.<sup>ii</sup>

Fifth, turning to **executive salaries**, Vice-Chancellor Rufus Black was appointed in March 2018, and his reported salary in 2021 was just under \$1m. He joins the millionaire's salary club like many other VCs in Australia. The Tasmanian premier salary is about \$300,000 a year, and last year the university's senior executive team included six members who received more than the premier. Executive officers are defined as the Vice-Chancellor and University Executive Team members responsible for the university's strategy.

Sixth, on the role and powers of the **Council**, while university councils should be at the heart of strategy and the driver of quality teaching and research, the corporatisation of public sector universities in Australia has seen the executive gain dominant power. The University of Tasmania Act 1992, section 9 sets out the roles and responsibilities of the Council.

The second issue is that the Act specifies the interpretation of the university's proceedings during that financial year. What do we mean by proceedings of the university? I think this should be as per the functions laid down in the Act. The University of Tasmania Act 1992 specifies the university's functions, and performance against these should be reported in the annual report.

Also, any public discussion and accountability about the role and performance of the Council and senior management.

## 6. Functions of the University

The university has the following functions:

- (a) to advance, transmit and preserve knowledge and learning;
- (b) to encourage and undertake research;
- (c) to promote and sustain teaching and research to international standards of excellence;
- (d) to encourage and provide opportunities for students and staff to develop and apply their knowledge and skills;
- (e) to provide educational and research facilities appropriate to its other functions;
- (f) to promote access to higher education having regard to principles of merit and equity; (fa) to foster or promote the commercialisation of any intellectual property;

I call for an entirely **different discourse** for universities in Australia, including University of Tasmania, one that is **not** based on financial accrual costs in the context of orthodox accounting arising from the neoliberal corporatisation of Australian public universities over decades. Andrew and Cahill's (2017)<sup>iii</sup> research highlights that alternative discourses must be developed to understand the public value of universities. The functions, as outlined in the University of Tasmania Act 1992,<sup>iv</sup> make clear that the university's proper functions are to be publicly accountable for **public value**<sup>v</sup> activities of the university in the interests of the people of Tasmania.

The Tasmania University is a not-for-profit organisation as a registered charity with a primary function to educate citizens in a wide range of disciplines and professions and conduct research for the benefit of society. The Tasmania University charity commission report states that it has: "During the year, the university's activities consisted of Learning and teaching, research, knowledge transfer and research training, community engagement, and activities incidental to undertaking the above-mentioned educational activities."

Over the last few decades, state legislation has empowered university executives to transform University of Tasmania into for-profit property development and investment vehicles. Enabling the reshaping of the university into an autocratic institution could be considered unethical in its treatment of staff and students.

This unethical behaviour includes the bullying and intimidation of critics, wage theft, an overpaid cadre of senior executives, and the destruction of disciplines. I understand that at this university, many well-qualified and high-achieving academics and professional staff have left or suffered burnout and the psychological trauma of being endlessly 'restructured' and surveilled by managers who appear to have no understanding or appreciation of the damage they are causing.

The relentless performance management of university staff corrodes the democratic values and principles upon which the public university system was founded and on which it should continue to be grounded. The legislated functions contained in the Tasmania university act make clear that public universities should serve the public interest.

However, the neoliberal policies that currently inform executive and senior managerial decision-making in Australia's public universities relegate those functions to virtual irrelevance<sup>vi</sup>. The widespread adoption of accounting methodologies explicitly developed to manage the finances of for-profit corporations is just one example of how those functions have

been rendered irrelevant<sup>vii</sup>. An ethically grounded accounting discourse informed by the public interest principles of transparency and accountability would restore staff and student confidence in how our universities should be run.

In conclusion, a royal commission into the governance of Tasmania university will be required to achieve the kinds of poor broad-ranging reforms required. The terms of reference should focus on the lack of transparency and accountability, profit-making activities, undemocratic structures, performance management of staff, achievement of legislated purpose and performance monitoring of this, the unhealthy relationships with senior management and external consultancies and engagement with the Big Four accountancy firms.

Appendix A is attached to the submission

**Appendix Personal and professional background is relevant to this submission.**

I have no direct financial interest in the matters covered by this enquiry. However, my background and experience are relevant to making this submission also being interested in matters of Tasmania state. I have been a university academic, financial, and management researcher for nearly four decades. I am still an active academic with emeritus status, now an un-salary staff member of any Australian public university.

My submission is based on nearly four decades of working in Australian, New Zealand and Europe universities. My PhD studies in the early 1990s led me to become an expert on public sector accounting and finance matters, and my time at Macquarie Graduate School of Management (deputy dean) meant exposure to management theory and practices.

I designed and taught at the University of Melbourne and Australia and New Zealand School of Government, 333-635 Public Sector Accounting and Finance, Masters Unit for a decade.

Also, have been an independent coster for several federal and state government elections for both the Labour Party and the Liberal party.

I am an Emeritus Professor of Accounting, Macquarie Business School Sydney, Australia. Joint founding editor of *Accounting, Auditing and Accountability Journal* consistently ranked in the top 5. I have published 220 articles, 20 books and 50 chapters in books. Also, over 34,000 citations to his work as measured by Google Scholar.



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Macquarie University, NSW 2109, Australia

I acknowledge the traditional custodians of the Macquarie University Land, the Wattamattagal clan of the Darug nation, whose cultures and customs have nurtured, and continue to nurture, this land, since the Dreamtime. I pay my respects to Elders past, present and future.

[Google Scholar Profile](#) [Staff Profile](#)

Joint Founding Editor, Accounting, Auditing and Accountability Journal

<http://www.emeraldgroupublishing.com/aaaj.htm>

Founding member of the Centre for Social and Environmental Accounting Research

<https://www.st-andrews.ac.uk/csear/>

I have been recognised by Stanford University as one of the top 2% of scientists in the world for 2019, 2020 and lifetime. Full story and methodology found here

<https://journals.plos.org/plosbiology/article?id=10.1371/journal.pbio.3000918>.

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<sup>i</sup> <https://www.hobartcity.com.au/Projects/Sandy-Bay-UTAS-redevelopment-submission>  
<https://www.hobartcity.com.au/Projects/City-shaping-projects/University-of-Tasmania-relationship>

<sup>ii</sup> Guthrie, J. (2022), Businesses Uni Wollongong is in The 2021 annual report expresses optimism for a health and wellbeing development, *Campus Morning Mail*, 20 June 2022.

<https://campusmorningmail.com.au/news/businesses-uni-wollongong-is-in/>

<sup>iii</sup> Andrew, J. and Cahill, D. (2017), "Rationalising and resisting neoliberalism: The uneven geography of costs", *Critical Perspectives on Accounting*, Vol. 45, pp. 12-28 <https://doi.org/10.1016/j.cpa.2016.09.0011>

<sup>iv</sup> The University of Tasmania Act 1992, Version current from 1 January 2013 to date (accessed 22 July 2021 at 13:57), are the stated functions of the University.

<sup>v</sup> Guthrie, J., Marcon, G., Russo, S., Farneti, F. (eds) (2014), "Public Value Management, Measurement and Reporting", *Studies in Public and Non-Profit Governance*, Vol. 3, Emerald.

<sup>vi</sup> Guthrie, J., and Lucas, A., (2022), 'How we got here: Australian public sector universities and finance, accounting and the audit society' *Social Alternatives* 41(1) (in print)

<sup>vii</sup> Carnegie, G.D., Martin-Sardesai, A. and Guthrie, J. (2022), "Public universities and impacts of COVID-19 in Australia: Risk disclosures and organisational change", *Accounting, Auditing & Accountability*, Vol. 35 No. 1, pp. 61-73.



Net Operating Result for the Year

73270	52968	54456	20407	33665	37315	(297)	6349	7493
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2017	2018	2019	2020	2021	% Change from 2008 to 2021
<b>664,774</b>	<b>763,982</b>	<b>769,330</b>	<b>713,224</b>	<b>857,770</b>	85%
425,489	451,086	442,964	461,371	536,666	89%
29,245	24,626	23,730	28,602	24,112	24%
8,076	6,627	7,615	8,474	11,105	73%
124,313	143,617	165,526	150,783	123,266	150%
28,223	11,310	76,436	5,371	113,566	3458%
-	-	-	-	-	-
23,528	23,236	27,251	23,307	28,038	42%
25,900	103,480	25,808	35,336	21,017	-74%
<b>610,684</b>	<b>644,914</b>	<b>696,959</b>	<b>695,225</b>	<b>687,768</b>	77%
<b>367,031</b>	<b>375,532</b>	<b>405,813</b>	<b>420,177</b>	<b>421,119</b>	104%
192,896	191,670	206,034	220,248	214,286	88%
174,135	183,862	199,779	199,929	206,833	123%
35,732	34,678	39,941	45,807	46,506	178%
14,498	17,452	16,372	11,452	12,615	-24%
4,824	4,972	6,221	5,791	11,151	-9141%
-	6,593	149	7,693	2,441	-100%
-	-	-	-	-	-
-	-	-	-	-	-
<b>188,599</b>	<b>205,687</b>	<b>228,463</b>	<b>204,305</b>	<b>193,936</b>	55%
25,039	28,015	29,262	31,245	28,375	50%
8,248	9,241	6,893	12,809	4,370	-50%
8,550	8,846	9,440	8,221	11,500	165%
-	126	-	317	1,889	-
146,762	159,459	182,868	151,713	147,802	59%
<b>54090</b>	<b>119,068</b>	<b>72,371</b>	<b>18019</b>	<b>170002</b>	132%
-	-	-	-	-	-

54090 119068 72371 18019 170002

132%

