

# **Australian National University's Governance and Control Framework**

[Australian National University](#)

© Commonwealth of Australia 2021

ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-691-2 (Print)

ISBN 978-1-76033-693-6 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at <https://www.pmc.gov.au/government/its-honour>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Senior Executive Director  
Corporate Management Group  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Or via email:

[communication@anao.gov.au](mailto:communication@anao.gov.au).





Canberra ACT  
29 November 2021

Dear Mr President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Australian National University. The report is titled *Australian National University's Governance and Control Framework*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, reading 'Grant Hehir', is positioned below the 'Yours sincerely' text.

Grant Hehir  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Phone: (02) 6203 7300**  
**Email: [ag1@anao.gov.au](mailto:ag1@anao.gov.au)**

Auditor-General reports and information about the ANAO are available on our website:  
<http://www.anao.gov.au>

### Audit team

Joyce Knight  
Laura Trobbiani  
Olivia Robbins  
David Van Schoten  
Johanna Bradley  
Alex Wilkinson

# Contents

---

|  |           |
|--|-----------|
| Summary and recommendations.....   | 7         |
| Background .....   | 7         |
| Conclusion .....   | 8         |
| Supporting findings.....   | 8         |
| Recommendations:.....  | 10        |
| Summary of entity response.....  | 11        |
| Key messages from this audit for all Australian Government entities .....  | 12        |
| <b>Audit findings.....</b>   | <b>13</b> |
| 1. Background .....  | 14        |
| Introduction .....   | 14        |
| Senior management and academic leadership .....  | 14        |
| Governance and accountability framework .....  | 17        |
| Recent changes to higher education in Australia .....  | 18        |
| Rationale for undertaking the audit .....  | 19        |
| Audit approach .....   | 20        |
| 2. Design of the governance arrangements .....   | 22        |
| Do the governance arrangements comply with the legislative, regulatory and policy requirements<br>including applicable best practice standards?.....                   | 23        |
| Are the high-level governance arrangements supported by appropriate information management,<br>information security and reliable records? .....                        | 34        |
| Are the governance arrangements transparent and underpinned by effective communication to<br>support informed decision making? .....                                   | 38        |
| Are the high-level governance arrangements periodically reviewed, evaluated and adapted<br>where necessary? .....  | 43        |
| 3. Systems of control and accountability .....   | 48        |
| Do the governance arrangements provide effective oversight of the management of the ANU,<br>including its subsidiaries?.....   | 48        |
| Has the ANU implemented effective performance reporting arrangements? .....  | 57        |
| Has the ANU implemented financial and risk management arrangements that are fit-for-purpose,<br>including those established to respond to the COVID-19 pandemic? ..... | 66        |
| <b>Appendices .....</b>  | <b>79</b> |
| Appendix 1     Australian National University's Response .....   | 80        |
| Appendix 2     Performance improvements observed by the ANAO.....  | 82        |
| Appendix 3     ANU Senior Management Structure .....   | 84        |
| Appendix 4     Status of implementation — Walker and Winchester Reviews.....   | 85        |
| Appendix 5     Council mechanisms for monitoring the performance of the ANU.....   | 92        |
| Appendix 6     Methodology for the assessment of the performance reporting of the ANU .....  | 93        |



# Audit snapshot

## Auditor-General Report No. 11 2021–22

*Australian National University's Governance and Control Framework*



### Why did we do this audit?

- ▶ Effective governance and control frameworks assist entities to monitor the performance of the organisation, ensure it complies with its legal requirements, implement and oversee systems of control and accountability and respond to disruptive events.
- ▶ The Australian National University (ANU) had to respond to a number of disruptive events in 2020, including the COVID-19 pandemic.
- ▶ This audit provides the Parliament with independent assurance regarding the effectiveness of the governance arrangements and control framework of the ANU.



### What did we find?

- ▶ The governance and control framework of the ANU is largely effective.
- ▶ The governance arrangements are largely fit-for-purpose, supported by systems of control and accountability that are partially effective. However, the ANU has commenced a program of work to remedy the deficiencies identified.
- ▶ The ANU established fit-for-purpose financial and risk management arrangements to respond to the COVID-19 pandemic.



### What did we recommend?

- ▶ There were six recommendations made to: improve information and records management practices; monitoring and reporting of senior executive remuneration; performance reporting; and financial and risk management.
- ▶ The ANU agreed to all six recommendations.



### Key facts

- ▶ The ANU is an accredited tertiary education provider under the *Higher Education Support Act 2003* and a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*.
- ▶ In 2020, \$700 million (53 per cent) of the \$1.330 billion in revenue was provided by the Australian Government.

17,695

equivalent full-time student  
load as at October 2021

\$4.7 billion

in controlled assets reported for  
the year ended 31 December  
2020

9

High-level governance boards,  
including the ANU Council, seven  
standing committees (Council  
Committees) and the Academic  
Board

# Summary and recommendations

---

## Background

1. The Australian National University (ANU), established in 1946, is an accredited higher education provider under the *Higher Education Support Act 2003* and a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).<sup>1</sup> Its functions include: undertaking research and teaching; encouraging and providing facilities for research and postgraduate study; providing facilities and courses for higher education, including education appropriate to professional and other occupations; and awarding and conferring degrees, diplomas and certificates.<sup>2</sup> In October 2021, the ANU had an equivalent full-time student load of 17,695.<sup>3</sup>

2. The ANU is also authorised to engage in commercial and investment activities.<sup>4</sup> In 2020, the ANU reported \$1.330 billion in revenue and \$4.683 billion in controlled assets. Of the \$1.330 billion in revenue, \$700 million (53 per cent) was received from the Australian Government.

## Rationale for undertaking the audit

3. The Auditor-General released a series of audits in April and May 2019 that reviewed whether the boards of four corporate Commonwealth entities had established effective arrangements to comply with selected legislative and policy requirements and had adopted practices to support effective governance.<sup>5</sup> The key messages and observations from this series of audits were included in the ANAO's Audit Insights released in May 2019.<sup>6</sup> These insights are relevant to the ANU as a corporate Commonwealth entity.

4. Fit-for-purpose governance arrangements supported by effective systems of control and accountability: assist entities oversee the management of the entity; monitor and accurately report on performance; ensure the entity complies with its legal obligations; and respond to disruptive events. In 2020, the ANU was subjected to several disruptive events, including the

---

1 As a body corporate it has a separate legal identity to the Commonwealth and may enter into legal arrangements and hold assets in its own name.

2 *Australian National University Act 1991* (Cth), section 5.

3 An Equivalent Full-Time Student Load (EFTSL) is a measure, in respect of a course of study, of the study load for a year of a student undertaking that course of study (leading to a higher education award) on a full-time basis. The EFTSL definition is in the *Higher Education Support Act 2003*, chapter 5, part 5-2, division 169, Administrative requirements on higher education providers, sections 169-27 and 169-28 p. 294, [internet] <https://www.legislation.gov.au/Details/C2021C00279> [accessed 13 August 2021].

4 *Australian National University Act 1991* (Cth), section 6.

5 Auditor-General Report No.34 2018–19 *Effectiveness of Board Governance at Old Parliament House*.  
Auditor-General Report No.35 2018–19 *Governance of the Special Broadcasting Service Corporation*.  
Auditor-General Report No.36 2018–19 *Effectiveness of Board Governance at the Australian Institute of Marine Science*.  
Auditor-General Report No.37 2018–19 *Effectiveness of Board Governance at the Sydney Harbour Federation Trust*.

6 Australian National Audit Office, *Audit Insights — Board Governance* [internet], ANAO, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 3 August 2021].

impact of bushfire smoke, a hailstorm and the COVID-19 pandemic. All of these events have had an impact on the ANU's operations, revenue and resources.

5. The audit provides independent assurance to the Parliament on the effectiveness of the governance arrangements of the ANU and its systems of control and accountability, including the arrangements established to respond to the COVID-19 pandemic.

### **Audit objective and criteria**

6. The audit objective and criteria was to assess the effectiveness of the ANU's governance and control framework. To form a conclusion against the audit objective the following high-level criteria were adopted.

- Is the design of ANU's high level governance arrangements consistent with legislative, policy and regulatory requirements?
- Are the governance arrangements fit-for-purpose and supported by effective systems of control and accountability?

### **Conclusion**

7. The ANU's governance and control framework is largely effective.

8. The design of the governance arrangements is largely consistent with legislative, regulatory and policy requirements, and applicable best practice standards, except for information and records management.

9. The governance arrangements are largely fit-for-purpose, supported by systems of control and accountability that are partially effective.

### **Supporting findings**

#### **Governance arrangements (see paragraphs 2.3 to 2.25)**

10. The governance arrangements largely comply with legislative, regulatory and policy requirements, and applicable best practice standards.

#### **Information management, security and reliable records (see paragraphs 2.26 to 2.39)**

11. The governance arrangements are not supported by an appropriate information management policy and procedural framework and the information and records management systems require improvement. However, following the data breaches in 2018, the ANU has commenced a program of work to rectify identified cyber security weaknesses.

#### **Transparency, communication and culture (see paragraphs 2.40 to 2.56)**

12. The governance arrangements are transparent, and communication is largely effective. The ANAO observed the Council, Council Committees and the Academic Board appropriately challenge management, demonstrating a positive culture that encourages discussion and debate. However, there is scope to improve the effectiveness of communication and better support informed decision making by documenting existing practices, formalising the relationships and



clarifying the reporting lines between the Council Committees, Academic Board and Senior Management Group.

### **Review and evaluation (see paragraph 2.57 to 2.75)**

13. Self-assessments and external reviews have been conducted in line with the relevant requirements of the Higher Education Standards Framework and the guidance outlined in the Voluntary Code of Best Practice for the Governance of Australian Public Universities. Results have been used to revise governance arrangements and update charters where necessary.

### **Oversight (see paragraphs 3.3 to 3.41)**

14. The governance arrangements provide largely effective oversight of the management of the ANU, except in relation to senior executive remuneration and its subsidiary, the ANU Enterprise Pty Ltd (ANUE). The senior executive remuneration reports do not fully comply with the requirements of the PGPA Rule. The ANU Council approves the annual budget and business plan for the ANUE. It also receives regular reports on its finances, however the key governing documents do not identify the remuneration framework that applies and have not been approved by the ANU Council since 2008.

### **Performance reporting (see paragraphs 3.42 to 3.71)**

15. The ANU's performance reporting arrangements are partially effective. The ANU's Corporate Plan and Performance Statements do not fully meet the requirements of the Commonwealth performance framework. The performance measures do not fully comply with the requirements of the PGPA Rule and do not reflect the characteristics of good performance information. Further, the academic performance reporting arrangements do not fully comply with the requirements of the Higher Education Standards Framework.

### **Financial and risk management arrangements (see paragraphs 3.72 to 3.113)**

16. The financial and risk management arrangements implemented by the ANU have been assessed as partially fit-for-purpose due to deficiencies in relation to its capital works, budget, delegations management and fraud control arrangements, identified through a series of internal reviews conducted between 2018 and 2020. While the ANU commenced a broad program of work in 2018 to address the deficiencies, as at October 2021 the initiatives have not been fully implemented. However, the ANU has implemented fit-for-purpose financial and risk management arrangements to respond to the COVID-19 pandemic.

## Recommendations:

17. The ANAO has made six recommendations to improve the effectiveness of the governance arrangements of the ANU.

**Recommendation no. 1**  
**Paragraph 2.36**

The Australian National University should take the necessary steps to ensure that its information and records management practices meet the information management standards issued by the National Archives of Australia, mandate the use of its Electronic Records Management System and update its supporting policies and procedures.

**Australian National University Response:** *Agreed.*

**Recommendation no. 2**  
**Paragraph 3.29**

The Australian National University should take the necessary steps to ensure its arrangements to monitor and report on senior executive remuneration comply with the *Public Governance, Performance and Accountability Rule 2014* and provide assurance to the Council that the Australian National University's senior management remuneration framework is appropriate.

**Australian National University Response:** *Agreed.*

**Recommendation no. 3**  
**Paragraph 3.41**

The Australian National University should ensure that the governance arrangements of its subsidiaries are fit-for-purpose and improve the reporting framework to support the Council's oversight of financial and non-financial risks relating to its subsidiary, the ANU Enterprise Pty Ltd.

**Australian National University Response:** *Agreed.*

**Recommendation no. 4**  
**Paragraph 3.68**

The Australian National University should take the necessary steps to develop and implement performance reporting arrangements that comply with the requirements of the *Public Governance, Performance and Accountability Rule 2014* and reflect the characteristics of good performance information by:

- (a) establishing a clear link between the key initiatives (key activities) and key performance indicators (performance measures) outlined in its corporate plan; and
- (b) ensuring its key performance indicators (performance measures) are related, measurable and complete to enable an accurate assessment of its performance.

**Australian National University Response:** *Agreed.*

**Recommendation no. 5** To comply with the Higher Education Standards Framework and support effective monitoring of academic performance, the Australian National University should establish institutional benchmarks for academic quality and outcomes.  
**Paragraph 3.71**

**Australian National University Response:** *Agreed.*

**Recommendation no. 6** The Australian National University should develop and implement an appropriate reporting regime to provide assurance to the Council that the systems of control, risk management and oversight that have been established, have been implemented, are effective and are being complied with.  
**Paragraph 3.103**

**Australian National University Response:** *Agreed.*

## Summary of entity response

18. The ANU's full response can be found at Appendix 1. The ANU's summary response has been included below:

The Australian National University (ANU) welcomes the report findings and accepts the recommendations, each of which will be implemented by the University and monitored by the Audit and Risk Management Committee.

It is important to recognise that the ANU has been managing for almost two years the impact of several significant disruptive events, including bushfires, smoke, a devastating hailstorm, and COVID-19. These events presented an enormous, complex and long-term challenge for our staff and students, our research, our financial health and the campus itself.

With this in mind, it is pleasing that the ANU's robust governance arrangements have been acknowledged and have served the University well in the most trying of circumstances, and that an established culture of continuous improvement prepares us well to address areas identified for improvement.

As Australia's National University, we believe deeply in our unique responsibility to serve Australian society through transformational research and education. The outcomes of this audit will play its part in the ANU realising its vision to be among the great universities of the world, driven by a culture of excellence in everything we do.

19. At Appendix 2, there is a summary of governance and control improvements that were observed by the ANAO during the course of the audit.

## Key messages from this audit for all Australian Government entities

20. Below is a summary of key messages which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

### **Records management**

- Appropriate information management policy and procedural frameworks that are supported by effective information management systems are essential to ensure that reliable records exist to support informed and accurate decision making.

### **Governance and risk management**

- Effective communication should be supported through the inclusion of formal processes that establish clear lines of accountability and responsibility, and embed appropriate reporting lines between senior management, the accountable authority and across the governance structure.
- Fit-for-purpose governance arrangements should include an appropriate reporting regime that provides assurance to the accountable authority that the systems of control and accountability it has established have been fully implemented and are effective.
- The governance arrangements established by entities are largely effective where the design supports the ability of the entity to comply with the legislative, regulatory and policy framework.

## **Audit findings**

# 1. Background

---

## Introduction

1.1 The Australian National University (ANU), established in 1946, is an accredited higher education provider under the *Higher Education Support Act 2003* and a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).<sup>7</sup> Its functions include: undertaking research and teaching; encouraging and providing facilities for research and postgraduate study; providing facilities and courses for higher education, including education appropriate to professional and other occupations; and awarding and conferring degrees, diplomas and certificates.<sup>8</sup> In October 2021, the ANU had an equivalent full-time student load of 17,695.<sup>9</sup>

1.2 The ANU is also authorised to engage in commercial and investment activities.<sup>10</sup> In 2020, the ANU reported \$1.330 billion in revenue and \$4.683 billion in controlled assets. Of the \$1.330 billion in revenue, \$700 million (53 per cent) was received from the Australian Government.

## Senior management and academic leadership

1.3 The 15 member ANU Council (the Council) established under section 8 of the *Australian National University Act 1991* (ANU Act) is the ANU's accountable authority and responsible for the control and management of the ANU.

1.4 The Vice-Chancellor in addition to being a member of the Council, is the Chief Executive Officer. The Vice-Chancellor is supported by a senior management team that includes four Deputy Vice-Chancellors<sup>11</sup>, one Pro Vice-Chancellor<sup>12</sup>, two Vice-Presidents<sup>13</sup>, a Chief Operating Officer and a Chief Financial Officer.

1.5 Academic leadership is provided by the Deans of the seven colleges of the ANU<sup>14</sup>, the College of Arts and Social Sciences, the College of Asia and the Pacific, the College of Business and Economics, the College of Engineering and Computer Science, the College of Health and Medicine, the College of Law, and the College of Science.<sup>15</sup> The ANU's senior management and academic

---

7 As a body corporate it has a separate legal identity to the Commonwealth and may enter into legal arrangements and hold assets in its own name.

8 *Australian National University Act 1991* (Cth), section 5.

9 An Equivalent Full-Time Student Load (EFTSL) is a measure, in respect of a course of study, of the study load for a year of a student undertaking that course of study (leading to a higher education award) on a full-time basis. The EFTSL definition is in the *Higher Education Support Act 2003*, chapter 5, part 5-2, division 169, Administrative requirements on higher education providers, sections 169-27 and 169-28 p. 294, [internet] <https://www.legislation.gov.au/Details/C2021C00279> [accessed 13 August 2021].

10 *Australian National University Act 1991* (Cth), section 6.

11 The four Deputy Vice-Chancellors are: Deputy Vice-Chancellor (Academic), Deputy Vice-Chancellor (Research and Innovation); Deputy Vice-Chancellor (Student and University Experience) and Deputy Vice-Chancellor (International Strategy).

12 The Pro Vice-Chancellor (Education and Digital).

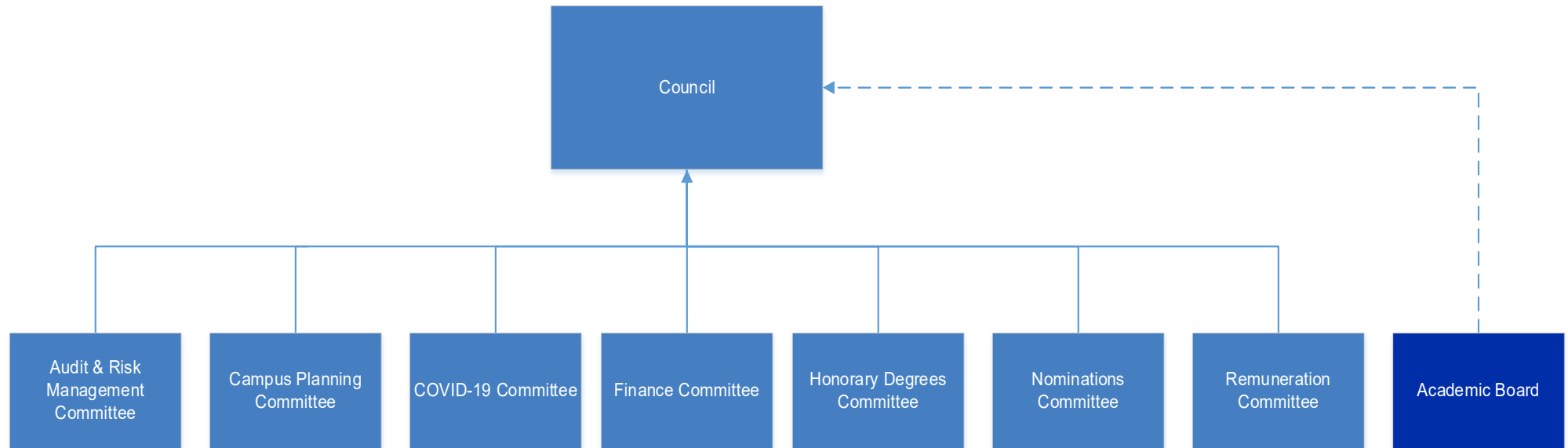
13 The Vice-President (First Nations) and Vice-President (Advancement).

14 The Dean of each college is also a member of the Academic Board. The Academic Board is responsible for overseeing academic governance at the ANU.

15 The colleges of the ANU were established under statute in 2006.

leadership structure is illustrated in Figure A3.1 at Appendix 3 and the governance arrangements are illustrated at Figure 1.1.

**Figure 1.1: Governance arrangements of the ANU**



Source: The ANU governance structure.



## Governance and accountability framework

1.6 The ANU's governance requirements are set out in legislation.

- ANU Act — the founding legislation and enabling Act, establishing the ANU and detailing its purpose/s and governance structure.
- PGPA Act and the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) — the PGPA Act details the general duties of accountable authorities and officials, with the PGPA Rule establishing the requirements and procedures necessary to give effect to the governance, performance and accountability matters covered by the PGPA Act. The framework establishes obligations relating to the proper use and management of public resources (defined in section 8 of the Act as efficient, effective, economical and ethical).
- *Higher Education Support Act 2003* — sets out quality and accountability requirements that the ANU must comply with as a higher education provider, in relation to:
  - financial viability<sup>16</sup>;
  - quality<sup>17</sup>;
  - fairness (equity)<sup>18</sup>;
  - compliance<sup>19</sup>;
  - contributions and fees<sup>20</sup>; and
  - the 'mission based compact' and academic freedom.<sup>21</sup>

---

16 A higher education provider must provide the Minister audited financial statements for each annual financial reporting period in an approved form that complies with any requirements prescribed by the Higher Education Provider Guidelines, within the legislated timeframes.

17 The quality requirements are defined as those that meet the Threshold Standards (within the meaning of the *Tertiary Education Quality and Standards Agency Act 2011* (TEQSA Act)) and that meet the requirements imposed by, or issued under the TEQSA Act.

18 The fairness (equity) requirements are outlined in subdivision 19-D of the *Higher Education Support Act 2003* and require a higher education provider to treat all of its students and all persons seeking to enrol (prospective students) fairly. The section prohibits certain behaviours and establishes constraints across a range of matters including: assessment of the academic suitability of potential/prospective students; the use of third parties (agents); use of student services and amenities fees; and requires higher education providers to establish grievance and review procedures.

19 Sets out that higher education providers must comply with the *Higher Education Support Act 2003* and associated regulations, the guidelines made under section 238–10 of the Act that apply and any other conditions imposed on the provider's approval.

20 Requires that a higher education provider must charge, in accordance with the requirements of the *Higher Education Support Act 2003*, student contribution amounts and tuition fees for each unit of study in which it enrolls students.

21 On an annual basis higher education providers are to enter into a Mission Based Compact with the Department of Education, Skills and Employment. The *Higher Education Standards Act 2003*, subdivision 19G, subsection 19-110(3) details the minimum requirements of the compact and requires that higher education providers must have a policy that upholds free intellectual inquiry in relation to learning, teaching and research.

- *Higher Education Standards Framework (Threshold Standards) 2021* — issued under the *Tertiary Education Quality Standards Agency Act 2011* (TEQSA Act).<sup>22</sup> The standards address: student participation and attainment; learning environment; teaching; research and research training; institutional quality assurance; governance and accountability; and representation, information and information management. The governance and accountability requirements include corporate governance; corporate monitoring and accountability; and academic governance.

## Recent changes to higher education in Australia

1.7 Across the period examined (2018 to 2021), a number of changes to the environment of higher education providers occurred. These changes have impacted the risk profile of higher education providers, including imposing additional compliance obligations. The changes that have been made include the:

- the Model Code on freedom of speech and academic freedom (French Model Code);
- the Job-ready Graduate's package; and
- the Guidelines to Counter Foreign Interference across the Australian University sector and the requirements of the *Foreign Relations (State and Territory Arrangements) Bill 2020*.

### Model code on freedom of speech and academic freedom (French Model Code)

1.8 On 14 November 2018, the Minister for Education announced an independent review into freedom of speech in higher education to be undertaken by the Hon Robert French AC. The focus of the review was to assess the effectiveness of university policies and practices to address the requirements of the Higher Education Standards Framework to promote and protect freedom of expression and intellectual inquiry on Australian campuses. The results of the review were released in April 2019.

### Higher education reform package (Job-ready Graduates Package) 2020

1.9 On 19 June 2020, the Minister for Education announced the Job-ready Graduates Package. The legislation to enact the reforms of the Job-ready graduates package the *Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020* was introduced into Parliament in September 2020 and came into effect on 27 October 2020. The Job-ready Graduates Package was introduced to reform higher education funding in Australia and to strengthen and extend provider integrity measures.

---

22 The *Higher Education Standards Framework (Threshold Standards) 2021* came into effect on 1 July 2021, replacing the *Higher Education Standards Framework (Threshold Standards) 2015*. The revisions to the framework were made to implement the recommendations of the 2019 review of the Provider Category Standards and include minor amendments to the Standards for Higher Education. The amendments are in: student participation and attainment; and representation, information and information management. No changes to the governance and accountability requirements were made. During the fieldwork phase of the audit, the *Higher Education Standards Framework (Threshold Standards) 2015* was in effect and has been used as the basis of assessment.

## Foreign interference in the Australian university sector

1.10 In November 2019, guidelines to counter foreign interference across the Australian university sector were released by the University Foreign Interference Taskforce.<sup>23</sup> On 10 December 2020, *Australia's Foreign Relations (State and Territory Arrangements) Bill 2020* received royal assent and came into effect. The legislation has implications for the university sector, particularly in relation to entering into arrangements with a foreign government, or with a foreign university that does not have institutional autonomy.<sup>24</sup> An Australian public university is required to notify the Minister (via the Department of Foreign Affairs and Trade) about arrangements within the scope of the scheme<sup>25</sup>, however it does not require the university to seek approval to enter into arrangements.

## Rationale for undertaking the audit

1.11 The Auditor-General released a series of audits in April and May 2019 that reviewed whether the boards of four corporate Commonwealth entities had established effective arrangements to comply with selected legislative and policy requirements and had adopted practices to support effective governance.<sup>26</sup> The key messages and observations from this series of audits were included in the ANAO's Audit Insights released in May 2019.<sup>27</sup> These insights are relevant to the ANU as a corporate Commonwealth entity.

1.12 Fit-for-purpose governance arrangements supported by effective systems of control and accountability: assist entities oversee the management of the entity; monitor and accurately report on performance; ensure the entity complies with its legal obligations; and respond to disruptive events. In 2020, the ANU was subjected to several disruptive events, including the impact of bushfire smoke, a hailstorm and the COVID-19 pandemic. All of these events have had an impact on the ANU's operations, revenue and resources.

- 
- 23 The ANU has two representatives on the University Foreign Interference Taskforce, the Deputy Vice-Chancellor (Research and Innovation) and the Chief Information Security Officer.
- 24 A foreign university does not have institutional autonomy when it is substantially under the control of a foreign government. A foreign university is taken to be substantially under the control of a foreign government if only one or more of the following applies: a majority of the members of the university's governing body are required, by a law or the university's governing documents, to be members or part of a political party that forms the foreign government; education provided or research conducted at the university is required, by a law or the university's governing documents, to adhere to, or be in service of, political principles or political doctrines of the foreign government or the political party that forms the foreign government; and/or the university's academic staff are required, by a law or the university's governing documents, to adhere to, or be in service of, political principles or doctrines of the foreign government or the political party that forms the foreign government, in their teaching, research, discussions, publications or public commentary.
- 25 The arrangements that the ANU has entered into are listed on the Foreign Arrangements Public Register, available from <https://www.foreignarrangements.gov.au/public-register> [accessed 13 August 2021].
- 26 Auditor-General Report No.34 2018–19 *Effectiveness of Board Governance at Old Parliament House*. Auditor-General Report No.35 2018–19 *Governance of the Special Broadcasting Service Corporation*. Auditor-General Report No.36 2018–19 *Effectiveness of Board Governance at the Australian Institute of Marine Science*. Auditor-General Report No.37 2018–19 *Effectiveness of Board Governance at the Sydney Harbour Federation Trust*.
- 27 Australian National Audit Office, *Audit Insights — Board Governance* [internet], ANAO, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 3 August 2021].

1.13 The audit provides independent assurance to the Parliament on the effectiveness of the governance arrangements of the ANU and its systems of control and accountability, including the arrangements established to respond to the COVID-19 pandemic.

## Audit approach

### Audit objective, criteria and scope

1.14 The audit objective was to assess the effectiveness of ANU's governance and control framework. To form a conclusion against the audit objective the following high-level criteria were adopted.

- Is the design of ANU's high level governance arrangements consistent with legislative, policy and regulatory requirements?
- Are the governance arrangements fit-for-purpose and supported by effective systems of control and accountability?

1.15 The audit examined the operations of the ANU Council, its Council Committees and the Academic Board from January 2018 to July 2021.

### Audit methodology

1.16 In undertaking the audit the ANAO:

- reviewed relevant legislation, regulations, policies and best practice standards;
- reviewed ANU Council, Council Committee and Academic Board papers and minutes;
- reviewed ANU documentation, including strategic and corporate plans, annual reports, performance reports and audited financial statements for 2018, 2019 and 2020;
- reviewed the operations of the ANU Council, Council Committees and Academic Board against their charters;
- met with ANU Council and Academic Board members;
- met with the Chair of the ANU's Audit and Risk Management Committee;
- observed an ANU Council planning day and two ANU Council meetings, two Audit and Risk Management Committee meetings, one Finance Committee meeting, one Campus Planning Committee meeting, one Nominations Committee meeting and one Remuneration Committee meeting;
- attended as an observer at two Academic Board meetings, one University Research Committee meeting, one Academic Quality Assurance Committee meeting and one Teaching, Learning and Development Committee meeting between October 2020 and February 2021;
- reviewed internal audit reports and control reviews and examined the current status of work being undertaken by the ANU to rectify identified deficiencies with regard to the implementation of the systems of accountability and control established by the ANU Council; and
- reviewed the systems of control and accountability established by the ANU to respond to the COVID-19 pandemic.

1.17 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$728,135.

1.18 The audit team members were Joyce Knight, Laura Trobbiani, Olivia Robbins, David Van Schoten, Johanna Bradley and Alex Wilkinson.

## 2. Design of the governance arrangements

---

### Areas examined

This chapter examines the design of the governance arrangements established by the Australian National University (ANU).

### Conclusion

The design of the governance arrangements is largely consistent with legislative, regulatory and policy requirements, and applicable best practice standards, except for information and records management.

### Recommendations

This chapter includes one recommendation aimed at improving the extent to which the governance arrangements are supported by effective information and records management and one area for improvement in relation to its communication practices.

2.1 As a corporate Commonwealth entity and an accredited higher education provider, the Australian National University (ANU) is required to have governance arrangements in place that are consistent with: the relevant provisions of the *Australian National University Act 1991* (ANU Act); the principles-based framework established by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule); the *Higher Education Support Act 2003*; and the Higher Education Standards Framework. In addition to these legislative, regulatory and policy requirements, a series of reviews, including the Hayne Royal Commission<sup>28</sup> have highlighted the importance of having governance arrangements that are supported by appropriate information, records management, communication practices, and are periodically reviewed and evaluated.

2.2 To assess if the design of the ANU's governance arrangements are consistent with the legislative, regulatory and policy requirements, the ANAO examined the extent to which the ANU's governance arrangements:

- comply with legislative, regulatory, and policy requirements and applicable best practice standards;
- are supported by appropriate information management, security and reliable records;
- are transparent and underpinned by effective communication practices to support informed decision making; and
- are periodically reviewed, evaluated and adapted where necessary.

---

28 See 2019 (Hayne) Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry — Final Report, Volume 1, pp 426 and 468–446. While the specific focus of the inquiry was on financial institutions, its key insights on culture and governance have wider applicability and provide lessons for all accountable authorities, including public sector governance boards. The lessons of this and other key governance reviews are discussed in the Australian National Audit Office, *Audit Insights — Board Governance* [internet], ANAO, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 3 August 2021].

## Do the governance arrangements comply with the legislative, regulatory and policy requirements including applicable best practice standards?

The governance arrangements largely comply with legislative, regulatory and policy requirements, and applicable best practice standards.

2.3 To assess if the ANU's governance arrangements comply with the legislative, regulatory and policy requirements, including applicable best practice standards, the ANAO examined the structure, membership, nomination, appointment, induction, disclosure of interests and remuneration arrangements of the ANU Council (the Council), its Council Committees and the Academic Board to determine if they comply with the requirements of the:

- ANU Act;
- PGPA Act;
- PGPA Rule;
- Higher Education Standards Framework; and
- Voluntary Code (Voluntary Code) of Best Practice for Australian Public Universities.<sup>29</sup>

### Structure

2.4 The ANU's high-level governance arrangements, illustrated in Figure 1.1, consists of the Council, its Council Committees and the Academic Board.

#### *The Council*

2.5 The Council is responsible for the control and management of the ANU.<sup>30</sup> It is authorised to issue statutes and rules (regulatory instruments) to govern the ANU<sup>31</sup> and is able to delegate a broad range of its functions and powers, with the exception of the:

- appointment of the Chancellor, Pro-Chancellor and Vice-Chancellor;
- approval of the ANU's annual budget or its business plan;
- approval of the annual report;
- monitoring of the university's commercial activities, its subsidiaries and any other entities that it controls, to the extent required to ensure they do not have any significant adverse impact on, or pose any reasonable risk to, the university's finances and operations; and
- reviewing and monitoring the management of the university as a whole or the university's performance as a university (as defined by the *Higher Education Support Act 2003*).<sup>32</sup>

29 The ANU has stated in its annual reports for 2018, 2019 and 2020 that it complies with the Voluntary Code.

30 *Australian National University Act 1991* (Cth), section 8 and subsection 9(1).

31 Section 50 of the *Australian National University Act 1991* identifies the Statutes and Rules that the Council can issue. These include, but are not limited to: management, including good governance and discipline; election of members to governing bodies; the organisation of the University; admission and enrolment of students; employment of staff and senior executive appointments; and the granting of degrees, diplomas, certificates and honours.

32 *Australian National University Act 1991* (Cth), sections 17 and 18.

### *Council Committees*

2.6 To assist in the discharge of its functions, the Council is authorised to and has established seven Council Committees.<sup>33</sup> Table 2.1 lists the roles and responsibilities and composition of each of the Council Committees and the Academic Board<sup>34</sup> as per its current Council approved charter.

---

33 In April 2020 the Council established the COVID-19 Committee.

34 The Academic Board is the primary academic governance body of the ANU. Its composition, role and responsibilities are outlined in Table 2.1.



**Table 2.1: Composition, roles and responsibilities of the current Council Committees and the Academic Board**

| Committee                           | Statutory or delegated                                       | Role and responsibilities  | Composition   | Term  |
|-------------------------------------|--|--|---|---|
| Nominations Committee               | Statutory requirement under subsection 10(2) of the ANU Act. | Provide recommendations to the responsible Minister, on the appointment, or reappointment, of members of the Council under paragraph 10(1)(q) of the ANU Act.  | <ul style="list-style-type: none"> <li>the Chancellor as the Chair;</li> <li>the Pro-Chancellor;</li> <li>the Vice-Chancellor;</li> <li>three other persons, appointed by the Chancellor; and</li> <li>one person who is an academic staff member of a College Executive Committee of an ANU College, appointed by the Chancellor.</li> </ul>   | Three years, with members able to be reappointed. |
| Audit and Risk Management Committee | Statutory requirement under section 45 of the PGPA Act.      | <p>Advises and provides recommendations to the Council on:</p> <ul style="list-style-type: none"> <li>financial reporting;</li> <li>performance reporting;</li> <li>the system of risk oversight and management; and</li> <li>the system of internal control.</li> </ul>   | <ul style="list-style-type: none"> <li>a Chair, appointed by the Council, who may be a member of the Council, but not the Chancellor, nor a student or employee of the ANU;</li> <li>up to two members of the Council, appointed by the Council, who may not be a student or an employee of the ANU; and</li> <li>up to four independent members, appointed by the Council who may not be a member of the Council, nor a student or employee of the ANU.</li> </ul>   | Two years, with members able to be reappointed.   |
| Finance Committee                   | Delegated under section 18 of the ANU Act.                   | <p>Monitor, review, and where appropriate make recommendations to the Council with respect to:</p> <ul style="list-style-type: none"> <li>ownership, management and divestment of assets;</li> <li>creation of cash reserves, financial provisioning, management of employee superannuation, insurance and other financial matters;</li> <li>adoption of the ANU's annual (recurrent and capital expenditure) budget;</li> <li>forward estimate projections;</li> <li>financial performance against budget;</li> <li>performance against plans for capital expenditure on physical assets;</li> <li>performance against strategic key financial performance indicators;</li> </ul> | <ul style="list-style-type: none"> <li>a Chair, appointed by the Council from among its members, who may not be a student or employee of the ANU;</li> <li>the Vice-Chancellor;</li> <li>the Pro-Chancellor;</li> <li>the Chair of the Audit and Risk Management Committee;</li> <li>up to three other Council members appointed by the Council; and</li> <li>up to five other members, appointed by the Council, who have appropriate expertise, at least four of whom are neither students nor employees of the ANU.</li> </ul> | Two years, with members able to be reappointed.   |

| Committee                              | Statutory or delegated   | Role and responsibilities  | Composition  | Term  |
|--|--|--|--|---|
|  |  | <ul style="list-style-type: none"> <li>investment portfolio; and</li> <li>commercial activities.</li> </ul> <p>The Committee also has limited decision-making powers to approve investment criteria and strategic asset allocations, supported by the Investment Office.<sup>a</sup></p>   |  |   |
| Campus Planning Committee              | Delegated under section 18 of the ANU Act.                                   | <p>Monitors, reviews, and where appropriate makes, recommendations to the Council with respect to:</p> <ul style="list-style-type: none"> <li>the Campus Master Plans; any developments that are outside the guidelines of the Master Plans;</li> <li>the acquisition or disposal of land or buildings;</li> <li>the implementation of the ANU's rolling capital works (buildings) program; and</li> <li>policies related to campus planning.</li> </ul>   | <ul style="list-style-type: none"> <li>a Chair, appointed by the Council from among its members, who may not be a student or employee of the ANU;</li> <li>three other Council members, appointed by the Council;</li> <li>the Vice-Chancellor;</li> <li>the Chair of the Campus Development Advisory Committee; and</li> <li>two external members, with relevant skills.<sup>b</sup></li> </ul> | Two years, with members able to be reappointed.   |
| Remuneration Committee                 | Delegated under section 18 of the ANU Act.                                   | <p>Oversees the remuneration of the Vice-Chancellor and the Senior Management of the ANU, including:</p> <ul style="list-style-type: none"> <li>determine and report to Council on the remuneration and employment conditions of the Vice-Chancellor;</li> <li>monitor, review and where appropriate, make recommendations to Council on the performance of the Vice-Chancellor; the processes for the appointment of a Vice-Chancellor; and decisions of the Vice-Chancellor on matters concerning the performance and remuneration of the senior management of the ANU; and</li> <li>monitor, review and where appropriate make recommendations to the Vice-Chancellor on the remuneration and conditions of employment of the ANU's senior management.</li> </ul> | <ul style="list-style-type: none"> <li>the Chancellor, as Chair;</li> <li>the Pro-Chancellor, as Deputy Chair; and</li> <li>the Chair of the Finance Committee.</li> </ul>   | Not stated, all members are ex-officio positions. |
| Honorary Degree Committee <sup>c</sup> | Established under the <i>Honorary Degrees Rule 2015</i> approved by Council. | <p>Monitor, review and make recommendations to the Council with respect to:</p> <ul style="list-style-type: none"> <li>proposals for the awarding of an honorary degree by the ANU;</li> <li>the criteria and procedural arrangements for the awarding of honorary degrees by the ANU; and</li> </ul>  | <ul style="list-style-type: none"> <li>the Chancellor, as Chair;</li> <li>the Pro-Chancellor;</li> <li>the Vice-Chancellor;</li> <li>the Deputy Vice-Chancellors;</li> </ul>   | Two years, with members able to be reappointed.   |

| Committee          | Statutory or delegated   | Role and responsibilities   | Composition   | Term   |
|--------------------|--|---|---|--|
|                    |  | <ul style="list-style-type: none"> <li>the revocation of the awarding of an honorary degree, consistent with ANU procedures.</li> </ul>   | <ul style="list-style-type: none"> <li>three other members of the Council, appointed by the Council, who may not be a student or an employee of the ANU;</li> <li>one member of the academic staff drawn from the College of Engineering and Computer Science, the College of Health and Medicine, or the College of Science;</li> <li>one member of academic staff drawn from the College of Business and Economics, or the College of Law;</li> <li>either the President of the ANU Postgraduate and Research Students' Association or the President of the ANU Students' Association, appointed by the Vice-Chancellor after consultation with both presidents.</li> </ul> |  |
| COVID-19 Committee | Delegated under section 18 of the ANU Act.   | Monitor, review, and where appropriate, make recommendations and endorse actions to the Council in relation to any aspect of the response to the COVID-19 situation. With a focus on financial matters and strategies to manage liquidity issues.   | <ul style="list-style-type: none"> <li>the Chancellor, as Chair;</li> <li>the Pro-Chancellor;</li> <li>the Vice-Chancellor;</li> <li>the Chair of the Finance Committee; and</li> <li>the Chair of the Audit and Risk Management Committee.</li> </ul>  | As determined by the Council.                  |
| Academic Board     | Established under the <i>Australian National University (Governance) Statute 2020</i> . <sup>d</sup> | <p>Exercise such power, roles and responsibilities as are assigned to it by the <i>Academic Board Rule 2017</i>, but no others, unless explicitly delegated to it.</p> <p>The Board's responsibilities are:</p> <ul style="list-style-type: none"> <li>accrediting and reaccrediting academic programs and changes to existing academic programs;</li> <li>ensuring the maintenance of the highest standards in teaching, scholarship and research within the ANU;</li> <li>approving degrees and other awards;</li> <li>discussing and developing policy recommendations in relation to academic matters;</li> <li>maintaining an effective overview of the academic activities of the ANU, and advising on them and assisting in their coordination;</li> </ul> | <ul style="list-style-type: none"> <li>a Chair, appointed under section 11 of the <i>Academic Board Rule 2017</i>;</li> <li>the Vice-Chancellor;</li> <li>the Provost;</li> <li>the Deputy Vice-Chancellors;</li> <li>the Pro Vice-Chancellors;</li> <li>the Registrars;</li> <li>the Dean of each ANU College;</li> <li>the Dean of Students;</li> <li>the Dean of Higher Degree Research;</li> <li>the ANU Librarian;</li> <li>four members of the College Executive Committees, who are not College Deans,</li> </ul>  | Two years, with members able to be re-elected. |

| Committee | Statutory or delegated | Role and responsibilities   | Composition  | Term |
|-----------|------------------------|---|--|------|
|           |                        | <ul style="list-style-type: none"> <li>advising on academic aspects and content of the ANU's strategic plan;</li> <li>developing and promoting principles pertaining to academic freedom within the ANU and of its staff, students and official visitors;</li> <li>advising the Vice-Chancellor and the Council on the safeguarding and implementation of ANU academic freedom policy in general terms and in particular cases, as they arise;</li> <li>providing a forum to facilitate information flow and debate within the ANU and between senior executive officers of the ANU and the wider academic community;</li> <li>reporting to the Council on the exercise of its functions, at the times, and in the way required by the Council; and</li> <li>undertaking any other functions given to it by this instrument or that the Vice-Chancellor directs.</li> </ul> <p>The Chair is authorised, where necessary, to take executive action on behalf of the Board between meetings and must report to the Board as soon as practicable on any executive action taken.</p> <p>The Board has also been authorised to establish one or more committees or working groups to assist in carrying out its functions.</p> | <p>elected by the members of the College Executive Committees;</p> <ul style="list-style-type: none"> <li>three members of the academic staff of the College of Arts and Social Sciences, College of Asia and the Pacific, College of Business and Economics, College of Science, and College of Health and Medicine elected by the members of the academic staff of the colleges;</li> <li>two members of the academic staff of the College of Engineering and Computer Science, and the College of Law, elected by the members of the academic staff of the colleges;</li> <li>two members of professional staff elected by the members of the professional staff; and</li> <li>two postgraduate, and two undergraduate students, appointed in writing, by the Vice-Chancellor, after consulting with the President of the ANU Postgraduate and Research Students' Association and the President of the ANU Students' Association.</li> </ul> <p>If there is no indigenous Australian holding a position on the Board, the Vice-Chancellor must, in writing, appoint a member of the academic staff who is an indigenous Australian as a member of the Board, after consulting with the Tjabal Indigenous Higher Education Centre.</p> <p>Up to five additional members, appointed by the Chair, subject to Board agreement.</p> |      |

Note a: The investment office is part of the Finance and Business Services Division of the ANU and is responsible for ensuring that the financial assets of the ANU are managed in line with the Investment policies as approved by the Council.

Note b: The charter for the Campus Planning Committee does not identify what the relevant skills are.

Note c: The operations of the Honorary Degree Committee do not include the oversight of management or the systems of control and accountability required under the PGPA Act and were therefore not examined by the audit.

Note d: The Academic Board was previously established under the *Academic Board Statute 2017*. In October 2020, the *Academic Board Statute 2017* was repealed and replaced with the *Australian National University (Governance) Statute 2020*. The *Australian National University (Governance) Statute 2020* came into effect on 1 January 2021 and its transitional provisions have established that the *Academic Board Rule 2017* remains in effect.

Source: ANAO analysis.

## Academic Board

2.7 The Council established the Academic Board under statute.<sup>35</sup> The Academic Board, led by the Chair is the academic governance body of the ANU. Its functions are detailed in the *Academic Rule 2017* and reflected in its Charter.<sup>36</sup> The objective of the Academic Board is ‘to ensure the university maintains the highest standards in teaching, scholarship and research.’ According to its Charter, its stated roles and responsibilities do not include providing assurance to the Council that the ANU, as a registered higher education provider, complies with the academic, teaching, learning and research requirements of the *Higher Education Support Act 2003* and the Higher Education Standards Framework.<sup>37</sup> However, in October 2021, the Charter for the Academic Board was updated to specify that its Annual Report<sup>38</sup> must provide assurance to the Council ‘that the University has complied with the *Higher Education Support Act 2003* and the *Higher Education Standards Framework (Threshold Standards) 2015*.’<sup>39</sup>

2.8 The Academic Board is authorised to establish sub-committees and working groups to assist it exercise its functions. The Academic Board has established four sub-committees and the function of each sub-committee is detailed below:

- Academic Quality Assurance Committee, responsible for advising the ANU Executive and the Academic Board on the higher education standard environment;
- University Research Committee, responsible for advising the Academic Board or the Vice-Chancellor on matters relating to research, research performance and integrity;
- Teaching, Learning and Development Committee, responsible for advising the Academic Board and ANU Executive on the higher education, teaching and learning environment; and
- Academic Board Steering Committee, responsible for shaping the strategic direction of the Academic Board, determining the agenda for meetings and resolving urgent matters which require approval or endorsement on behalf of the Academic Board out-of-session.

2.9 Each sub-committee has a Charter that has been approved by the Academic Board. The charters detail the objective, authority, composition and tenure, roles and responsibilities, responsibilities of members, reporting requirements and administrative arrangements, including assessment and review requirements.

---

35 In October 2020 the *Academic Board Statute 2017* was repealed and replaced with the *Australian National University (Governance) Statute 2020*. Subsection 6(3) of the *Australian National University (Governance) Statute 2020* establishes the Academic Board.

36 The Charter for the Academic Board was last updated in October 2021.

37 Australian National University, *Academic Board Charter* [internet], ANU, 2021, Paragraph 25, available at: <https://www.anu.edu.au/files/committee/Academic%Board%20Charter%202021.pdf> [accessed 18 October 2021].

38 The Board regularly reports to the Council on its operation and activities. This must include an Annual Report, Australian National University, *Academic Board Charter* [internet], ANU, 2021, Paragraph 30 available at: <https://www.anu.edu.au/files/committee/Academic%Board%20Charter%202021.pdf> [accessed 19 October 2021].

39 On 27 April 2021, the *Higher Education Standards Framework (Threshold Standards) 2015* were revised. The new *Higher Education Standards Framework (Threshold Standards) 2021* came into effect on 1 July 2021.

## Membership, composition, nomination and appointment processes

2.10 The membership, composition, nomination and appointment requirements of the Council, Council Committees and the Academic Board are outlined in the ANU Act, the *Council (Elections) Statute 2016*, the *Council (Elections) Rule 2016*<sup>40</sup>, *Academic Board Rule 2017*<sup>41</sup> and the Council approved charters.

### *The Council*

2.11 The ANAO examined the nomination and appointment process for the current Council members and found that:

- the appointment of the Chancellor and re-appointment of the Pro-Chancellor and Vice-Chancellor<sup>42</sup> complied with the requirements of the ANU Act;
- the seven members appointed by the Minister, were appointed on the basis of recommendations from the Nominations Committee<sup>43</sup>, in line with the relevant provisions of the ANU Act<sup>44</sup> and Principle 8 of the Voluntary Code<sup>45</sup>; and
- the processes to elect the four ANU staff members and the two student representatives complied with the requirements of the ANU Act, the *Council (Elections) Statute 2016* and the *Council (Elections) Rule 2016*.<sup>46</sup>

2.12 The Council and Council Committee members are not remunerated, except for the Chancellor, who receives an honorarium of \$75,000 per annum. However, the ANU meets travel, accommodation and incidental costs associated with attendance at meetings. In May 2020, the Council approved making an offer of a \$35,000 per annum honorarium to external members. However, in light of the impact of COVID-19 on the finances of the ANU, all honorariums for 2020 were waived.

---

40 The *Council (Election) Statute 2016* was repealed and replaced in October 2020 with the *Australian National University (Governance) Statute 2020*. The statute came into effect on 1 January 2021, replacing the *Council (Elections) Statute 2016* and the *Council (Elections) Rule 2016*. The new framework applies to the nomination and appointment of Council members from January 2021. All of the ANU staff members and student representatives currently on the Council were elected prior to January 2021 while the *Council (Election) Statute 2016* and the *Council (Election) Rule 2016* was still in effect.

41 While the *Academic Board Rule 2017* is no longer in effect the *Australian National University (Governance) Statute 2020*, Part 10 — Transitional provisions, subsection 80(2) establishes that rules and orders that were in force under the ANU Act, section 50(3) (Statutes) immediately before the commencement day continue in force, as if it were a rule or order made by the Vice-Chancellor under section 68(1) (General power to make rules and orders).

42 The Vice-Chancellor was reappointed in February 2020 for a second five-year term.

43 Members of Council appointed by the Minister are able to be reappointed, where recommended by the Nominations Committee.

44 Across the period examined (2018 to 2021), potential candidates were discussed and considered by the Nominations Committee. A skills matrix developed by the Pro-Chancellor was used to shortlist potential nominees. Considerations included skills and expertise, gender, state of residence and other desirable qualities identified by the Nominations Committee.

45 Principle 8 of the Voluntary Code of Best Practice for the Governance of Australian Public Universities (May 2018) [internet] available at UCC, 2021 <https://ucc.edu.au> [accessed 29 October 2021].

46 All of the ANU staff members and student representatives were elected to Council prior to January 2021 while the *Council (Election) Statute 2016* and the *Council (Election) Rule 2016* were still in effect.

## Council Committees

2.13 The ANU Act does not specify any requirements with regard to the membership or composition of Council Committees, except for the Nominations Committee. The ANU Act states that the Nominations Committee is to consist of the Chancellor and six other members appointed by the Chancellor in accordance with guidelines determined by the Council.<sup>47</sup> The guidelines for the appointment of members to the Nominations Committee were established in 2004 and are reflected in its current Charter.

2.14 The ANU Act authorises the Council to appoint members to Council Committees.<sup>48</sup> Between 1 January 2018 and 31 December 2020, the Council appointed and/or re-appointed 28 members to Council Committees.<sup>49</sup> Actions regarding appointments to Council Committees are recorded in the Council meeting minutes, however the process to identify and select external members has not been documented.

2.15 The role of the Nominations Committee, as outlined at Table 2.1, does not include providing recommendations to the Council for the appointment of external members to Council Committees. There would be benefit in the ANU expanding the role and responsibilities of the Nominations Committee to include making recommendations to the Council in relation to the appointment of external members to Council Committees. Adopting this approach would ensure that the appointment of external members to Council Committees is consistent with Principle 8 of the Voluntary Code.<sup>50</sup>

## Academic Board

2.16 The Academic Board has a total of 51 members and is comprised of a mix of ex-officio<sup>51</sup> and elected positions. The Chair of the Academic Board is appointed by the Council on the recommendation of the Vice-Chancellor.<sup>52</sup> All Deputy Vice-Chancellors and College Deans are appointed as ex-officio members, with academic and professional staff elected in accordance with the procedures outlined in the *Academic Board Rule 2017*. Appointments for elected members are for two years and student members are appointed for one year. All elected members are eligible for re-election.

2.17 The ANAO's examination of the appointments process and composition of the Academic Board found that it complies with the requirements of the *Academic Board Rule 2017*. The current Chair of the Academic Board was appointed by the Council in February 2020 for a two-year term. To select the Chair, the Academic Board established a committee to manage the process and provided its recommendation to the Vice-Chancellor for Council approval as required. Elections were held for academic and professional staff members of the Academic Board in March 2020.

---

47 *Australian National University Act 1991* (Cth), paragraph 10(2)(b).

48 *ibid.*, subsection 9(3).

49 *Australian National University Act 1991* (Cth), paragraph 18(1)(b) states that members of the Committees are not required to be members of the Council.

50 Principle 8 of the Voluntary Code states that the university should adopt systematic procedures for the nomination of prospective members of the governing body for categories of members that are not elected and that the responsibility may be delegated to a Nominations Committee.

51 Ex-officio members are appointed as a result of one's status or position (position based).

52 *Academic Board Rule 2017*, subsection 11(2).

Elections were conducted by the colleges with support provided by the Corporate Governance and Risk Office and complied with the requirements of the *Academic Board Rule 2017*.

## Skills and expertise

2.18 The ANU Act requires that at least two Council members, appointed by the Minister, must have a high level of relevant financial expertise and at least one member must have a high level of relevant commercial expertise.<sup>53</sup> The Higher Education Standards Framework, states that governing boards should include members that are: independent; fit and proper persons; and meet Australian residency requirements, if any.<sup>54</sup> The Voluntary Code recommends that governing boards should include members with strong expertise and knowledge of higher education and/or other education sectors.<sup>55</sup>

2.19 In line with the requirements of the ANU Act, the Higher Education Standards Framework and the Voluntary Code, the Nominations Committee maintains a skills matrix that identifies mandatory and desirable skill sets, other relevant qualities including gender, state of residence and if the member identifies as an indigenous Australian. Out of the 15 Council members:

- five members have financial expertise;
- of the five members that have financial expertise, four are ministerial appointments;
- five members have commercial expertise;
- of the five members that have commercial expertise, four are ministerial appointments;
- eleven of the fifteen members of Council have skills, expertise or qualifications in higher education;
- eleven of the fifteen members of Council are female; and
- two members identify as indigenous Australians.

## Council Committees

2.20 The ANU Act does not specify the skills and expertise required to be appointed to Council Committees, however the PGPA Rule requires the Audit and Risk Management Committee to consist of:

at least three persons who have appropriate qualifications, knowledge, skills or experience to assist the Committee perform its functions.<sup>56</sup>

2.21 Of the seven Council Committees, only the charters of the Audit and Risk Management and Finance Committees specify the skills and expertise required. Table 2.2 illustrates the compliance of these two committees with their respective charters.

---

53 *Australian National University Act 1991* (Cth), subsections 10(4) and 10(5).



54 *Australian National University Act 1991* (Cth) is silent in relation to residency requirements.

55 Principle 7 of the Voluntary Code of Best Practice for Australian Public Universities (May 2018).


56 *Public Governance, Performance and Accountability Rule 2014* (Cth), subsection 17(3).



**Table 2.2: Analysis of current Council Committee skill and expertise requirements**

| Council Committee         | Charter requirement  | Committee composition   | Compliance  |
|---------------------------|--|---|---|
| Audit and Risk Management | <ul style="list-style-type: none"> <li>At least one member having accounting or related financial management experience with an understanding of accounting and auditing standards.</li> </ul>   | Of the five members, four have financial and commercial expertise and all five have audit and risk expertise.           |  |
| Finance                   | <ul style="list-style-type: none"> <li>At least four members should have a high level of relevant financial expertise.</li> <li>At least four members of the Committee should have a high level of relevant commercial or investment expertise.</li> </ul> | Of the eight members, six have financial expertise, seven have commercial expertise and five have investment expertise. |  |

Key:  Fully compliant.

 Partially compliant.

 Not compliant.

Source: ANAO analysis of Council Committee Charters.

2.22 The charters of the Campus Planning, Nominations, Remuneration, Honorary Degrees and COVID-19 Committees do not establish requirements in relation to the skills and expertise of members. While the Nominations Committee has documented the skills and expertise that current Council Committee members hold in the skills matrix it maintains (see paragraph 2.19), there would be benefit in the ANU amending the Charter for the Campus Planning Committee to specify the skills and expertise required particularly noting its role and responsibilities (see Table 2.1). During the course of the audit, the ANU advised the ANAO that all charters are currently under review, with the reviews scheduled to be completed by December 2021.

### *Academic Board*

2.23 The membership of the Academic Board and its sub-committees are a mix of ex-officio and elected positions. All members are staff or students of the ANU, and the charters do not specify the skills and expertise required. However, upon appointment, new members of the Academic Board are to attend an induction session. From 2018 to 2020, the Academic Board held four induction sessions. One session was held in 2018, two in 2019 and one in 2020.<sup>57</sup>

### **Disclosure of interests**

2.24 The charters for the Council, Council Committees and Academic Board specify that members are deemed 'officials' under the PGPA Act. Under the PGPA Act officials have a range of general duties, including a duty to disclose interests (section 29).

<sup>57</sup> The ANU was unable to locate records to confirm the number of new members that attended the induction sessions held over the period examined (2018 to 2020).

2.25 The ANAO examined the extent to which the Council, Council Committees and Academic Board comply with the requirements of section 29 of the PGPA Act and Division 2 of the PGPA Rule. The findings of this analysis are detailed below.

- As part of the appointment and induction processes, new Council and Council Committee members are required to complete a new Council member disclosure and declaration form.<sup>58</sup> The form requests new members to disclose potential conflicts of interest, complete a 'fit and proper person' questionnaire and confirm that they have been provided with a current copy of the Council or Council Committee members handbook.
- On an annual basis, Council and Council Committee members are requested to review and update a register of interests. The register of interests is then provided to Council for noting. As at August 2021, all Council and Council members had provided a declaration of interest as required.
- At each Council, Council Committee and Academic Board meeting, in line with the requirements of the PGPA Rule, members are reminded of their duties under the PGPA Act and asked to disclose any interest and/or conflict of interest. Any interests that have been disclosed are recorded in the meeting minutes.
- Members of ANU staff that are also members of the Academic Board are to comply with the code of conduct, conflict of interest and commitment, paid outside work — the 52-day rule<sup>59</sup>, outside work for professional staff and the company directorships, secretaryships and partnerships policies. However, unlike the Council and Council Committee members, a register of interests is not maintained or provided to the Academic Board for 'noting' or 'information' on a regular basis. There would be benefit in the Academic Board developing and maintaining a register of disclosed interests and including an annual review and update process to provide assurance that members comply with the relevant policies and support Academic Board members to recognise and manage conflicts of interest.

### Are the high-level governance arrangements supported by appropriate information management, information security and reliable records?

The governance arrangements are not supported by an appropriate information management policy and procedural framework and the information and records management systems require improvement. However, following the data breaches in 2018, the ANU has commenced a program of work to rectify identified cyber security weaknesses.

---

58 Of the 15 Council members, 14 had a signed and executed deed of indemnity and access and 11 had a completed disclosure and declaration form on file at the time of their appointment. The disclosure and declaration form requires members to confirm that they have been provided with a current copy of the Council members handbook.

59 The paid outside work policy (52-day rule) allows full-time academic staff members to engage in personal consultancies and professional activities, subject to approval by an authorised delegate, in addition to their role at the ANU. The purpose of the policy is to support academics maintain professional standing and disseminate and apply research outside of the ANU.

2.26 Governing bodies require accurate and timely information to hold management to account, oversee an organisation's activities and support informed decision making.<sup>60</sup> To determine if the high-level governance arrangements are supported by appropriate information management, information security and reliable records, the ANAO examined:

- information management policies, procedures and systems;
- records management; and
- information security.

### **Information management policies, procedures and systems**

2.27 The policies and procedures that detail how the ANU manages its information include: the Enterprise Systems Management Standard; Records and Archives Policy; Information Technology Security Policy; Privacy Policy; Freedom of Information Procedure; and the ANU Staff and Student Codes of Conduct. While these policies and procedures address discrete components of information management the ANU does not have an overarching information management policy. There would be benefit in the ANU developing and implementing an information management policy to provide guidance, set expectations and establish clear requirements that staff are to comply with when creating, capturing and managing information across the ANU.

2.28 The ANU uses a range of systems and applications to generate, store, distribute and manage information, including information provided to the Council, Council Committees and the Academic Board. The ANU categorises its information communication and technology (ICT) systems, including its information management systems, into three tiers:

- tier one systems are critical to the core business of the ANU;
- tier two systems are non-core ANU-wide systems; and
- tier three, or 'other' systems are not business critical.<sup>61</sup>

2.29 The ANU Enterprise Systems Management Standard identifies tier one systems to be authoritative sources of information which can be used to assist the ANU meet its statutory requirements.<sup>62</sup> The tier one systems of the ANU include its records, financial, human resources and research information management systems.<sup>63</sup>

2.30 In May 2019, the ANU engaged KPMG to review its data and information management maturity. The report found that the ANU needed to radically change its digital environment and

---

60 Australian Securities and Investments Commission, *Corporate Governance Taskforce — Director and Officer Oversight of Non-Financial Risk Report* [internet], ASIC, 2019, available at: <https://asic.gov.au/regulatory-resources/find-a-document/reports/corporate-governance-taskforce-director-and-officer-oversight-of-non-financial-risk-report/information-flows/> [accessed 25 February 2021].

61 In 2019, the ANU's business application map identified 16 tier one applications, 48 tier two and over 50 'other' major applications in use.

62 In June 2021, the ANU advised that the categorisation of tier one and tier two systems concern the level of support and criticality of the system to the ANU's business, not the integrity of the data and/or information. This advice is not consistent with the Enterprise Systems Management Standard.

63 The tier one systems include the Electronic Records Management System, ES Financials, Human Resources Management System and ANU Research Information Management System.

develop a digital master plan. In February 2020, to address the identified deficiencies in the ANU's information technology strategy and structure, the Council agreed to pursue a digital strategy.<sup>64</sup>

2.31 As part of developing the digital strategy, the ANU has established a technology governance framework, developed an application and data roadmap, investment strategy and a digital master plan.<sup>65</sup>

2.32 The technology governance framework was established in mid-2020.<sup>66</sup> The application and data roadmap was completed in June 2021 and identified 13 'pain points' including: uncontrolled storage formats; inability to make evidence-based decisions; lack of an enterprise system; lack of key integrations between corporate systems; and lack of strategic and operational data and/or process governance. The work also identified data confidentiality, integrity and availability risks in relation to research, assessment, personnel (staff and students), curriculum, legal and compliance and services and operational activities. The digital master plan was endorsed by the Audit and Risk Management Committee and approved by the Council in July 2021<sup>67</sup>, and is expected to be in place until 2030.

### *Records management*

2.33 The ANU's Electronic Records Management System (ERMS) is the ANU's primary records management system. It was implemented in 2015 to meet legislative and regulatory record keeping requirements and is a tier one system. The ANU Records and Archives Policy identifies that the use of ERMS is encouraged, but not mandatory.<sup>68</sup> ANU officers indicated to the ANAO that they were not comfortable using the ERMS, stating that it was not 'user friendly'. As a result, a combination of group folders, network drives and SharePoint sites are used to generate, store and distribute information, with information either not transferred into the ERMS, or not transferred in a timely manner.

2.34 The National Archives of Australia identifies that group folders, network drives and SharePoint sites are not appropriate records management systems as:

- anyone with access can alter or delete records;
- authenticity, integrity and trustworthiness cannot be demonstrated;
- identification of the record's status or version is difficult;
- information is uncontrolled, taking up large volumes of network space; and

---

64 The ANU advised that the digital master plan is a long-term program of work that is expected to take up to four years to fully implement.

65 The digital master plan was endorsed by the Audit and Risk Management Committee and approved by Council in July 2021.

66 The technology governance framework replaced the University Information Communication Technology Committee. The new framework is comprised of three committees the: Digital Strategy Committee; Solution Design Authority; and Technology Investment Committee.

67 The Council was requested to approve the provision of six-monthly progress updates to the Council (through the Audit and Risk Management Committee) commencing in December 2021.

68 The ANU Records and Archives Policy states 'records should be captured into a record keeping system as soon as possible after creation.'

- metadata is often missing, or inaccurate.<sup>69</sup>

2.35 In October 2021, the ANU advised the ANAO that it had introduced a solution to integrate SharePoint with its ERMS. The solution, once it is installed, automates the transfer of information from SharePoint to the ERMS. Nevertheless, the ANU's continuing use of network drives:

- is not consistent with best practice standards;
- undermines the quality and completeness of information; and
- creates a risk that the information provided to the Council, Council Committees, the Academic Board and its sub-committees is not based on reliable records.

### Recommendation no. 1

2.36 The Australian National University should take the necessary steps to ensure that its information and records management practices meet the information management standards issued by the National Archives of Australia, mandate the use of its Electronic Records Management System and update its supporting policies and procedures.

**Australian National University response:** *Agreed.*

### Information security

2.37 The Information Technology Security and Acceptable use of Information Technology policies are the two main policies relating to information security at the ANU. The acceptable use of information technology has been issued under the *Information Infrastructure and Services Rule 2020*.<sup>70</sup> The policies state that the ANU recognises and is consistent with standards and regulations that apply to information security including the Protective Security Policy Framework.<sup>71</sup>

2.38 In response to data breaches in 2018<sup>72</sup>, the ANU commenced two programs of work. One to address immediate vulnerabilities and implement the recommendations made by the Australian Cyber Security Centre. The second to develop and implement a strategic approach to information security.<sup>73</sup>

69 National Archives of Australia, *Network Drives* [internet], National Archives of Australia, available from: <https://www.naa.gov.au/information-management/types-information-and-systems/systems-manage-information/network-drives> [accessed March 2021].

70 The *Information Infrastructure and Services Rule 2020* was issued by the Vice-Chancellor and is dated 22 December 2020.

71 As a corporate commonwealth entity, the ANU is not required to comply with the Protective Security Policy Framework (PSPF), however is encouraged to comply as better practice. The PSPF identifies four core information security requirements that apply to information assets owned by the Australian Government, or those entrusted to the Australian Government by third parties, within Australia. The four core requirements, known as the Top Four are: application control; patching applications; restricting administrative privilege; and patching operating systems.

72 In 2019, the Vice-Chancellor publicly released a report which identified that the ANU had been subject to a significant data breach and was unable to determine accurately which records were taken, however confirmed that access to the Enterprise Systems Domain which houses human resources, financial management and student administration information was obtained.

73 In February 2020, the Council agreed that the ANU should pursue information security alongside its digital strategy.

2.39 In 2018 and 2019, the Audit and Risk Management Committee and the Council were provided with updates on the work being undertaken to address the immediate vulnerabilities identified. In February 2020, the Council approved the development of the Information Security Program 2020–2024.<sup>74</sup> Throughout 2020, the Audit and Risk Management Committee received information security updates at five of its six meetings and the Council was provided with two updates. In April 2021, the Council approved continuing the information security program of work and the associated target of achieving compliance with the Australian Signals Directorate Top 37. The 2021 ANU budget has also allocated \$29 million to improve and strengthen the ANU's information technology and cyber security.<sup>75</sup>

### Are the governance arrangements transparent and underpinned by effective communication to support informed decision making?

The governance arrangements are transparent, and communication is largely effective. The ANAO observed the Council, Council Committees and the Academic Board appropriately challenge management, demonstrating a positive culture that encourages discussion and debate. However, there is scope to improve the effectiveness of communication and better support informed decision making by documenting existing practices, formalising the relationships and clarifying the reporting lines between the Council Committees, Academic Board and Senior Management Group.

2.40 Effective communication is required to support informed decision making, monitor the implementation of the Council's decisions and disseminate outcomes. This is particularly important where roles and responsibilities overlap and there are multiple reporting lines between the Council, its Council Committees, Academic Board and Senior Management Group.

2.41 To determine if the governance arrangements are transparent and underpinned by effective communication the ANAO examined the:

- coordination and support arrangements;
- flow of information up to, between and from the high-level governing bodies and the Senior Management Group;
- communication of outcomes; and
- culture of the Council, Council Committees and the Academic Board.

### Coordination and support

2.42 Communication between the ANU governing bodies is coordinated by the Corporate Governance and Risk Office (CGRO).<sup>76</sup> The CGRO develops the annual forward work plans in

---

74 The program includes work that had already begun as part of addressing the ANU's immediate vulnerabilities from the data breaches that occurred in 2018.

75 In October 2021, the ANU advised that the \$29 million to improve and strengthen the ANU's information technology and cyber security is for the 2021 and 2022 calendar years.

76 Secretariat support provided by the Corporate Governance and Risk Office includes: coordinating the communication to members and stakeholders; scheduling meetings; compiling agenda papers; developing notes to assist the Chair lead meetings; and drafting the minutes of the meeting for the Chair's approval. The ANU Director of Human Resources provides secretariat support for the Remuneration Committee.

consultation with the Chairs of the Council, Academic Board and Council Committees. The work plans are 'live' documents and are updated throughout the year.

2.43 Agenda papers are distributed seven days in advance of the relevant Council, Council Committee and/or Academic Board meeting. Decisions and outcomes are recorded in the meeting minutes and any action items are communicated to the relevant business area for their review and/or implementation using group mailboxes. The ANU has advised that tracking action items is the responsibility of CGRO while implementation of action items is the responsibility of the relevant business area.

2.44 The charters of the Council, Council Committees, the Academic Board and the Terms of Reference for the Senior Management Group provide limited guidance on how communication to the Council and/or between Council Committees and the Academic Board is to be managed.

2.45 Communication between the Council, Council Committees, Academic Board and the Senior Management Group of the ANU is supported through common membership with 33 per cent of the Council members also appointed to Council Committees. Similarly, 78 per cent of members of the Senior Management Group are also members of the Academic Board. In 2018, an Australian Prudential Regulation Authority inquiry found that despite overlapping Committee memberships, the linkages between Committees were inadequate.<sup>77</sup> In 2019, the Australian Securities and Investments Commissions' Corporate Governance Taskforce Report noted that 'simply having cross-committee membership is not enough to ensure efficient information flows between board committees' and 'cross-committee information flow should be formalised'.<sup>78</sup>

## Reporting

### *Reporting between the Council, Council Committees and Academic Board*

2.46 Council Committees and the Academic Board are required to submit annual reports to Council. The purpose of these reports is to demonstrate the extent to which the Council Committees and Academic Board have acquitted their responsibilities against their Charter. Table 2.3 illustrates that over the period (2018 to 2020) 16 out of the 18 annual reports required have been provided. The Academic Board provides an Annual Report to the Council in February of each year<sup>79</sup> and the Council Committees provide annual reports in March or April.

---

77 Australian Prudential Regulation Authority, *Prudential Inquiry into the Commonwealth Bank of Australia*, [internet], APRA, April 2018, Section A: Governance, Inadequate communication between Board Committees, p. 20, available at: [https://www.apra.gov.au/sites/default/files/CBA-Prudential-Inquiry\\_Final-Report\\_30042018.pdf](https://www.apra.gov.au/sites/default/files/CBA-Prudential-Inquiry_Final-Report_30042018.pdf) [accessed 31 July 2021].

78 Australian Securities and Investments Commission, *Corporate Governance Taskforce — Director and officer oversight of non-financial risk report* [internet], ASIC, 2019, available at: <https://asic.gov.au/regulatory-resources/find-a-document/reports/corporate-governance-taskforce-director-and-officer-oversight-of-non-financial-risk-report/information-flows/> [accessed 25 February 2021].

79 The Academic Board has provided an annual report for 2019 and 2020. The Annual Report for 2019 was provided to Council in February 2020 and the Annual Report for 2020 was provided to Council in February 2021.



**Table 2.3: Reports and executive summaries provided to the Council from the Council Committees and Academic Board for 2018 to 2020**

| Council Committee                   | Executive Summary provided at Council meetings |      |      | Annual Report provided to Council |      |      |
|-------------------------------------|--|------|------|-----------------------------------|------|------|
|                                     | 2018   | 2019 | 2020 | 2018                              | 2019 | 2020 |
| Academic Board                      | ✓  | ✓    | ✓    | ✗                                 | ✓    | ✓    |
| Finance Committee                   | ✓  | ✓    | ✓    | ✓                                 | ✓    | ✓    |
| Audit and Risk Management Committee | ✓  | ✓    | ✓    | ✓                                 | ✓    | ✓    |
| Campus Planning Committee           | ✓  | ✓    | ✓    | ✗                                 | ✓    | ✓    |
| Remuneration Committee <sup>a</sup> | ✓  | ✓    | ✓    | ✓                                 | ✓    | ✓    |
| Nominations Committee <sup>a</sup>  | ✓  | ✓    | ✓    | ✓                                 | ✓    | ✓    |

Note a: The Remuneration and Nominations Committees meet once per year, therefore the Executive Summary and Annual Report are a single document.

Source: ANAO analysis.

2.47 The Council is also provided with executive summaries from the Council Committees and Academic Board as a standing agenda item. The Council uses the executive summaries to maintain awareness, support oversight of activities undertaken, and matters considered by the Council Committees and the Academic Board. Across the period (2018 to 2020) each Council Committee and the Academic Board provided an Executive Summary to the Council, except where the Council Committee had not met, or had met less than seven business days, prior to a scheduled Council meeting. In 2020, this exception was extended to special meetings of the Council that were held.<sup>80</sup> While the provision of the executive summaries is not a formal requirement, there would be benefit in formalising this process through either a communications protocol, or an update to the charters of the Academic Board and Council Committees.

2.48 Regular updates regarding decisions of the Council are provided as a standing agenda item to the Finance Committee, Audit and Risk Management Committee and Campus Planning Committee. The Academic Board receives updates on recent decisions and/or deliberations of the Council through the Vice-Chancellor's report<sup>81</sup>, or the Chair of the Academic Board's report.<sup>82</sup> The Chair of the Academic Board is also a non-voting member of the Council.

80 In 2020, the Council convened two special meetings to discuss its response to the COVID-19 pandemic (1 May 2020 and 15 September 2020).

81 The Vice-Chancellor's report is a standing item at each Academic Board meeting.

82 The Chair of the Academic Board is a non-voting member of Council and provides a report to each Academic Board meeting.



### *Reporting between Council Committees and between Council Committees and the Academic Board*

2.49 There are no reporting requirements between the Council Committees or between Council Committees and the Academic Board. The ANAO observed that across the period (2018 to 2020), items were often considered by multiple Council Committees and/or the Academic Board before progressing to the Council. The ANAO examined 18 Council agenda items over the period 2018 to 2020 and found that 22 per cent were endorsed or noted by multiple Council Committees and/or the Academic Board. While items are often considered by multiple Council Committees and/or the Academic Board, only two of the seven Council Committees have charters that require the referral of items to other Council Committees<sup>83</sup> and these requirements have not been met. Case study 1 provides an example.

#### **Case study 1. Referral of items between Council Committees**

The Campus Planning Committee, in accordance with its Charter, is to refer issues of concern relating to the financial management, budget sustainability or commercial activities of the ANU, or issues that may present a risk for the ANU, to the Finance Committee and/or the Audit and Risk Management Committee.

The ANAO examined the Campus Planning Committee agenda papers and minutes for the period (2018 to 2020) and found the Committee did not formally refer any capital works projects to the Finance Committee over the period examined.<sup>84</sup> This was despite receiving a number of project status updates which identified:

- significant additional funds had been requested and/or approved;
- projects were behind schedule;
- projects risks were emerging; and
- project issues had been encountered.

### *Reporting between Senior Management Group, the Council and Academic Board*

2.50 Reporting between the Senior Management Group<sup>85</sup>, the Council and the Academic Board occurs through regular reports and agenda papers on specific issues. The Senior Management Group communicates with the Council, Council Committees and Academic Board through regular reports from individual portfolios and updates on executive and college plans. For example, the Deputy Vice-Chancellor (Academic) has provided a report to every Academic Board meeting from 2018 to 2020.

2.51 The Academic Board and Senior Management Group communicate through regular two-way reporting, supported by common membership. The ANU advised the ANAO that the

83 The charters for the Campus Planning Committee and Finance Committees state that the respective Committees will refer issues to other Council Committees when relevant issues are identified.

84 Between 2018 and 2019, the Finance Committee received a Capital Building Works Financial Summary Report at each meeting for noting, however, these reports were not starred for discussion.

85 The Senior Management Group is an executive committee which advises the Vice-Chancellor. Members include the Vice-Chancellor, Deputy Vice-Chancellors, Pro Vice-Chancellors, College Deans, Chief Operating Office, Chief Financial Officer and Vice Presidents.

Academic Board does not consider the financial implications of academic matters that it is asked to endorse or approve. Instead, the financial implications are addressed by the Senior Management Group. The majority of Senior Management Group members are also members of the Academic Board, nevertheless, there would be benefit in formalising and clarifying the roles, responsibilities and relationship between the Senior Management Group and the Academic Board.

2.52 Communication at the higher levels of governance within the ANU relies on informal practices that are not consistently documented. Communication is aided by common (cross-committee) membership, rather than formalised processes that establish clear lines of accountability and responsibility and embed appropriate reporting lines between the Senior Management Group, the Council, Council Committees and the Academic Board. As discussed at paragraph 2.45, in 2019, the Australian Securities and Investments Commissions' Corporate Governance Taskforce Report noted that 'simply having cross-committee membership is not enough to ensure efficient information flows between board committees' and 'cross-committee information flow should be formalised'.<sup>86</sup>

2.53 Consistently documenting the existing communication practices and formalising the relationships and reporting requirements between the Council, Council Committees, Academic Board and the Senior Management Group should:

- provide greater clarity and consistency in relation to the information provided to and shared between Council Committees and between Council Committees and the Academic Board;
- clarify the relationships and reporting lines between Council Committees and the Academic Board;
- support Council Committees to identify matters that should be referred to other Council Committees; and
- enable accurate identification and tracking of matters that progress to the Council.

### *Transparency of governance arrangements and outcomes*

2.54 All ANU high-level governance bodies publish their respective charters, membership and meeting schedules on the ANU website. The Council publishes the outcomes of non-confidential items discussed and releases a newsletter that summarises the activities and actions of the Council. The Academic Board also publishes a newsletter summarising outcomes, deliberations and decisions.<sup>87</sup>

## **Culture**

2.55 The Council and Academic Board members interviewed by the ANAO stated that the culture of both the Council and the Academic Board encouraged the discussion of issues. This was observed by the ANAO during the audit team's attendance meetings of the Council. Council members are

---

86 Australian Securities and Investments Commission, *Corporate Governance Taskforce — Director and officer oversight of non-financial risk report* [internet], ASIC, 2019, available at: <https://asic.gov.au/regulatory-resources/find-a-document/reports/corporate-governance-taskforce-director-and-officer-oversight-of-non-financial-risk-report/information-flows/> [accessed 25 February 2021].

87 The last Academic Board newsletter was released in August 2020, available at <https://www.anu.edu.au/news/all-news/academic-board-news-meeting-3-2020> [accessed 17 March 2021].

invited to nominate additional items for discussion and consensus, though not required, is sought for all decisions. The ANAO also observed the Council challenging the information and recommendations provided by management.<sup>88</sup> A recent example is provided in Case study 2.

#### Case study 2. Challenge of management recommendations by the Council

The ANU's Financial Health Strategy was developed to address the financial impacts of COVID-19 on the ANU and was discussed by the Council and Finance Committee throughout 2020.<sup>89</sup> At the December 2020 Council meeting, the Chief Financial Officer presented the proposed financial health strategy, which included a recommendation with implications for the ANU's credit rating.

The Council queried the recommendation and discussed the associated risks and possible consequences. Subsequently, the Council 'noted' the risk that increasing debt levels above a set point could potentially result in a credit rating downgrade and that it did not support raising debt levels that could result in a credit rating downgrade without further consideration.

2.56 Interviews with Academic Board members indicated the Academic Board also has a culture that encourages the discussion of dissenting views, which was supported by the ANAO's observation of Academic Board meetings.

### Are the high-level governance arrangements periodically reviewed, evaluated and adapted where necessary?

Self-assessments and external reviews have been conducted in line with the relevant requirements of the Higher Education Standards Framework and the guidance outlined in the Voluntary Code of Best Practice for the Governance of Australian Public Universities. Results have been used to revise governance arrangements and update charters where necessary.

2.57 The Higher Education Standards Framework and the Voluntary Code establish requirements and guidelines for universities in relation to undertaking reviews and evaluations of its governance arrangements.

2.58 To determine if the ANU's high-level governance arrangements are periodically reviewed, evaluated and adapted where necessary, the ANAO examined the extent to which:

- the review and evaluation activities complied with the applicable legislative, regulatory requirements and best practice guidance; and
- the ANU has implemented the recommendations of review and/or evaluation activities.

88 See 2019 (Hayne) Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry — Final Report, Volume 1, p. 434. The Royal Commission observed the importance of governance boards using the information that they have to hold management to account and being able and willing to challenge management on key issues. The lessons of this and other key governance reviews are also discussed in the Australian National Audit Office, *Audit Insights — Board Governance* [internet], ANAO, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 3 August 2021].

89 The Council discussed the ANU's COVID-19 Financial Health Strategy four times in 2020 (April, May, July and December meetings). The Finance Committee discussed the COVID-19 Financial Health Strategy twice in 2020 (July and November).

## Performance evaluations and self-assessments

2.59 The Higher Education Standards Framework establishes review requirements stating that (the Council) is to:

undertake periodic (at least every seven years) independent reviews of the effectiveness of the governing body and academic governance processes ... ensuring that the findings of such reviews are considered by a competent body or officer(s) and that agreed actions are implemented.

2.60 The Voluntary Code states that:

on a regular basis, at least once every two years, the governing body should assess its performance, the performance of its members and performance of its committees.

2.61 The charters of the Council, Council Committees, the Academic Board and its sub-committees include self-assessment requirements. The Council Charter states that it evaluates its performance through an annual self-assessment and one-on-one consultations between the Chancellor and individual Council members every second year.<sup>90</sup> The charters for the Audit and Risk Management and Finance Committees state that self-assessments will be conducted on an annual basis, whereas the Campus Planning, Remuneration, Nominations Committees and Academic Board are to undertake biennial self-assessments. During the course of the audit, the ANU advised the ANAO that the charters of the Council, Council Committees and Academic Board are currently under review, with work scheduled for completion by December 2021 (see paragraph 2.22).<sup>91</sup>

### *Self-assessments of the Council and Council Committees*

2.62 The ANAO examined whether the Council, Audit and Risk Management, Finance, Campus Planning, Nominations and Remuneration Committees and the Academic Board have met the self-assessment elements of the Voluntary Code. The results are detailed at Table 2.4.

**Table 2.4: The Council, Council Committees and the Academic Board's compliance with the self-assessment elements of the Voluntary Code**

| Governance body                     | 2018 | 2019 | 2020           | Compliance |
|-------------------------------------|------|------|----------------|------------|
| Council                             | ✓    | ✓    | ✗ <sub>a</sub> | ◆          |
| Audit & Risk Management             | ✓    | ✓    | ✓              | ◆          |
| Finance                             | ✓    | ✓    | ✓              | ◆          |
| Campus Planning Committee           | ✓    | N/A  | ✓              | ◆          |
| Nominations Committee <sup>b</sup>  | ✗    | N/A  | ✗              | ■          |
| Remuneration Committee <sup>c</sup> | ✗    | N/A  | ✗              | ■          |

90 In April 2018, Council noted that it had agreed to a practice of alternating each year between an online survey and one-on-one consultations with the Chancellor.

91 The review of the charter for the Academic Board has been completed and the charter was updated in October 2021.

| Governance body | 2018 | 2019 | 2020           | Compliance |
|-----------------|------|------|----------------|------------|
| Academic Board  | ✓    | N/A  | x <sub>d</sub> | ◆          |

Key: ◆ Fully compliant.

▲ Partially compliant.

■ Not compliant.

Note a: The ANU advised the ANAO that due to the need to move the entire governance apparatus online in 2020 and as its content was highly focussed on emerging financial and COVID related priorities, the 2020 self-assessment activity was rescheduled to 2021.

Note b: Over the period examined (2018 to 2020), the Nominations Committee has met four times. Once in 2018, twice in 2019 and once in 2020.

Note c: Over the period examined (2018 to 2020), the Remuneration Committee has met three times, in February of each year.

Note d: The Academic Board has postponed its 2020 self-assessment to 2021.

Source: ANAO analysis.

2.63 Across the period examined (2018 to 2020), according to its Charter, the Council should have completed three online self-assessment surveys and a one-on-one consultation session. The results of its 2017 self-assessment survey were reported to the Council in April 2018. A self-assessment using an online survey was not used in 2019, however, the Chancellor held one-on-one consultations with each Council member in June and July 2019, reporting the results to the Council in October 2019. This practice, while not consistent with its Charter requirements, meets the guidance as outlined in the Voluntary Code.

2.64 Over the period examined (2018 to 2020), the Remuneration and Nominations Committee have not conducted a self-assessment in line with the Voluntary Code. The ANU advised the ANAO in February 2021 that the Secretary of the Remuneration Committee (the Director, Human Resources) held a face-to-face meeting in December 2019 with the incoming Chancellor and Pro-Chancellor to discuss the operations of the Committee, however confirmed that a formal self-assessment had not been conducted. In relation to the Nominations Committee, the ANU confirmed that a self-assessment had not been undertaken across the period examined. It also advised that due to the cycle of Council membership changes emerging in 2021 and expected for 2022, it may be more beneficial to conduct a self-assessment in late 2021 or 2022.

2.65 The ANAO also examined the self-assessment surveys of the Council and its Council Committees to assess whether the:

- survey questions aligned with charter requirements; and
- actions were taken in response to the results.

2.66 Across the period examined (2018 to 2020), the ANAO found that while the survey questions aligned with the requirements in the Charter and provided an accurate assessment of performance, the questions were not weighted or prioritised. The self-assessments identified weaknesses in legislative and policy compliance, policies and practices and external accountability.

2.67 Across the period examined (2018 to 2020) the Council has 'endorsed' and implemented recommendations from its self-assessment activities, with the results used to inform the forward work plan. Council Committees have 'noted' the results from the self-assessments, with meeting

minutes documenting any resolutions or agreed actions.<sup>92</sup> Additionally, the Council, Audit and Risk Management and Finance Committees, as well as the Academic Board have made amendments to their charters in response to findings from self-assessment and other review activities.

### *Self-assessments of Academic Board and its sub-committees*

2.68 Between 2018 and 2020, the Academic Board was required to complete two self-assessments, one in 2018 and one in 2020. The Academic Board completed a self-assessment survey in 2018 and results were submitted to the Academic Board for discussion in October 2018. The Academic Board postponed its 2020 self-assessment to 2021 'due to COVID-19 and the relatively large number of new members'. The Academic Board's sub-committees<sup>93</sup> were required to complete at least one self-assessment over the three year period examined and these were completed in 2019. While the Academic Board has not fully complied with requirements, its sub-committees have fully complied with the self-assessment requirements as outlined in their charters.

2.69 The ANAO also examined the Academic Board and its sub-committees' self-assessment surveys, in order to assess:

- whether survey questions align with Charter requirements; and
- outcomes and/or actions have been taken in response to results from the surveys.

2.70 Across the period examined (2018 to 2020), the ANAO found that: the self-assessment questions aligned with requirements in the charters; provided an accurate assessment of performance; resolutions and/or any agreed actions were consistently documented; and amendments to the governance arrangements have been implemented.

### **External reviews**

2.71 The ANU has undergone two external reviews of its high-level governance arrangements: the 2014 'Review of the *Australian National University Act 1991* and the governance arrangements of the ANU' (Walker Review); and the 2018 'Australian National University Review of Academic Governance' (Winchester Review).

#### *Walker Review*

2.72 The Walker Review was commissioned by the Minister for Education and conducted in 2014 to assess whether the ANU's legislative and governance arrangements were fit-for-purpose and aligned with best practices. The review made 29 recommendations in relation to the enabling legislation; composition, roles and responsibilities of the Council; and induction and training programs for members, including annual evaluations. In August 2018, the ANU reported to the Council that 20 of the 29 recommendations had been fully implemented. The ANAO examined the remaining nine recommendations. Four relate to governance statutes that are no longer in effect.

---

92 Resolutions and agreed actions were documented in response to the results of Council's 2017 self-assessment and the Audit and Risk Management Committee's 2020 self-assessment.

93 Does not include the Academic Board Steering Committee because it is not required to complete a self-assessment under its approved charter.

The remaining five recommendations relate to proposed changes to the ANU Act and require approval from the Government before they can be implemented.<sup>94</sup>

### *Winchester Review*

2.73 In June 2018, the ANU engaged Hilary Winchester to evaluate academic governance structures and processes and examine the extent to which the ANU complied with the academic governance requirements of the Higher Education Standards Framework.<sup>95</sup> The Winchester Review was completed in February 2019 and concluded that the academic governance structures fully or partially complied with 77 per cent of the Higher Education Standards Framework requirements and made 20 recommendations. The ANU agreed with 11 recommendations, partially agreed with two, did not agree with two and noted the remaining five. In April 2021, the ANU reported to the Council that it had implemented all agreed recommendations.

2.74 One of the two Winchester Review recommendations with which the ANU did not agree recommended that the ANU ‘develop a benchmarking policy and that the setting and monitoring of benchmarks be included in the [Terms of Reference] of either or both of the Academic Board or its sub-committees.’ The ANU responded that:

the ANU participates in many collective benchmarking exercises, such as the Group of Eight Quality Verification System ... and that the primary focus of such activities is to assist Group of Eight Universities to maintain and improve their academic standards.

2.75 The ANAO reviewed the recommendation and the ANU’s response and found that while the ANU contributes to and participates in benchmarking exercises conducted by the Group of Eight to support comparisons, it has not established institutional benchmarks for academic quality and outcomes in line with the requirements of the Higher Education Standards Framework. The status of implementation of the recommendations from the Walker and Winchester reviews, as reported to the Council in August 2018 and April 2021, are listed in Appendix 4. The effectiveness of the ANU’s performance reporting arrangements is examined in more detail in Chapter 3, see paragraphs 3.42 to 3.70.

---

94 The Council is engaging with the Government to seek approval to implement the recommendations made by the Walker Review.

95 Paragraph 6.1.3(d) of the Higher Education Standards Framework states that the entity is to undertake a periodic independent review of the governing body and academic governance processes at least every seven years.

### 3. Systems of control and accountability

#### Areas examined

This chapter examines if the governance arrangements of the Australian National University (ANU) are fit-for-purpose and supported by effective systems of control and accountability.

#### Conclusion

The governance arrangements are largely fit-for-purpose, supported by systems of control and accountability that are partially effective.

#### Recommendations

The ANAO has made five recommendations to improve the ANU's oversight of management, its subsidiary, performance reporting arrangements and provide assurance to the ANU Council that the systems of control and accountability established have been implemented and are operating effectively.

3.1 The Australian National University (ANU) Council (as the accountable authority) is required under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to establish and maintain appropriate: oversight arrangements<sup>96</sup>; planning and performance reporting arrangements<sup>97</sup>; and systems of risk management, oversight and internal control.<sup>98</sup>

3.2 To assess if the governance arrangements of the ANU are fit-for-purpose and supported by effective systems of control and accountability the ANAO examined:

- the extent to which the arrangements provide effective oversight of the management of the ANU, including its subsidiaries;
- the performance reporting arrangements and extent to which the performance measures comply with sections 16E, 16EA and 16F of the *Public Governance, Performance and Accountability Rule 2014* ( PGPA Rule); and
- the financial and risk management arrangements, including those established to respond to the COVID-19 pandemic.

#### Do the governance arrangements provide effective oversight of the management of the ANU, including its subsidiaries?

The governance arrangements provide largely effective oversight of the management of the ANU, except in relation to senior executive remuneration and its subsidiary, the ANU Enterprise Pty Ltd (ANUE). The senior executive remuneration reports do not fully comply with the requirements of the PGPA Rule. The ANU Council approves the annual budget and business plan for the ANUE. It also receives regular reports on its finances, however the key governing documents do not identify the remuneration framework that applies and have not been approved by the ANU Council since 2008.

96 *Public Governance, Performance and Accountability Act 2013* (Cth), section 15.

97 *ibid.*, sections 35, 37, 38 and 39.

98 *ibid.*, section 16.



3.3 As the accountable authority, the ANU Council (the Council) is responsible for overseeing the management of the ANU, including its subsidiaries. To assess whether appropriate arrangements have been established to effectively monitor the management of the ANU and its subsidiaries, the ANAO examined:

- how the Council has responded to changes in its operating environment;
- how the Council maintains oversight of the management of the ANU; and
- how the Council maintains oversight of its subsidiary the ANU Enterprise Pty Ltd (ANUE).<sup>99</sup>

### Changes in the operating environment

3.4 As discussed in paragraphs 1.7 to 1.10, there have been three changes to the operating environment of all higher education providers in addition to the impact of COVID-19. The changes include the introduction of:

- the Model Code on freedom of speech and academic freedom (French Model Code);
- the Job-ready Graduate's package; and
- the Guidelines to Counter Foreign Interference across the Australian University sector and the requirements of the *Foreign Relations (State and Territory Arrangements) Bill 2020*.

### Implementation of the French Model Code

3.5 In October 2019, the Council provided 'in-principle' approval to adopt the Model Code on freedom of speech and academic freedom. It noted that the ANU would develop a specific statement on freedom of speech and further address the Code's implementation over the course of 2020. Work to develop a statement on freedom of speech<sup>100</sup> and oversee the review and updating of policies to embed the principles of the Model Code was delegated to the Academic Board.

3.6 In August 2020, a review into the implementation of the Model Code, commissioned by the Government and conducted by Professor Sally Walker AM<sup>101</sup>, found that the ANU 'did not yet have policies or draft policies that were fully aligned, and that it had not yet completed its work to implement the Model Code.' The Vice-Chancellor subsequently tasked the Academic Board to align its statements on Academic Freedom and Freedom of Speech with the Model Code and progress the necessary policy reviews.

3.7 In May 2021, the Council approved the revised Academic Freedom and Freedom of Expression Policy and assigned responsibility for the implementation, monitoring and reporting of the policy to the Academic Board.<sup>102</sup> The Council was also advised that work to update the relevant policies and procedures of the ANU and embed the principles of the Model Code was not complete, with 15 out of 18 policies still to be reviewed and updated in order to comply.

---

99 The ANU has two subsidiaries, the ANUE and ANU (UK) Foundation. The ANU (UK) Foundation is incorporated in England and Wales, is not trading and has not been examined in this audit.

100 The Academic Board approved the ANU Statement on Freedom of Expression on 3 December 2019.

101 The Review was completed in November 2020 and the report released on 9 December 2020.

102 In June 2021, the Vice-Chancellor wrote to the Minister for Education and Youth to advise that the ANU's Statement on Academic Freedom and Freedom of speech was now aligned with the French Model Code.

3.8 In June 2021, the Government released its response to the Review of Adoption of the Model Code on Freedom of Speech and Academic Freedom in Higher Education. The Government agreed to the five recommendations and endorsed the seven suggestions of the report. One of the five recommendations from the review is to expand the reporting requirements of universities to include an annual attestation statement. The annual attestation statement must identify the university's main policy and/or policies regarding freedom of speech and academic freedom and state whether, in the opinion of the governing board, they are consistent with the Model Code.

3.9 In October 2021, the ANU advised that: of the 18 policies identified, 12 did not require any change in order to comply; work to review and update two policies had been completed, with work on the remaining four at various stages of completion; and that work to develop an annual attestation process to confirm adherence to the Code had not yet commenced.

#### *Job-ready Graduates package*

3.10 In October 2020, the Vice-Chancellor as part of his regular report to the Council, briefed the Council on the package and concerns that had been raised. The report stated that the ANU had provided a submission to the Parliament on the proposed changes and that the ANU's position had been broadly represented in the submissions provided by the Group of Eight<sup>103</sup> and Universities Australia. The report did not indicate that any significant risks to the financial viability and/or operations of the ANU were likely to eventuate. The Council noted the report and no further action was requested.<sup>104</sup>

#### *Foreign interference at Australian Universities*

3.11 The Council was advised in April 2020 that work to develop the ANU's response to the guidelines released in November 2019 had commenced. Work to develop and implement the ANU's response has been led by the Deputy Vice-Chancellor (Research and Innovation) and the Chief Information Security Officer with oversight provided by the University Research Committee (URC).<sup>105</sup> In June 2020, the URC approved the establishment of a Foreign Interference Advisory Committee (FIAC).<sup>106</sup> A progress update was provided to the Academic Board in December 2020 where it was noted that the research services division and international strategy and partnerships team would be responsible for referring matters to the FIAC. In March 2021, the Vice-Chancellor and Chief Information Security Officer advised the Parliament that all external engagements have been declared to the FIAC and vetted accordingly.

3.12 The risk of foreign interference has also been included on the Strategic Risk Register 'endorsed' by the Audit and Risk Management Committee and 'approved' by the Council in July

---

103 The Group of Eight includes: the University of Melbourne; the Australian National University; the University of Sydney; the University of Queensland; the University of Western Australia; the University of Adelaide; Monash University; and University of New South Wales, Sydney.

104 The reforms introduced in the Job-ready Graduate's package took effect for the January 2021 intake of commencing students.

105 The URC is a sub-committee of the Academic Board.

106 The FIAC is a sub-committee of the URC. The FIAC is to report to the URC regularly, but at least once per year, on its operations and activities. The report is to include a summary of the work it has performed, and details of meetings, including the number of meetings held.

2021. The risk is rated as high, with the treatments identified<sup>107</sup> to reduce the risk indicating that the treatment proposed has not yet been fully implemented.

## Oversight of ANU management

3.13 Oversight of management at the ANU is conducted through annual evaluations and performance assessments of the Vice-Chancellor and the provision of progress reports, briefings and updates from senior management. The mechanisms used by the Council to oversee the management of the ANU are detailed in Appendix 5.

### *Vice-Chancellor*

3.14 From 2018 to 2020, the Vice-Chancellor provided a report to and presented at all 20 Council meetings. The reports addressed the ANU's finances, executive changes, changes in the political landscape and to higher education in Australia. Other matters included in these reports include industry engagement, the ANU's rankings, notable achievements and highlights.

3.15 The Council, assisted by the Remuneration Committee, has developed 20 Key Performance Indicators (KPIs) against which the Vice-Chancellor undertakes an annual self-assessment.<sup>108</sup> Twelve of the Vice-Chancellor's KPIs align with those of the ANU's Strategic Plan. The remaining eight are specific to the Vice-Chancellor's management of the ANU and include a KPI on maintaining an effective senior leadership team. The Vice-Chancellor provides a written self-assessment report to the Remuneration Committee which considers the Vice-Chancellor's self-assessment and provides a resolution and summary report to the Council.

3.16 From 2018 to 2020, three performance reports for the calendar years 2017, 2018 and 2019 should have been submitted by the Vice-Chancellor. Two performance reports were provided to the Council (one in 2017 and one in 2019) and an oral report was provided to the Council in 2018. During the course of the audit, the Vice-Chancellor's performance assessment for 2020 was considered by the Remuneration Committee and a report provided to the Council in February 2021.

3.17 The ANAO reviewed the self-assessments provided by the Vice-Chancellor and found that they addressed the KPIs and provided a reasonable basis of assessment. The ANAO also observed the Remuneration Committee and the Council's discussion of the Vice-Chancellor's 2020 self-assessment and found that it appropriately evaluated the Vice-Chancellor's report and performance.

### *Senior management of the ANU*

3.18 The Council has delegated to the Vice-Chancellor its authority to appoint and oversee senior management.<sup>109</sup> The Vice-Chancellor provides regular reports to meetings of the Council regarding

---

107 The treatments identified include having the FIAC under the Deputy Vice-Chancellor, Research and Innovation, set policy and strategy in relation to foreign interference in research and review potentially problematic arrangements and implementing a campus wide approach to support social cohesion, led by the Deputy Vice-Chancellor, Student and University Experience.

108 In February 2020, KPI 19 and 20 were merged into a single KPI and a new KPI was added.

109 The Council originally delegated its authority to appoint Deputy Vice-Chancellors, to the Vice-Chancellor in September 2011. The delegated authority is still in effect and is detailed in the *Australian National University (Governance) Statute 2020*.

changes to the senior management team. From 2018 to 2020, 85 per cent of the reports provided to the Council discussed the composition of the senior management team.

3.19 Individual senior managers report directly to the Council on the implementation of strategic initiatives and provide regular updates on progress against the Strategic Plan and/or relevant supporting executive and college plans. From 2018 to 2020, progress updates and reports were provided to the Council, except for the 2020 mid-year reports.<sup>110</sup> These reports provide the Council with visibility of key risks, identify focus areas and assist to set the Council's forward agenda for the coming year.

3.20 For high-risk projects and/or strategic initiatives, the Council requested and was provided with more frequent updates. For example, for the College of Engineering and Computer Sciences 'Reimagine' project, six monthly progress reports have been provided to the Council as requested. Following the Council's approval in December 2019 for the College of Health and Medicine to continue to develop the 'Transform' project, the Council has requested and been provided with two updates on the progress of this project.<sup>111</sup>

### *Supporting systems*

3.21 To improve the quality of reporting against the college and executive plans, in December 2018, the ANU entered into an agreement to purchase a new management tracking and reporting tool.<sup>112</sup> The tool was to provide:

- an executive dashboard and reporting;
- strategy and business planning; and
- risk management.<sup>113</sup>

3.22 Work to develop and implement the tool continued throughout 2019 and into 2020. In February 2020, the Council was advised that it had been launched. In July 2020, the ANU entered into a service agreement to host, support and maintain the program until July 2022. The contract value is approximately \$1 million, including program support. The required functionality of the program has not been achieved, as the colleges and service divisions of the ANU have not uploaded their respective business plans and risk assessments. In October 2021, the ANU advised that college and portfolio plans were being drafted and will be uploaded by December 2021.

### *Remuneration*

3.23 As discussed at paragraph 3.18, the Council has delegated to the Vice-Chancellor its authority to appoint and oversee senior management. While the Vice-Chancellor provides regular

---

110 The Council stated that 'owing to the complete change to the university's operation in 2020 to manage critical incidents, but mostly in responding to the COVID-19 pandemic, the mid-year reports have focused on evaluating performance against the highest level initiatives and KPIs listed in the strategic plan.'

111 The College of Engineering and Computer Science 'Reimagine' and the College of Health and Medicine's 'Transform' projects are two of the ANU's key long-term material projects requiring significant investment of financial and non-financial resources.

112 The Council requested improvements in the quality of reporting again in 2019.

113 The ANU entered into a Master Technology and Hosted Services Agreement in December 2018. The procurement for the software program was not competitively tendered as an exemption was provided by the Chief Operating Officer.

reports to the Council on the recruitment and appointment of senior management to the ANU, these reports do not address remuneration.

3.24 The Council has established a Remuneration Committee. The responsibilities of this committee include monitoring, reviewing and where appropriate making recommendations to the Vice-Chancellor on the remuneration and conditions of employment of the ANU's senior management. The Remuneration Committee endorses the executive remuneration report for approval by the Council and its inclusion in the annual report in February of each year. The executive remuneration reports identify the components of the remuneration package, the period of engagement within the year, and contract end date.

3.25 The PGPA Rule<sup>114</sup> requires that the entity include in its annual reporting: the policies and practices regarding the remuneration of key management personnel, senior executives and other highly paid staff; the governance arrangements under which the policies operate; and the basis on which the remuneration of the key management personnel, senior executives and other highly paid staff of the entity has been determined.<sup>115</sup>

3.26 The ANAO examined the annual reports of the ANU (2018 to 2020) and found that while the reports include the remuneration of key management personnel, senior executives and other highly paid staff, the reports are silent in relation to the policies that apply, and the basis on which remuneration has been determined. Except for the Vice-Chancellor, where it is noted that the salary of the Vice-Chancellor has been benchmarked against comparable international higher education institutions.

3.27 The Hayne Royal Commission observed that it is important that governing boards are clear on what the remuneration framework is and how it applies.<sup>116</sup> The ANU's 2019 Annual Report stated that:

the Chancellor, as Chair of the Committee, gives an annual written assurance to Council that the committee has ensured contractual arrangements are in order, remuneration has been properly developed, and performance objectives have been formulated and measured.<sup>117</sup>

3.28 The assurance provided was limited to the role of Vice-Chancellor and did not include key management personnel or other highly paid staff.

---

114 *Public Governance, Performance and Accountability Rule 2014* (Cth), subsection 17CD(2).

115 In August 2021, the University Chancellors Council (UCC) approved the Australian Universities Vice-Chancellor and Senior Staff Remuneration Code, UCC, August 2021, available from <https://ucc.edu.au> [accessed 30 October 2021].

116 See *2019 (Hayne) Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry — Final Report*, Volume 1, pp. 367–368. While the specific focus of the inquiry was on financial institutions, its key insights on culture and governance have wider applicability and provide lessons for all accountable authorities, including public sector governance boards. The lessons of this and other key governance reviews are also discussed in the Australian National Audit Office, *Audit Insights — Board Governance* [internet], ANAO, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 3 August 2021].

117 Australian National University, *Annual Report 2019*, ANU, 2020, available from [https://www.anu.edu.au/files/review/ANU\\_Annual\\_Report\\_2019.pdf](https://www.anu.edu.au/files/review/ANU_Annual_Report_2019.pdf) p. 77 [accessed 28 May 2021].

## Recommendation no. 2

3.29 The Australian National University should take the necessary steps to ensure its arrangements to monitor and report on senior executive remuneration comply with the *Public Governance, Performance and Accountability Rule 2014* and provide assurance to the Council that the Australian National University's senior management remuneration framework is appropriate.

**Australian National University response:** *Agreed.*

### Oversight of subsidiaries

3.30 The ANU has two subsidiaries:

- ANUE — ANUE was incorporated in 1979 as a company limited by shares. It is wholly owned by the ANU and is comprised of three other subsidiaries: Australian Scientific Instruments Pty Ltd; the Social Research Centre acquired in 2014; and ANU Limited (PNG) established in 2018; and
- ANU (UK) Foundation — the Foundation was incorporated in 2007 as a private company limited by guarantee. As it is incorporated in England and Wales, and is not trading, it has not been examined in this audit.

3.31 Under the PGPA Act, the Council has obligations in relation to the management and oversight of its subsidiaries, including:

- keeping the responsible Minister and the Minister for Finance informed of the activities, significant decisions related to, and any significant issues that may affect its subsidiaries<sup>118</sup>;
- ensuring that the ANU's Corporate Plan covers both the ANU and its subsidiaries<sup>119</sup>, and includes details of any matters prescribed by the rules<sup>120</sup>;
- ensuring that any subsidiary's financial statements are audited<sup>121</sup>; and
- ensuring that none of the ANU's subsidiaries does anything that the ANU does not itself have the power to do.<sup>122</sup>

### *Audit and corporate plan*

3.32 The Council, through the Finance Committee, monitors the ANUE's financial position, approves its business plan and endorses its financial statements. The Council has also ensured that the ANUE's financial statements are audited. The ANU's Strategic Plan 2020–2023 (the ANU's 2020 Corporate Plan) does not detail how the ANUE contributes to the achievement of the ANU's purposes, and it was not until April 2021 when the ANU released its Annual Report for 2020, that the ANU identified how the ANUE contributes to the achievement of its purposes.

---

118 *Public Governance, Performance and Accountability Act 2013* (Cth), subsection 19(1).

119 *ibid.*, subsection 35(5).

120 *Public Governance, Performance and Accountability Rule 2014*, paragraph 16E(2) requires that the corporate plan is to identify how any subsidiary of the entity will contribute to achieving the entity's purposes.

121 *Public Governance, Performance and Accountability Act 2013* (Cth), subsection 44(2).

122 *ibid.*, section 86.

### *Governance, appointment and remuneration arrangements*

3.33 The Council approved the ANUE governance principles in 2004<sup>123</sup> and the revised constitution in December 2008.<sup>124</sup> The ANUE's constitution and governance principles set out high-level requirements in relation to the appointment of directors. The constitution allows for remuneration to be provided, however does not establish a remuneration framework.<sup>125</sup> The governance principles are also silent with regard to remuneration, however an annual remuneration package of \$70,000 for the Chairman, \$35,000 for independent non-executive directors and \$17,500 for the Chair of the Audit Committee was approved in 2012.<sup>126</sup>

3.34 The ANAO examined the papers and letters appointing two new directors to the ANUE Board in 2020 and observed that, in practice, prospective members are recommended by the ANUE Board, approved by the Vice-Chancellor and ratified by the ANUE Board. The letters approving the appointment were signed by the Chief Operating Officer and the Vice-Chancellor. The letters contained the type of appointment and the term of the engagement but did not address remuneration.<sup>127</sup> Instead, the appointment letters issued by the ANUE identify if the director is to be remunerated and the amount. In November 2021, the ANUE advised the ANAO that an annual remuneration package of \$55,000 is provided to the current Chairman, \$35,000 to independent non-executive directors and \$17,500 for the Chair of the Audit Committee.

3.35 As at November 2021 there is no evidence that the Council has been asked to 'endorse' and/or 'approve' the remuneration framework. As discussed at paragraph 3.27, the Hayne Royal Commission identified that it is important that governing boards are clear on what the remuneration framework is and how it applies.<sup>128</sup>

### *Monitoring arrangements*

3.36 The *Australian National University Act 1991* (ANU Act) states that the Council must not delegate its power to monitor:

its subsidiaries and any other entities that it controls, to the extent required to ensure they do not have any significant adverse impact on, or pose any reasonable risk to, the University's finances and operations.<sup>129</sup>

---

123 The governance principles of the ANUE were revised in August 2014, however, there is no evidence that the revised principles were approved by the Council.

124 The constitution of the ANUE was certified by the company secretary as true and correct as at 31 January 2018, however it has not been countersigned by the Council, Vice-Chancellor, or the Chief Operating Officer.

125 The remuneration of board members is determined by the ANUE Board and must be approved by the Member. The ANUE constitution defines the Member as a person for the time being entered in the Register as a holder of shares in the Company.

126 The remuneration package was approved in August 2012 by the previous Vice-Chancellor.

127 Of the two new directors, one is an employee of the ANU, the other is an independent non-executive director.

128 See *2019 (Hayne) Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry — Final Report*, Volume 1, pp. 367–368. While the specific focus of the inquiry was on financial institutions, its key insights on culture and governance have wider applicability and provide lessons for all accountable authorities, including public sector governance boards. The lessons of this and other key governance reviews are also discussed in the Australian National Audit Office, *Audit Insights — Board Governance* [internet], ANAO, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 3 August 2021].

129 *Australian National University Act 1991* (Cth), subsection 18(4).

3.37 Monitoring arrangements for the ANUE are detailed below.

- The Council, with the assistance of the Finance and the Audit and Risk Management Committees, monitors the performance of the ANUE and its subsidiaries.<sup>130</sup>
- The Finance Committee reviews and endorses the ANUE's annual budget for approval by the Council. The Finance Committee is also provided with a quarterly update and mid-year report for noting.
- The Audit and Risk Management and Finance Committees review and endorse the ANUE's financial statements for approval by the Council.
- The Audit and Risk Management Committee is also provided with an annual governance statement for noting.

3.38 The ANAO reviewed papers and minutes provided to the Finance Committee, the Audit and Risk Management Committee and the Council and found that across the period examined (2018 to 2020), the ANUE has provided quarterly and mid-year reports to the Finance Committee. The ANUE has also provided annual governance statements to the Audit and Risk Management Committee. The governance statements include the following items:

- summary of work performed by the ANUE's Audit Committee;
- summary of ANUE's progress to address findings and recommendations from internal and external audit reports;
- an assessment of the risk, control and compliance framework; and
- details of meetings and attendance at meetings during the period.<sup>131</sup>

3.39 The governance statements are copies of the annual ANUE Audit Committee reports that it is required to provide to the ANUE Board under its Charter. These statements do not address the appointment of board members, remuneration, skills and expertise, summaries of board meetings and/or key decisions.

3.40 The ANUE has provided an annual update on the implementation of its business plan for noting to the Finance Committee since July 2019. In July 2020, as part of a regular update of progress against its approved business plan, the Finance Committee identified inconsistencies and risks in relation to the ANUE's activities as reported. As a result, it was noted that 'there is a need for greater visibility of ANUE's projects and the risks associated with them ... including information on the management of those risks'. In response to the Finance Committee's concerns:

- in September 2020, the Finance Committee was provided with an overview of the ANUE's risk framework and requested a list of all of the ANUE's partnerships and a forward map of investment and divestment activities;
- in October 2020, the overview of the ANUE's risk framework was provided to and noted by the Council;

---

130 Authorised in Finance Committee's Charter and approved by the Council.

131 The annual governance statements are a copy of the report that is provided to the ANUE Board by the ANUE Audit Committee. These statements are provided to the Audit and Risk Management Committee for noting in March of each year.



- in November 2020, a list of all commercial partnerships that the ANUE had entered into was provided to the Finance Committee; and
- in April 2021, the Council and Audit and Risk Management Committee were provided with a governance statement and forward work plan for the ANUE.

### Recommendation no. 3

3.41 The Australian National University should ensure that the governance arrangements of its subsidiaries are fit-for-purpose and improve the reporting framework to support the Council's oversight of financial and non-financial risks relating to its subsidiary, the ANU Enterprise Pty Ltd.

**Australian National University response:** *Agreed.*

## Has the ANU implemented effective performance reporting arrangements?

The ANU's performance reporting arrangements are partially effective. The ANU's Corporate Plan and Performance Statements do not fully meet the requirements of the Commonwealth performance framework. The performance measures do not fully comply with the requirements of the PGPA Rule and do not reflect the characteristics of good performance information. Further, the academic performance reporting arrangements do not fully comply with the requirements of the Higher Education Standards Framework.

3.42 To assess whether the ANU has implemented effective performance reporting arrangements, the ANAO examined:

- its compliance with the Commonwealth performance framework; and
- the appropriateness of its performance measures.

### Commonwealth performance framework

3.43 In accordance with the Commonwealth performance framework<sup>132</sup>, as a corporate Commonwealth entity, the ANU is required to publish:

- a corporate plan, which meets the minimum requirements outlined in section 35 of the PGPA Act and section 16E of the PGPA Rule, setting out the entity's purposes, key activities, operating context, and how performance will be measured and assessed, through measures that meet the requirements of section 16EA of the PGPA Rule, and specified targets for each of those performance measures for which it is reasonably practicable to set a target; and

---

132 The Commonwealth performance framework is established by the PGPA Act and Rule. It applies to non-corporate Commonwealth entities, corporate Commonwealth entities and Government Business Enterprises. It sets out the minimum requirements that entities are to meet, including the clear read principle. An updated Commonwealth performance framework came into effect on 28 February 2020. The revised framework is to be applied by the ANU for its 2021 performance cycle.

- annual performance statements that present the entity's results against its performance measures as identified in its corporate plan<sup>133</sup> and an analysis of the factors contributing to the results.

3.44 The ANAO examined the ANU's Corporate Plan and Performance Statements for 2020 against the key components of the Commonwealth performance framework<sup>134</sup> and found they:

- largely meet the requirements of the PGPA Act<sup>135</sup>;
- partially meet the requirements of the PGPA Rule<sup>136</sup>; and
- are not consistent with the clear read principle.<sup>137</sup>

3.45 The ANAO's assessment of the extent to which the ANU meets key components of the Commonwealth performance framework is summarised in Table 3.1.

**Table 3.1: Compliance with the Commonwealth performance framework requirements**

| Source  | Requirement  | Purpose  | Complies |
|---|--|--|----------|
| PGPA Act, section 35                          | The corporate plan is to cover a minimum of four reporting periods.  | Allows entity to outline its medium-term strategic direction.  | ✓        |
|   | The corporate plan is to be reviewed and updated annually.   | Ensures the corporate plan remains relevant.   | ✓        |
|   | The corporate plan is to cover the subsidiaries of the entity and include details of any matters prescribed by the rules, so far as they are applicable. | Ensures that the corporate plan applies to and provides transparency in relation to the purpose and operations of any subsidiaries.  | ✗        |
| PGPA Rule, sections 16E <sup>a</sup> and 16EA | Sets out the structure, topics and detail to be included in a corporate plan.  | Anchors the structure of the plan by describing: <ul style="list-style-type: none"> <li>• what the entity aims to achieve (its purposes)<sup>b</sup>;</li> <li>• the operating environment, capability and associated risks; and</li> <li>• the activities that the entity will undertake to achieve its purposes and how</li> </ul> | ✗        |

133 The ANU is not funded through the appropriations process and is exempt from section 36 of the PGPA Act. As such, it is not required to, and does not publish Portfolio Budget Statements.

134 The ANAO has assessed the 2020 Corporate Plan and Performance Statements against the requirements of the new framework. While the new framework is to be applied by the ANU in 2021, the 2021 performance cycle for the ANU is not complete. The 2021 performance cycle commenced in February 2021, with the release of its 2021 Corporate Plan and is due to be completed by April 2022, with the release of its Annual Report and Performance Statements.

135 *Public Governance, Performance and Accountability Act 2013* (Cth), sections 35 and 39.

136 *Public Governance, Performance and Accountability Rule 2014* (Cth), subsection 16E.

137 Department of Finance, *Resource Management Guide 134: Annual performance statements for Commonwealth entities* [internet], Finance, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/annual-performance-statements-commonwealth-entities-rmg-134> [accessed 18 August 2021].

| Source                                     | Requirement  | Purpose   | Complies |
|--|--|---|----------|
|  |  | performance will be assessed and reported.  |          |
|  | Establishes the requirements that performance measures are to comply with <sup>c</sup> , including the identification of targets for each measure where practicable.   | Supports the provision of a clear, cohesive and complete performance story.   | <b>x</b> |
| Resource Management Guide 134 <sup>d</sup> | Provide a clear line of sight between the information in an entity's budget, corporate plan and annual report.<br><br>Ensure performance information is presented clearly and consistently and is reconcilable within a single and across multiple reporting cycles. | Enhances transparency and meaningfulness of information presented to the Parliament and the public.<br><br>Provides both financial and non-financial information that allows judgements to be made on the public benefit generated by the entity. | <b>x</b> |

Note a: The Department of Finance's Resource Management Guide 132: Corporate plans for Commonwealth entities provides additional guidance on how entities can ensure that the six requirements outlined in section 16E of the PGPA Rule are appropriately addressed in the corporate plan.

Note b: When constructing purpose statements, entities are encouraged to consider all sources that contribute to defining their objectives, including its enabling Act and other relevant legislation.

Note c: Section 16EA of the PGPA Rule sets out the minimum requirements that performance measures are to meet.

Note d: The Department of Finance's Resource Management Guide 134: Annual performance statements for Commonwealth entities provides guidance to assist accountable authorities to prepare and publish annual performance statements for their entities as required under section 39 of the PGPA Act and meet the minimum requirements prescribed by the PGPA Rule in section 16F.

Source: ANAO Analysis.

### *Corporate plan*

3.46 In 2020, the Corporate Plan for the ANU was the Strategic Plan 2020–2023.<sup>138</sup> The current corporate plan (the 2021 Corporate Plan) is the Strategic Plan 2021–2024.<sup>139</sup>

3.47 The ANAO assessed the ANU's 2020 Corporate Plan (Strategic Plan 2020–2023) and found that it does not fully meet the requirements of the PGPA Act, or the minimum standards outlined in the PGPA Rule as it:

- does not identify how its subsidiaries contribute to the achievement of its purposes, and/or key initiatives<sup>140</sup>;
- uses terminology that does not align with the requirements of section 16E of the PGPA Rule, for example using terms such as key initiatives, instead of key activities; and key performance indicators (KPIs) instead of performance measures;
- has not established a clear link between the key initiatives (key activities) and KPIs (performance measures);

138 Australian National University, *Strategic Plan 2020–2023* [internet], ANU, available at [https://www.anu.edu.au/ANU\\_Strategic\\_Plan\\_2020-2023](https://www.anu.edu.au/ANU_Strategic_Plan_2020-2023) [accessed 20 July 2021].

139 The 2021 Corporate Plan (Strategic Plan 2021–2024) was released in February 2021 by the ANU, available at [https://www.anu.edu.au/ANU\\_Strategic\\_Plan\\_2021-2024](https://www.anu.edu.au/ANU_Strategic_Plan_2021-2024) [accessed 30 August 2021].

140 *Public Governance, Performance and Accountability Act 2013* (Cth), subsection 35(5).

- uses KPIs (performance measures) that do not clearly identify how the measure relates to, and/or can be used to assess the extent to which the ANU has implemented and/or achieved its key initiatives (key activities); and
- includes information in relation to the risk oversight and management systems of the ANU, however does not identify the strategic risks that the ANU is subject to and how the ANU intends to manage them.

3.48 There would also be benefit in the ANU identifying how its strategies for change will support the ANU to deliver its functions as outlined in its enabling Act.

3.49 During the course of the audit, the ANU advised the ANAO that it will be splitting the new Strategic Plan (ANU 2025) from its Corporate Plan to improve its alignment with its performance statements. The ANU also advised that it has engaged expertise from the Department of Finance to assist in the review and development of its Corporate Plan for 2022.

### *Annual performance statements*

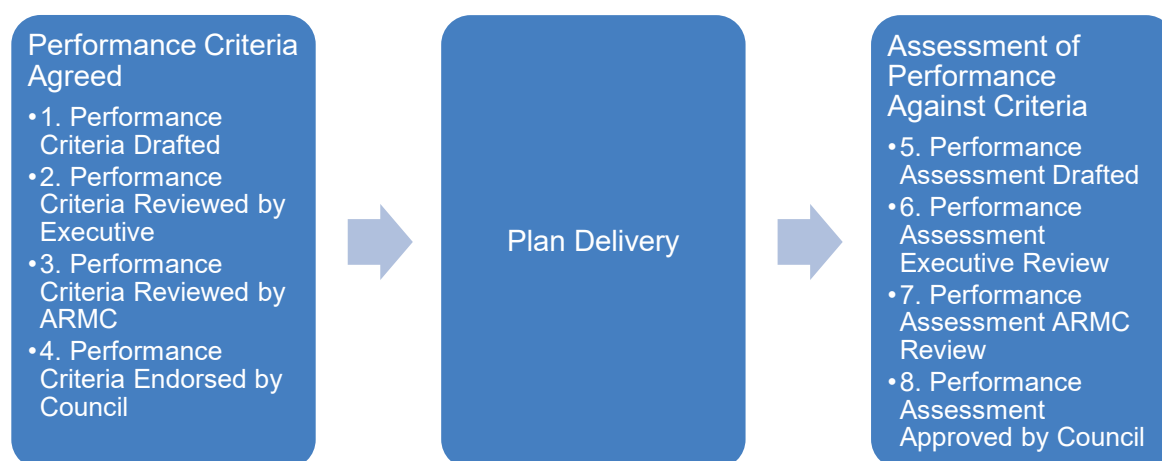
3.50 As outlined in Table 2.1, the role and responsibilities of the Audit and Risk Management Committee of the ANU include advising on and providing recommendations to the Council (the accountable authority under the PGPA Act) in relation to performance reporting. Specifically, the Audit and Risk Management Committee ‘endorses’ the performance statements for the Council’s approval.

3.51 In September 2019, an internal audit of the ANU’s Annual Performance Statements found that:

the ANU had not implemented sufficient control processes to provide assurance that the performance statements were reliable and supported by accurate performance information.

3.52 The ANU’s 2019 annual report assessed its performance using 12 KPIs. The ANU also developed an assurance plan to implement its revised approach, see Figure 3.1.<sup>141</sup>

**Figure 3.1: ANU’s assurance process to prepare performance statements**



Source: ANU’s 2019 Assurance Plan: Annual Report and Performance Statement, Version 2.0, p. 13.

<sup>141</sup> The 2019 Assurance Plan was approved by the Audit and Risk Management Committee in November 2019.

3.53 The Assurance Plan was used to prepare the 2019 performance statements. In September 2020 a post implementation review of the process was undertaken and three proposed improvements from the 2019 process were identified. The proposed improvements included:

- improving the efficiency of the process to implement a collect once, utilise twice methodology to avoid inconsistency and duplication;
- expanding data gathering and review responsibilities; and
- ensuring greater alignment between the data source and performance criteria statement.

3.54 In addition to the process improvements, the ANU stated that it would be implementing an enhanced clearance process, supported by a quality assurance process.

3.55 In September 2020, the Audit and Risk Management Committee endorsed the approach outlined in the Assurance Plan to prepare the 2020 performance statements. In March 2021, the Audit and Risk Management Committee were advised that the 2020 performance statements had been prepared in line with the assurance plan, were provided with a copy of the executive sign-off table and subsequently endorsed the 2020 performance statements for the Council's approval. In April 2021, the Council approved the 2020 performance statements and released the 2020 Annual Report.

## Performance measures

3.56 As a corporate Commonwealth entity, the performance measures selected by the ANU are to meet the requirements of the PGPA Rule.<sup>142</sup> The ANAO analysed the ANU's performance measures against the requirements of the PGPA Rule, using guidance material issued by the Department of Finance that details the characteristics of good performance information<sup>143</sup> and identifies the information entities are to include in their annual performance statements.<sup>144</sup> The results of the analysis are illustrated in Table 3.2.

---

142 *Public Governance, Performance and Accountability Rule 2014* (Cth), subsection 16EA.

143 Department of Finance, *Resource Management Guide 131: Developing good performance information* [internet], Finance, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-good-performance-information-rmg-131> of Finance [accessed 20 July 2021].

144 Department of Finance, *Resource Management Guide 134: Annual performance statements for Commonwealth entities*, available from the Department of Finance [internet], <https://www.finance.gov.au/government/managing-commonwealth-resources/annual-performance-statements-commonwealth-entities-rmg-134>) | Department of Finance [accessed 18 August 2021].

**Table 3.2: Analysis of the extent to which the KPIs (performance measures) meet the requirements of the PGPA Rule 2014**

| University purpose/s <sup>a</sup>   | No. | Key Performance Indicator  | Related <sup>a</sup> | Measurable | Complete <sup>b</sup> |
|---|-----|--|----------------------|------------|-----------------------|
| Excellence in research and innovation.  | 1   | Improvement in the proportion of academic staff contributing to ERA level-4 and level-5 results.   | ◆                    | ▲          | ▲                     |
| Excellence in research and innovation.  | 2   | Annual increase in the quantity of research income, and diversity of sources of this income, relative to the quantity and sources available.   | ◆                    | ■          |                       |
| Excellence in research and innovation.  | 3   | Increase in citations normalised to subject areas.   | ◆                    | ■          |                       |
| Excellence in education and student experience.   | 4   | Increase in the ratio of student applications to acceptances.  | ◆                    | ▲          |                       |
| Excellence in education and student experience.   | 5   | Improvement in the overall satisfaction of ANU students.   | ◆                    | ▲          |                       |
| Responsibilities to national policy makers and national institutions.<br>Responsibility regarding Asia and the Pacific. | 6   | Annual independent evaluations of ANU impact in public policy and Asia and the Pacific, demonstrating improvement year-on-year.  | ◆                    | ■          |                       |
| Responsibility to Indigenous Australia.   | 7   | Annual independent evaluations of ANU meeting its responsibilities to Indigenous Australia, demonstrating improvement year-on-year.  | ◆                    | ■          |                       |
| Achieving equity within ANU and in society.   | 8   | Achievement of Bronze, then Silver, and subsequently Gold recognition within the Australian SAGE Athena SWAN program.  | ◆                    | ▲          |                       |
| Achieving equity within ANU and in society.   | 9   | Increase in the proportion of commencing domestic undergraduate students from low SES, Indigenous, regional, and remote backgrounds so that it equals the national population share. | ◆                    | ▲          |                       |
| Building a culture of collegiality and engagement across and beyond ANU.  | 10  | Improved collegiality as indicated by the 'participation cluster' results in the VOICE survey.   | ◆                    | ■          |                       |

| University purpose/s <sup>a</sup>  | No. | Key Performance Indicator                               | Related <sup>a</sup> | Measurable       | Complete <sup>b</sup> |
|--|-----|---|----------------------|------------------|-----------------------|
| Building a culture of collegiality and engagement across and beyond ANU. | 11  | Increased number of engaged alumni year-on-year.        | ◆                    | Unable to assess |                       |
| Creating an unrivalled campus environment.                               | 12  | Demand for on-campus student accommodation met by 2021. | ◆                    | ▲                |                       |

Key: ◆ Fully and/or mostly compliant.

▲ Partially compliant.

■ Not compliant.

Note a: Related refers to the requirement of subsection 16EA(a) of the PGPA Rule, as amended.

Note b: See Appendix 6 for a description of each characteristic of good performance information and the methodology used to make the assessment.

Source: ANAO analysis.

### *Related*

3.57 The ANAO examined if the KPIs (performance measures) relate directly to one or more of the entity's purposes or key activities. As all 12 KPIs (performance measures) have been linked in the 2020 performance statements to the purpose/s of the ANU, the ANAO has assessed the KPIs (performance measures) as fully and/or mostly meeting the requirements of section 16EA of the PGPA Rule.

### *Measurable*

3.58 To determine the extent to which the KPIs meet the requirements of sections 16E and 16EA of the PGPA Rule, the ANAO has assessed if the KPIs are:

- reliable and verifiable — use sources of information and methodologies that are reliable and verifiable; and
- free from bias — provide an unbiased basis for the measurement and assessment of the entity's performance.

3.59 Two of the 12 KPIs have been assessed as 'reliable'. Six of the 12 KPIs have been assessed as 'partially reliable', three of the 12 KPIs have been assessed as 'not reliable' and one measure was unable to be assessed. The measures that have been assessed as 'not and/or partially reliable' have not: defined key terms; identified a target and/or timeframe; the ANU has stated that the activity to make an assessment against the measure has not been undertaken; or the data and methodology is still being developed.

3.60 One of the 12 KPIs was assessed as 'verifiable'. One KPI was unable to be assessed and the remaining 10 KPIs were assessed as 'partially verifiable' or 'not verifiable'. The 'partially' and 'not verifiable' assessments are those measures that have not: identified the methodology used to generate the results; have used a proxy measure, where the results illustrated refer to the previous measure; the process used to generate the data cannot be substantiated and/or the results validated; and source data is not clearly identified and/or accurately reflected.

3.61 None of the 12 KPIs have been assessed as being free from bias, with five KPIs assessed as 'partially free from bias', six assessed as 'not free from bias' and one measure unable to be assessed. The 'not and partially free from bias' KPIs are those measures:

- where the result has not been put into context and does not accurately reflect the performance of the ANU;
- does not allow for clear interpretation of the results, as other factors or constraints that may have impacted results are not disclosed;
- where risks of sampling<sup>145</sup> and interaction<sup>146</sup> bias exist that have not been identified;
- where the ANU has stated that it has smoothed out areas where it has not performed well; and
- where timeframes and other constraints on the ongoing validity of the result have not been disclosed.

### *Completeness*

3.62 To determine the completeness of the ANU's KPIs, the ANAO examined whether they:

- where reasonably practical, comprise a mix of quantitative and qualitative measures;
- include measures of the entity's outputs, effectiveness and efficiency measures; and
- provide a basis for an assessment of the entity's performance over time.

3.63 All of the KPIs are effectiveness measures. There would be benefit in the ANU reviewing its mix of KPIs to consider the scope for the inclusion of any efficiency based measures. The KPIs presented an appropriate balance of quantitative and qualitative information, including six quantitative and six qualitative measures. Of the 12 KPIs:

- seven do not identify if the measure is a short, medium or long-term measure<sup>147</sup>;
- four are short-term measures that are assessed annually<sup>148</sup>; and
- one is a long-term measure.<sup>149</sup>

3.64 Further, source data which does not provide information in a timely manner may not accurately reflect the entity's performance for annual reporting purposes. An example of a timeliness issue encountered is addressed in Case study 3 below.

---

145 Sampling bias occurs when individuals or groups are disproportionately represented in the sample from which information is collected (for example, when key stakeholders are omitted from the sample group).

146 Occurs when the sample group is aware that it is being observed and/or tested and changes its behaviour either consciously or subconsciously.

147 For example: KPI 1 'Improvement in the proportion of academic staff contributing to ERA level-4 and level-5 results' does not specify a time period that applies. KPI 8: 'Achievement of Bronze, then Silver and subsequently Gold recognition within the Australian SAGE Athena SWAN Program' is only updated when awards are achieved.

148 Short-term KPIs include KPI 2: 'Annual increase in the quantity of research income, and diversity of sources of this income, relative to the quantity and sources available'; KPI 6: 'Annual independent evaluations of ANU impact in public policy and Asia and the Pacific, demonstrating improvement year-on-year'; KPI 7: 'Annual independent evaluations of ANU meeting its responsibilities to Indigenous Australia, demonstrating improvement year-on-year'; and KPI 11: 'Increased number of engaged alumni year-on-year'.

149 KPI 12: 'Demand for on-campus student accommodation met by 2021'.



### Case study 3. Timeliness issues of information sources used to assess ANU performance

The ANU's KPI 1 'Improving the proportion of academic staff contributing to ERA level-4 and level-5 results' uses data to measure performance from year-to-year that is no longer current. Excellence in Research for Australia (ERA) is Australia's national research evaluation framework and the Australian Research Council (ARC) reported ERA results in 2012, 2015 and 2018. As part of this reporting process, the ANU submits data to the ARC, which is then evaluated for inclusion in the ERA Report. The source data is not intended to accurately measure year-on-year performance and is a lagging indicator based on data collected across three categories: research outputs; research incomes; and applied measures. The ERA 2018 results for research outputs were assessed across the 2011 to 2016 period, with research income and measures assessed across the 2014 to 2016 period. In February 2021, the ARC advised that it is reviewing the ERA to ensure it reflects best practice in research evaluation and has delayed the next round of the ERA until 2023. The final report into the review of the ERA was released in June 2021 and made 22 recommendations to improve the ERA framework.

3.65 In October 2021, the ANU advised the ANAO that given the context of a University most ANU measures are necessarily based on data submissions and methodologies supplied as part of statutory reporting to the Department of Education, Skills and Employment (DESE)<sup>150</sup>, Quality Indicators for Learning and Teaching (QILT)<sup>151</sup>, and the ARC. The ANU also advised that many of the measures within the higher education sector lag because of the time required to complete verification and publication processes.

3.66 The data sources and methodologies utilised by the ANU to meet its statutory reporting requirements under the *Higher Education Support Act 2013* can be used to assess the performance of the ANU against the measures identified in its Corporate Plan. However, to meet the requirements of the Commonwealth performance framework, the ANU must identify in its Corporate Plan and Performance Statement the methodology behind its KPIs (performance measures), and the reasoning for its approach.

3.67 As discussed in paragraph 3.47, the ANU's Corporate Plan does not clearly link its key initiatives (key activities) and KPIs (performance measures). Additionally, the KPIs (performance measures) identified in the ANU's Corporate Plan and reported on in its performance statements do not collectively address the extent to which the university has achieved its purpose/s, partially comply with the requirements of sections 16E, 16EA and 16F of the PGPA Rule and do not reflect the characteristics of good performance information as identified by the Department of Finance.

150 On an annual basis, the authorised delegate for the Minister for Education under paragraph 238-5(1)(b) of the *Higher Education Support Act 2003* for the purposes of section 19-70 issues higher education data collection requirements. The data collection requirements include: higher education student data, higher education staff data and university applications and offers data. The Department of Education, Skills and Employment also issues higher education research data collection specifications on an annual basis.

151 QILT is a suite of government endorsed surveys for higher education across the student lifecycle from commencement to employment. It is comprised of the Student Experience Survey, Graduate Outcomes Survey, Employer Satisfaction Survey and the Graduate Outcomes Survey — Longitudinal.

## Recommendation no. 4

3.68 The Australian National University should take the necessary steps to develop and implement performance reporting arrangements that comply with the requirements of the *Public Governance, Performance and Accountability Rule 2014* and reflect the characteristics of good performance information by:

- (a) establishing a clear link between the key initiatives (key activities) and key performance indicators (performance measures) outlined in its corporate plan; and
- (b) ensuring its key performance indicators (performance measures) are related, measurable and complete to enable an accurate assessment of its performance.

**Australian National University response:** *Agreed.*

## Academic performance

3.69 The ANAO examined Academic Board agenda papers, submissions and minutes for 2018 to 2020 and found that the Academic Board monitors the academic environment; is alert to emerging issues; reviews and accredits programs and courses as required; and engages in sector wide analyses to compare its academic performance against other domestic and international universities.

3.70 As discussed at paragraph 2.75, while the ANU participates in a range of benchmarking activities conducted across the academic sector it has not set institutional benchmarks for academic quality and outcomes. As a result, the ANU's academic performance reporting arrangements do not fully comply with the requirements of the Higher Education Standards Framework.<sup>152</sup>

## Recommendation no. 5

3.71 To comply with the Higher Education Standards Framework and support effective monitoring of academic performance, the Australian National University should establish institutional benchmarks for academic quality and outcomes.

**Australian National University response:** *Agreed.*

## Has the ANU implemented financial and risk management arrangements that are fit-for-purpose, including those established to respond to the COVID-19 pandemic?

The financial and risk management arrangements implemented by the ANU have been assessed as partially fit-for-purpose due to deficiencies in relation to its capital works, budget, delegations management and fraud control arrangements, identified through a series of internal reviews conducted between 2018 and 2020. While the ANU commenced a broad program of work in

---

152 Subsection 6.3.1(b) of the Higher Education Standards Framework requires that processes and structures are established, and responsibilities assigned that collectively: set and monitor institutional benchmarks for academic quality and outcomes.

2018 to address the deficiencies, as at October 2021 the initiatives have not been fully implemented. However, the ANU has implemented fit-for-purpose financial and risk management arrangements to respond to the COVID-19 pandemic.

3.72 Under the PGPA Act, the accountable authority is required to govern the entity in a way that promotes: the proper use and management of public resources; the achievement of the entities purposes; and its financial sustainability.<sup>153</sup> The PGPA Act also requires the accountable authority to establish and maintain appropriate systems of risk oversight and management.<sup>154</sup>

3.73 To determine if the ANU's financial and risk management arrangements are fit-for-purpose, including those established to respond to the COVID-19 pandemic, the ANAO examined the:

- financial management arrangements, including capital works, budget and delegations management;
- risk management and fraud control arrangements; and
- the ANU's response to the COVID-19 pandemic.

### Financial management arrangements

3.74 Across the period examined (2018 to 2020), a series of internal and external reviews have identified a range of deficiencies in relation to capital works, budget and delegations management. The deficiencies identified and the current status of work to resolve the issues are examined in more detail below.

#### *Capital works*

3.75 Despite the total value of approved capital works exceeding \$900 million over a six-year rolling program (2019 to 2025)<sup>155</sup> a 2020 controls review, commissioned by the ANU and conducted by EY found fit-for-purpose capital planning, approval and monitoring processes were not in place (see Case study 4).

#### Case study 4 Student Accommodation No.8

In July 2017, a student accommodation expansion plan was proposed to the Council for three student accommodation development projects. The proposal was based on an analysis identifying that the ANU was unable to meet demand for on-campus accommodation and a further 1500 beds were needed.

In April 2018, the Council approved the next site to be developed for Student Accommodation, Student Accommodation No.8 (SA8). The papers provided to the Council noted that development at the site proposed was dependent on a land sale agreement being reached with the ACT Government. In November 2018, the Vice-Chancellor approved \$137 million to procure construction services for the first stage of the project. In December 2018, the Council approved

153 *Public Governance, Performance and Accountability Act 2013* (Cth), section 15.

154 *ibid.*, section 16.

155 The six-year rolling program (2019–2025) is comprised of \$561.1 million for 10 major academic capital works and \$380.4 million for one commercial capital works project and one student accommodation project.

the proposed design and funds of \$166.2 million for the project and was advised that the project was expected to deliver over 1000 beds in 2021.

Throughout 2019, the Campus Planning Committee was provided with updates on the progress of the project where delays in acquiring the land, changes to the design and scope, a boundary dispute and delays to the completion of the project were disclosed. An update provided in September 2019 identified that early works had commenced in May 2019, that site clearing and excavation work was well underway, and advised of significant risks to achievement of the project within the agreed timeframe. One of the risks identified was the need to complete the purchase of land from the ACT Government.

No further updates were provided until 30 June 2020 when the Campus Planning Committee was advised that the project had been paused in April 2020 as part of addressing the financial risks to the ANU from the COVID-19 pandemic. At this time the Campus Planning Committee was also advised that due to the scoping, design, planning, budget and contract management issues that had eventuated, the project would have had to have been paused regardless. The Campus Planning Committee were also advised that no one individual had been accountable for the project and insufficient reporting had been provided to the Committee responsible for oversight of the project. The Audit and Risk Management and Finance Committees were advised of these issues in early July 2020. On 31 July 2020, the Council was advised that the Audit and Risk Management Committee had commissioned an audit of the project controls by EY and that a project review led by the Chief Operating Officer with support from an independent property consultant (ARUP) was being undertaken to develop recovery options. The Council endorsed the proposed approach.

3.76 The controls review was completed in September 2020.<sup>156</sup> The review found that:

- key planning documentation including a business case, risk register, governance and stakeholder engagement plans, procurement methodology, financial analysis and approval pathway were not developed;
- guidelines for the development of a business case for capital works proposals do not exist for commercial projects;
- there was no detailed capital investment plan for the ANU<sup>157</sup>; and
- a comprehensive capital infrastructure strategy for the campus would assist in guiding decision making and project development.

3.77 The report made 19 recommendations, which the Council has accepted.

3.78 Approval to purchase the land was provided by the Council in October 2020. In December 2020, the Council was advised that the land had been acquired.

---

156 At the Council meeting of 31 July 2020, the audit of the project controls conducted by EY became the 'Council Initiated Controls Review'.

157 The Campus Master Plan approved in July 2019 includes seven principles that capital proposals are to incorporate and a 5-year implementation plan, however the implementation plan is not accompanied by a strategic capital investment plan to guide and prioritise capital works.

3.79 In December 2020, a revised Capital Expenditure Plan (2021 to 2023) as part of the financial health strategy and the recovery plan was provided to the Council for noting. At this time, the Council was advised that:

In the past, the University's approach to capital investment has led to projects being reviewed and funded in isolation, and without always allocating funding for the full scope of the project. In addition, consideration of the full life cycle costs of facilities assets means that operating resourcing and maintenance work are often neglected. This has led to substantial investments in projects – both time and money – without a sufficiently clear capital strategy for the end-to-end management of the capital investment.

3.80 The ANU has commenced a program of work to implement the agreed recommendations from the controls review to address the shortcomings, including developing a prioritisation framework for capital expenditure and a suite of guidance material to support the development of business cases for capital works proposals. Progress is being monitored by the Council and Council Committees. In May 2021, the Council was advised that the development of strategic policies for capital investment, a business case framework and guidance material was on track for completion by September 2021.

### *Budget management*

3.81 In December 2018, Deloitte was engaged to investigate a fraudulent transaction identified by the ANU in 2017. The report found deficiencies in the budget processes of the ANU including: limitations in, and a lack of integration between the supporting ICT systems<sup>158</sup> used for budget management; financial policies and processes that were not fit-for-purpose; and inadequate oversight of financial delegations. The report made six recommendations that the ANU agreed to implement.<sup>159</sup>

3.82 Work to implement the recommendations was incorporated into an existing program, the Budget and Reporting Framework (BRF).<sup>160</sup> The BRF consisted of three workstreams intended to deliver: a new resource management model<sup>161</sup>; finance and budget policies and processes<sup>162</sup>; and improved finance and budget management systems.<sup>163</sup> The BRF was implemented, in part, to

---

158 The three systems are: ES Financials accounting software used for financial management and transaction processing, including accounts payable and receivable, asset management, inventory and purchasing activities; PeopleSoft is a human resource system used to allocate delegations; and TM1 an enterprise planning software program used to implement planning, budgeting and forecasting activities that is maintained outside of the Finance and Business Services Division.

159 The six recommendations were comprised of two strategic recommendations and four operational recommendations. The two strategic recommendations were to undertake a financial functional, and systems and strategy review. The remaining four recommendations included: review and remediate access and change management to critical financial systems; plan for the implementation of new accounting standards; reconcile and/or integrate asset registers; and redesign the general ledger and chart of accounts.

160 The Budget and Reporting Framework program was first discussed at the Finance Committee meeting of May 2018.

161 The resource management model stream deliverables included a multi-year budget framework, budget rules and processes, budget calculation methodology, budget process and financial reporting arrangements.

162 The policy and process stream was to include undertaking a review of the existing suite of financial policies and updating the policies, procedures and processes to support the resource management model and improve financial management of the ANU.

163 The systems stream included assessing the current state of the systems used to allocate and manage funds and provide options to address any gaps or changes to support the new resource management model.

address the limitations of the budget model. The most significant limitations identified included: that the model was not linked to and did not support achievement of the strategic plan; and did not allow the reallocation of funds on the basis of need.

3.83 At the end of March 2020, the ANU reported that products from the budget framework and calculation methodology had been successfully trialled and a new resource management model developed, however deliverables of the BRF that were in-progress or had not been started, included:

- a capital planning and budgeting framework;
- implementation of an updated financial policy framework and associated financial delegations;
- implementation of budget management software, including a budget tracking system; and
- enhancement of the existing costing and pricing tools.

3.84 In April 2020, due to the impact of COVID-19, the ANU developed the Financial Health Strategy to: implement immediate liquidity measures; an expenditure control framework that established expenditure caps and savings targets for 2020; and supported improved financial performance.<sup>164</sup> Subsequently, the BRF was brought to an early close, its activities ‘paused’, and outstanding deliverables transferred to the responsible business unit for implementation. While deliverables across the finance and budget policies and processes and finance and budget systems workstreams of the BRF are still to be implemented, in October 2021, the ANU advised the ANAO that the financial health strategy and subsequent recovery plan, discussed at paragraph 3.113, had:

- implemented clear budget principles and model for the 2021 budget, with further enhancements being implemented for the 2022 budget;
- introduced a quarterly forecast process in 2021;
- introduced monthly financial management reporting to enable the Senior Management Group to monitor performance, take corrective actions and redirect funding as required; and
- introduced minimum cash requirements and liquidity ratios that are reported on each month.

3.85 The ANU also advised the ANAO that work had commenced on target debt metrics as outlined in the Financial Strategy (Debt) approved by the Council in December 2020.

### *Delegations management*

3.86 The delegations framework at the ANU is comprised of 413 delegations. The framework categorises delegations into three types: legislative; specialist; and banded. Legislative delegations are those prescribed in the enabling Act or a statute approved by the Council and allocated to the holder of an office such as College and Associate Deans. Specialist delegations are held by designated positions, for example, the Vice-Chancellor, Chief Operating Officer, Director of Human Resources and Registrar. Banded delegations are grouped into profiles based on the level of responsibility. The ANAO reviewed the ANU’s delegations policy, procedure and matrix and

---

<sup>164</sup> The Financial Health Strategy was approved by the Council on 29 May 2020.

observed that the delegations procedure identifies six bands (D1 to D6). However, in practice there are eight bands (D1 to D8).

3.87 The ANU's authority of delegations policy states that the delegations framework devolves authority to appropriate levels within the ANU's organisational structure. Under the delegations framework, senior delegates (those that hold a D1 to D3 delegation)<sup>165</sup> are authorised to assign delegations within their area of responsibility.<sup>166</sup> For example, D3 delegates are able to assign delegations (D4 to D8) to individual positions and all of the delegations profiles (D4 to D8) include authority to expend funds up to a predetermined limit.<sup>167</sup> Due to the use of this decentralised model, the delegations of authority policy and procedure requires senior delegates to provide annual assurances that the policies of the ANU have been adhered to and financial controls exercised. These assurances were not provided across the period examined (2018 to 2020).

3.88 The ANU runs regular reports on the delegations held across all of its business units and is able to identify which delegations are held by which position number. However, the reports do not provide any information in regard to the use of the delegations, including the total value of funds and/or number of transactions approved by the delegate.

3.89 The Higher Education Standards Framework requires that academic governance includes confirming that delegations of academic authority are implemented and monitored. Delegations of academic authority at the ANU have been allocated to designated positions identified in the relevant Statute or Rule, such as the *Coursework Awards Rule 2019* and the *Research Awards Rule 2018*. The ANU does not track the use of academic delegations, provide assurance or report to the Council on the use of delegations of academic authority and any non-compliance identified. During the course of the audit, the ANU advised the ANAO that it is implementing an annual reporting requirement on the assignment of academic delegations. In October 2021, the ANU advised that the first annual report on the assignment of academic delegations in colleges was presented to the Audit and Risk Management Committee on 9 September 2021 and was considered by the Academic Board on 19 October 2021.

3.90 As part of the BRF program, the financial policies and processes stream included a review and update of financial delegations. The review identified 85 financial delegations and found that the existing financial delegations are:

- fractured and fragmented — with delegations to purchase goods and services spread across more than 31 topic areas;
- inconsistent — with values for common transactions differing across topic areas;

---

165 Senior delegates are defined as delegates that hold D3 or above. The roles which hold a D3 delegation include College General Managers, Directors of Service Divisions, Directors of Schools and Centres within Colleges, Deputy/Associate Deans and positions reporting directly to members of the University Executive.

166 Delegations are assigned to positions and managed in the Human Resources Management System.

167 Roles that hold a D4 profile include Deputy Heads of Schools, Heads of Departments, Deputy General Managers, Deputy Directors and direct reports to Directors of Schools. D4 delegates are able to authorise expenditure up to \$250,000. Delegates that hold a D5 profile include Administrative Managers and are able to authorise expenditure up to \$100,000. Delegates that hold a D6 profile require basic expenditure and supervisory delegations and are able to authorise expenditure up to \$50,000. D7 and D8 delegates are able to authorise expenditure up to \$10,000 and \$5,000, respectively.

- inadequate — in that they fail to address specific financial risks, including material indemnities, guarantees and warranties;
- have poor control points — where approval occurs at the point of expenditure rather than commitment<sup>168</sup>; and
- limited to using monetary values as control limits.

3.91 As at August 2021, work to implement the recommendations from the review had commenced, however, the updates to the financial delegations framework had not been completed.

3.92 The control issues identified have not resulted in any known issues with regard to the accuracy of the financial statements, with controls testing demonstrating that expenditure has been appropriately authorised. Nevertheless, exercising the financial delegation at the point of expenditure is not consistent with the PGPA Act<sup>169</sup>, Rule<sup>170</sup>, or better practice. Guidance material issued by the Department of Finance states that:

A commitment of relevant money is an activity that creates an obligation to pay relevant money. A common way to commit relevant money is by entering into an arrangement. This includes an obligation that is contingent upon certain events occurring (for example, indemnities, guarantees and warranties. An arrangement includes a contract, agreement, deed or understanding.<sup>171</sup>

## **Risk management and fraud control**

3.93 The Risk Management Policy that was in effect between 2018 and 2020 required colleges and service divisions to: integrate risk management principles into operational plans; develop and maintain strategic and fraud risk profiles; and develop and maintain business continuity plans.

3.94 While annual updates against college plans have been provided to the Council, see paragraphs 3.18 to 3.20 the strategic and fraud risk profiles, as well as the business continuity plans required to be developed by the colleges and service divisions of the ANU have not been maintained.

3.95 In March 2018, an internal audit of the business continuity arrangements found there was an absence of a business continuity policy and operational framework to lead effective business continuity across the ANU, with colleges and service divisions either having not identified or not documented their business continuity measures. In September 2020, it was noted that a weakness

---

168 In October 2021, the ANU advised that the majority of ANU's external spend is formally recognised in the ANU systems at the point of invoice being received and the appropriate delegate is responsible for approval of any invoices. It is not possible to identify if — at the time of goods and/or services being procured from a third party — that the correct delegate was approving the purchase as there is no purchase to pay system implemented, and procurement is very decentralised. The ANU also advised that EY has been engaged to conduct a purchase to pay audit at the ANU. The report was presented to the Audit and Risk Management Committee on 9 September 2021. The ANU is in the process of reviewing and responding to the audit recommendations, with the full report scheduled to be presented to the Audit and Risk Management Committee on 17 November 2021.

169 *Public Governance, Performance and Accountability Act 2013* (Cth), section 15.

170 *Public Governance, Performance and Accountability Rule 2014* (Cth), section 18.

171 Department of Finance, *Resource Management Guide 400: Commitment of Relevant Money (RMG:400)* [Internet], Finance, available from <https://www.finance.gov.au/publications/resource-management-guides/commitment-relevant-money-rmg-400> [accessed 14 May 2021].



of the ANU's response to COVID-19 related to the lack of comprehensive business continuity plans. In May 2021, the ANU engaged Fulcrum Risk Services to undertake a gap analysis, develop business impact assessments, a university wide business continuity plan and business continuity templates. The first phase of this program of work was delivered in June 2021.

### *Strategic risk register*

3.96 Across 2018 to 2020, the ANU updated and reviewed its strategic risk register as required, except for the review which was due in November 2019.<sup>172</sup> In 2020, the ANU replaced its strategic risk register, with a COVID-19 risk register to identify risks, treatments, owners and monitoring activities to be implemented as part of its response to the COVID-19 pandemic.

3.97 In December 2020, the Council approved the Enterprise Risk Management Framework. The new framework requires that the ANU maintains a strategic risk register and for all colleges, service divisions and controlled entities to maintain a local level operational risk register. All high and extreme risks, with accompanying treatment plans are to be reported annually to the Executive and risk profiles are to be recorded in a dedicated software program. The Enterprise Risk Management Framework also states that the strategic risk register is to be reviewed annually, with a mid-year status report provided to the Audit and Risk Management Committee and to the Council.

3.98 The updated strategic risk register was provided to the Audit and Risk Management Committee and approved by the Council in July 2021. As at October 2021, the dedicated software program has not been fully implemented (see paragraphs 3.21 and 3.22) and risk profiles and assessments for each of the colleges and service divisions of the ANU and its controlled entities (including its subsidiary ANUE) have not been uploaded.

### *Fraud control framework*

3.99 In March 2019, an internal audit found that: fraud risks have not been sufficiently identified and assessed; the fraud control plan does not address identified risks; a lack of fraud awareness amongst staff; potential incidences of fraud are not being reported through the appropriate channels, or at all; and a lack of documented processes and procedures for investigating, recording and tracking potential fraud instances. The audit made six recommendations which the ANU agreed to implement. In July 2020, the Audit and Risk Management Committee was advised that five recommendations from the internal audit had not yet been implemented.

3.100 As at October 2021, five of the six recommendations remain outstanding. The planned revision of the fraud risk framework planned for 2019 to 2021 has not yet been undertaken. Additionally, fraud risk assessments, fraud control testing, reporting and controls self-assessment activities have not been completed as required.<sup>173</sup>

---

172 According to the entity-wide risk management framework, the strategic risk register was approved in May 2019, however, a review scheduled for November 2019 was not undertaken.

173 During the course of the audit, the ANU advised the ANAO that work to recruit a compliance officer to implement the recommendations from the audit was paused in 2020 and could not proceed in 2021 due to the hiring freeze implemented as part of the expenditure control framework. The ANU provided an update in October 2021, advising that work to establish and fund the position and implement the recommendations from the audit has recommenced.

## Assurance arrangements

3.101 The internal audit work program is the primary mechanism to provide the Council with assurance that the systems relating to risk management, oversight and internal control have been implemented and are effective. The internal audit work program is endorsed by the Audit and Risk Management Committee and approved by the Council on an annual basis. Across the period examined (2018 to 2020), an average of 12 audits have been planned each year, with an average of 10 audits conducted. Copies of the internal audit reports and management response are provided to the Audit and Risk Management Committee for endorsing and in February and July of each year the Audit and Risk Management Committee is provided with a report on outstanding audit recommendations.

3.102 In addition to the internal audit program, the Council is provided with an annual governance conformance statement where the Council 'confirms' that it has complied with the ANU Act, the PGPA Act and Rule, the Higher Education Standards Framework and the Voluntary Code. The statement focuses on the operations of the Council and the discharge of its duties. The statement identifies the frameworks that have been established in line with the requirements of the PGPA Act and Rule, however, it does not require the colleges and service divisions of the ANU to certify that the frameworks and systems established by the Council that relate to risk management, oversight and internal control, have been implemented, are being complied with and managed effectively.

### Recommendation no. 6

3.103 The Australian National University should develop and implement an appropriate reporting regime to provide assurance to the Council that the systems of control, risk management and oversight that have been established, have been implemented, are effective and are being complied with.

**Australian National University response:** *Agreed.*

3.104 *Given existing high-level reporting to Council and its Committees, the implementation focus of this recommendation will be at the College and Portfolio levels.*

## COVID-19 pandemic

3.105 The COVID-19 pandemic continues to pose a risk to the liquidity and financial sustainability of the ANU due to the decline in overseas student numbers and forecasted decrease in revenue. It has also had a significant impact on teaching, research and academic activities of the ANU, due to the closure of the campus and the move to remote working and teaching arrangements. To provide a timely response to these issues, on 28 January 2020, the ANU stood up a Crisis Incident Management Team (CIMT).<sup>174</sup> The CIMT was chaired by the Chief Operating Officer, included members from across the Senior Management Group and sought input from relevant subject matter experts from across the ANU and externally.

---

<sup>174</sup> At the time, the ANU had two existing critical incident teams in place to respond to the December 2019, January 2020 bushfires and hailstorm, and as such had processes and procedures in place for establishing such a team.

3.106 The early activities of the CIMT (January to March 2020) focused on identifying the extent of the ANU's exposure, its legal powers to enforce self-isolation requirements, establishing remote teaching and learning options, designing support packages for affected students, communication with relevant ACT and federal government agencies, and exploring options to obtain data.<sup>175</sup> In April 2020, the Council established the COVID-19 Committee. The purpose, roles and responsibilities of the Committee as stated in its charter are below.

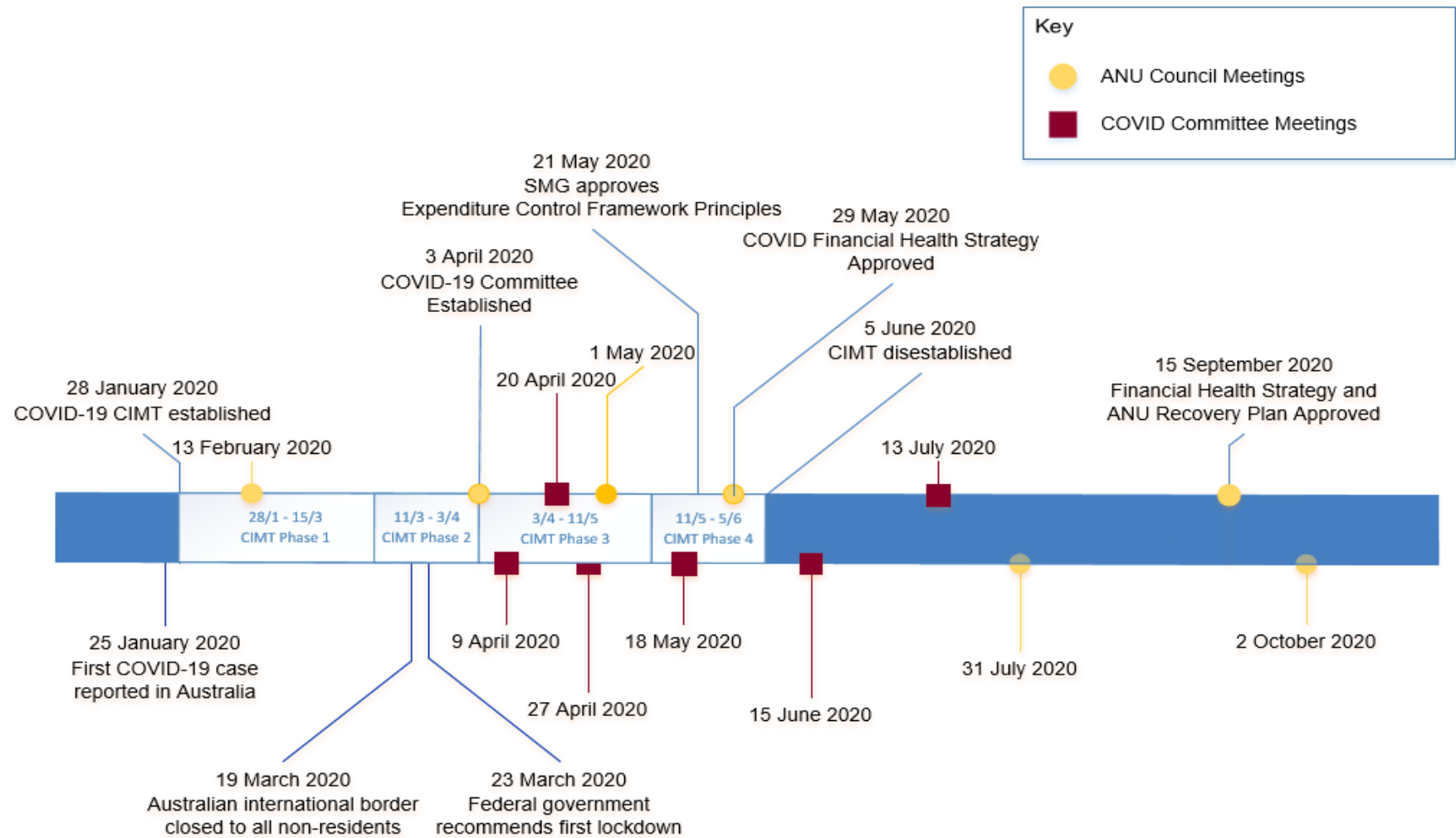
For the purpose of supporting the University's response to COVID-19, and to advise Council. The Committee's responsibilities, subject to revision by Council are to monitor, review, and where appropriate, make recommendations and endorse actions to Council in relation to any aspect of the response to the COVID-19 situation, especially including in relation to financial matters and strategies to manage liquidity issues.

3.107 The COVID-19 Committee played a key role in overseeing the development and implementation of the expenditure control framework, financial health strategy and ANU Recovery Plan. A timeline of the key events and activities that the ANU undertook to address the immediate financial risks in 2020 is detailed at Figure 3.2.

---

<sup>175</sup> In March 2020, the ANU updated and approved its pandemic response plan. The plan was originally approved in 2015 and was not reviewed again until February 2020.

**Figure 3.2: Timeline of key events and activities to address the financial risks associated with COVID-19**



Source: ANAO Analysis.

3.108 The authority, role and activities of the COVID-19 Committee are illustrated below in Case study 5.

**Case study 5. Authority, role and activities of the COVID-19 Committee**

The COVID-19 Committee, established in April 2020, was authorised to approve expenditure up to \$50 million. The COVID-19 Committee, met six times in 2020 and in consultation with senior management, developed the Financial Health Strategy for the Council's approval. The focus areas of the strategy were:

- liquidity and solvency measures;
- expenditure control framework; and
- improving financial performance.

The liquidity and solvency measures included: delaying capital expenditure; a recruitment pause; travel savings; and raising of debt. The raising of debt included the establishment of a \$300 million financing facility and liquidating \$200 million in medium-term notes held within its investment portfolio. The ANU also obtained Ministerial approval to increase its borrowing capacity to \$800 million.

The expenditure control framework principles were: endorsed by the Senior Management Group on 11 May 2020; noted by the COVID-19 Committee on 18 May 2020; and approved by the Council at a special meeting held on 29 May 2020. The expenditure control framework defined ANU wide financial targets and created expenditure limits.

The third limb of the Financial Health Strategy addresses the financial recovery of the ANU throughout 2021 and rebuilding of the ANU's financial portfolio from 2022 to 2023.

3.109 The ANU's response to the non-financial impacts of COVID-19 was led by the Vice-Chancellor, supported by the Senior Management Group and the Academic Board.

### *Response phase*

3.110 In March 2020, the Vice-Chancellor, on the advice of the Senior Management Group, approved the ANU's move to remote working. This included: a one-week teaching pause; closing the campus, with access restricted to essential staff; shifting to remote teaching and learning; and modifying the ANU's grading system to allow students to opt into a grading system of did or did not meet course requirements to mitigate the academic impact of issues encountered as part of shifting to remote learning.<sup>176</sup> In April 2020, the Council was advised of the activities that had been undertaken, approved the initial liquidity measures and the development of a financial health strategy.

3.111 In May 2020, the Council was presented with a range of initiatives that had been developed to respond to the COVID-19 pandemic (the response phase). The response phase was in place throughout 2020 and into 2021. The initiatives of the response phase, in addition to the measures

---

<sup>176</sup> This agenda item was raised by the CIMT prior to the topic proceeding to the Academic Board.

outlined at Case study 5<sup>177</sup>, included the development of a COVID-19 specific risk register and the establishment of a COVID-19 response office.

3.112 The COVID-19 risk register initially identified 10 risks including: the inability to maintain sufficient liquidity; poor student support; compromise of academic integrity; inability to meet research funding and regulatory obligations; staff morale, productivity and mental health impacts; and compromise of information assets, systems, information and data. Updates and revisions to the risk register were provided at each Audit and Risk Management Committee held between July 2020 and July 2021.

### *Recovery phase*

3.113 As at October 2021, the ANU has moved into its recovery phase. Planning for the recovery phase commenced in 2020. In September 2020, the Council approved the Financial Health Strategy 2021–23 (now known as the ANU Recovery Plan). The ANU and each college of the ANU released a recovery plan in October 2020. The ANU Recovery Plan sets out the strategic context, financial situation, college and portfolio budget allocations and initiatives that will be pursued across the period. As part of the ANU Recovery Plan, in November 2020 the Senior Management Group endorsed the implementation of a mixed resource (budget) allocation model, revised debt strategy, prioritisation framework for capital expenditure and financing and procurement strategies to introduce stronger internal controls. To complement the recovery plans, the ANU has also released a range of change management and implementation plans for each college that are to remain in place until 2023. The recovery plans for the ANU and each of the colleges are available to staff, students and the general public on the ANU's website.

---



Grant Hehir  
Auditor-General

Canberra ACT  
29 November 2021

---

177 In August 2020, the ANU Executive decided that the expenditure controls established in 2020 would be maintained in 2021.

## **Appendices**

## Appendix 1 Australian National University's Response



Australian  
National  
University

**The Hon Julie Bishop**  
Chancellor

Exchange Tower Level 20  
2 The Esplanade Perth WA 6000

**P** GPO Box 2559  
St Georges Tce WA 6831  
**M** 0416-277-014  
**E** [chancellor@anu.edu.au](mailto:chancellor@anu.edu.au)  
[www.anu.edu.au](http://www.anu.edu.au)

14 October 2021

Mr Grant Hehir  
Auditor-General for Australia  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Via email:

[OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au](mailto:OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au)

Dear Mr Hehir

### **ANAO Draft Report – Performance Audit of the ANU**

#### **ANU Response**

Thank you for providing the ANAO draft report on the *Australian National University's Governance and Control Framework* pursuant to section 19 of the *Auditor-General Act 1997*. The ANU appreciates the opportunity to respond to this report.

The University welcomes the independent assessment of our governance and control framework and agrees to each of the six recommendations presented in the document. As part of an established culture of continuous improvement, the ANU has immediately commenced planning to implement each recommendation. Also, the Chair of the Audit and Risk Management Committee (ARMC) has indicated to me that the monitoring and reporting of this work has already been included in the ANU's Internal Audit Work Plan for 2022.

The enormity of the challenges confronting the University during the entirety of the Performance Audit cannot be overstated. As you are aware, the ANU has been managing for almost two years the impact of several significant disruptive events, including the bushfires, smoke, a devastating hailstorm, and COVID-19. As I explained in my letter to you of 28 May 2020, these events presented an enormous, complex and long-term challenge for our staff and students, our research, our financial health and the campus itself. The staff directly supporting the audit were also, in several instances, the same people leading the response to COVID-19 while already under sustained pressure.

As requested, I have attached the University's summary response and, separately, a table indicating ANU's agreement to each recommendation. Please note that the University has already responded to some of the commentary contained in the draft report and submitted this to the ANAO audit team on 11 October 2021.

I take this opportunity to acknowledge the outstanding leadership of the Vice-Chancellor, Professor Brian Schmidt AC, and his team, and especially also the ARMC for providing support and guidance

The Australian National University | Canberra ACT 2601 Australia | CRICOS Provider No. 00120C



to the University throughout the audit process. I also place on record the University's appreciation to officers from the ANAO who were professional and courteous at all times.

Kind regards

A handwritten signature in blue ink, appearing to read 'Julie Bishop', is positioned above the printed name.

The Hon Julie Bishop  
**Chancellor**

**Attachment**

- 1 - ANU Response – Summary
- 2 - ANU Response – Recommendations Table

The Australian National University | 2

## Appendix 2 Performance improvements observed by the ANAO

1. The fact that independent external audit exists, and the accompanying potential for scrutiny, improves performance. Program-level improvements usually occur: in anticipation of ANAO audit activity; during an audit engagement as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- initiating reviews or investigations; and
- introducing or revising policies or guidelines.

4. In this context, the below improvements were observed by the ANAO during the course of the audit. It is not clear these actions and/or the timing of these actions were already planned before this audit commenced. The ANAO has not sought to obtain reasonable assurance over the source of these improvements or whether they have been appropriately implemented.

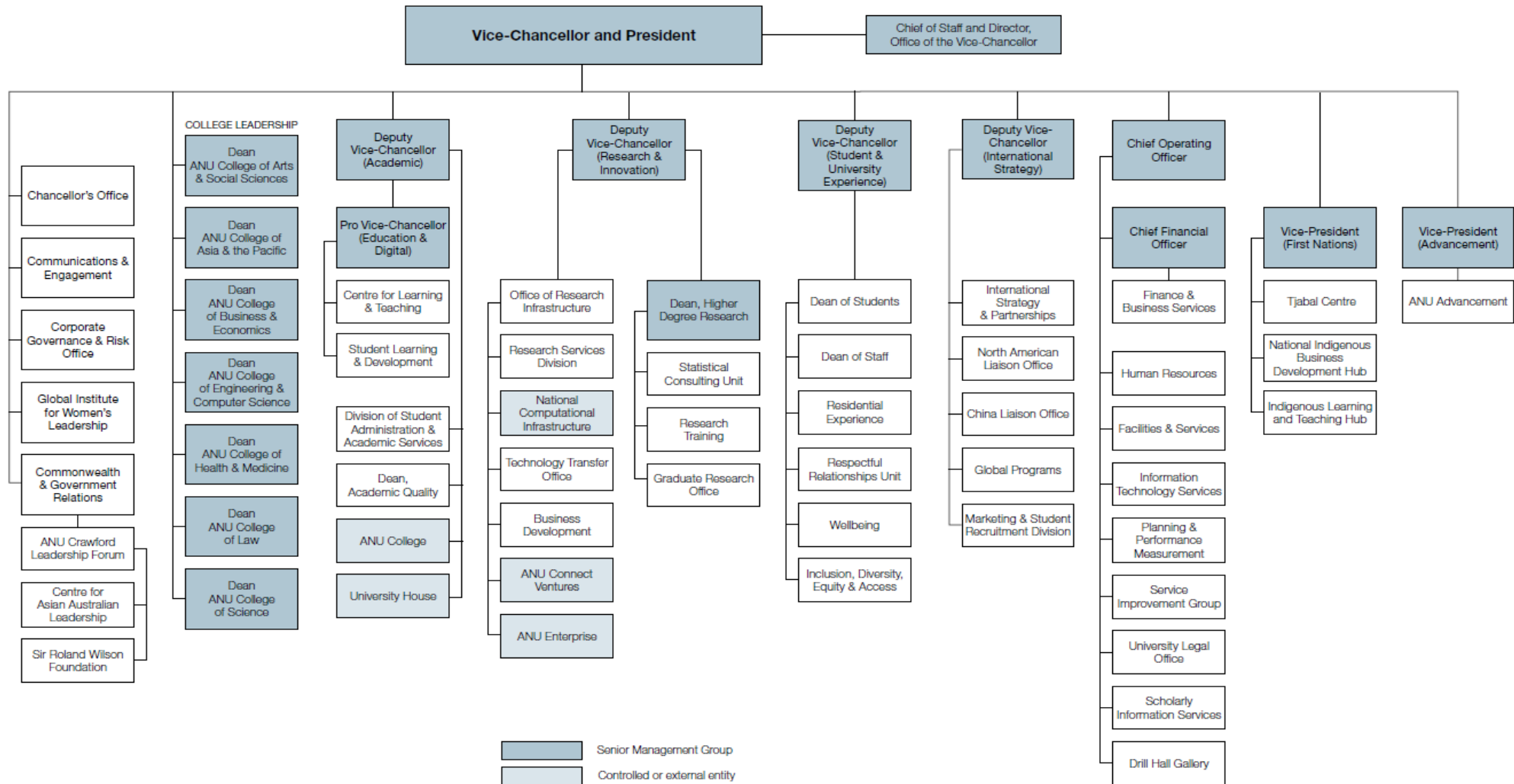
5. In respect to a range of issues identified by the ANAO in the course of the audit — the ANU advised it has:

- updated the reporting requirements of the Academic Board, as outlined in its charter, to include providing assurance to the Council that the ANU has complied with the *Higher Education Support Act 2003* and the *Higher Education Standards Framework (Threshold Standards) 2015* (see paragraph 2.7);
- commenced a review of all of the charters for the Council and its Council Committees, the review is scheduled for completion by December 2021, (see paragraphs 2.22 and 2.61);
- implemented an ICT solution that integrates SharePoint with its Electronic Records Management System (ERMS) system. Once the solution has been installed it automates the transfer of records from SharePoint into ERMS (see paragraph 2.35);
- released its Policy on Academic Freedom and Freedom of Speech and reported to the Minister for Education and Youth that the ANU is now in alignment with the French Model Code (paragraph 3.7);

- advised that it will be splitting the Strategic Plan from the Corporate Plan to improve alignment with the performance statements and has sought guidance from the Department of Finance to assist review and develop its Corporate Plan for 2022 (see paragraph 3.49);
- has commenced a program of work to develop strategic policies for capital investment, a prioritisation and business case framework as well as guidance material to support the development of business cases for capital works proposals, (see paragraph 3.80); and
- has implemented an annual reporting requirement with regard to the assignment of academic delegations to be provided to the Audit and Risk Management Committee (see paragraph 3.89).

## Appendix 3 ANU Senior Management Structure

Figure A3.1: ANU Senior Management Structure



Source: ANU Senior Management Structure — February 2021.

## Appendix 4 Status of implementation — Walker and Winchester Reviews

**Table A.1: Implementation of the recommendations from the Walker Review, as reported to the Council**

| Recommendation No. | Recommendations from the Walker Review   | ANU Response | Status of implementation <sup>a</sup> |
|--------------------|--|--------------|---------------------------------------|
| 1                  | It is recommended that the ANU Act should include a preamble and revised statements of the University's functions (or purpose) and powers; these should emphasise the special role and responsibilities of the ANU.  | Agreed       | Partially Implemented                 |
| 2                  | It is recommended that the ANU should include within its Annual Reports an explanation of how the National Institutes Grant has been used in the relevant year to advance the University's special role as articulated in the preamble, the statement of the University's functions (or purpose) and its powers.   | Agreed       | Implemented                           |
| 3                  | <p>It is recommended that the ANU Act should provide that:</p> <ul style="list-style-type: none"> <li>the governing authority of the University is the Council;</li> <li>subject to the Act and the Statutes, the Council may do anything necessary or convenient to be done for, or in connection with, its role as the governing authority of the University; this includes the making of Statutes, provided that such Statutes are not inconsistent with the Act or the PGPA Act;</li> <li>the primary responsibilities of the Council include: <ul style="list-style-type: none"> <li>appointing the Chancellor;</li> <li>appointing the Vice-Chancellor and monitoring her or his performance;</li> <li>setting the University's strategic goals and monitoring progress towards the achievement of those goals;</li> <li>overseeing academic activities and management effectiveness; and</li> <li>ensuring responsible financial and risk management and compliance with legislation</li> </ul> </li> </ul> <p>the Council is to act in all matters concerning the University in the way it thinks will best promote the interests of the University.</p> | Agreed       | Partially Implemented                 |
| 4                  | It is recommended that the relevant Australian Government portfolios should consider whether section 44 of the ANU Act, which deals with borrowing limits, is of continuing relevance.   | Not agreed   | N/A                                   |
| 5                  | It is recommended that the reach and application of the PGPA Act to the ANU should be clarified.   | Agreed       | Implemented                           |
| 6                  | It is recommended that ANU clarifies and makes known who is responsible for considering and formally approving degree and other award programs (i) on academic and (ii) on business grounds, including the review of existing programs, and that the Council considers and approves the high level principles to be applied to determine whether to offer such a program (this would include considering high level policy issues such as whether the University should offer sub-degree level qualifications) and the high level principles regarding the fees to be charged, where relevant.   | Agreed       | Implemented                           |

| Recommendation No. | Recommendations from the Walker Review  | ANU Response          | Status of implementation <sup>a</sup> |
|--------------------|---|-----------------------|---------------------------------------|
| 7                  | <p>It is recommended that:</p> <ul style="list-style-type: none"> <li>the ANU Council should be constituted as follows: <ul style="list-style-type: none"> <li>two official members — the Chancellor and Vice-Chancellor.</li> <li>at least three and up to six members appointed by the Council — the number to be determined by Council and specified in a Rule. At least one of the Council appointed members must be external to the University, that is, not a current member of staff or student. The Nominations Committee would make recommendations to Council regarding who should be the external Council appointed member(s). If Council were to decide that there should be staff or student members, they must be appointed or elected ad personam with the exception of the Chair of the Academic Board who may be appointed by virtue of her or his office.</li> <li>at least three and up to six external members appointed by the Minister. The number of members appointed by the Minister would be determined by Council and specified in a Rule, but the number must be equal to or greater than the number of Council appointed members. The Nominations Committee would be required to put forward the names of people who the Committee considers would be appropriate for appointment (or re-appointment) by the Minister, specifying the reasons for the suggestion. The Nominations Committee would be required to put forward at least one more name than the number of vacancies. The Minister would be required to consider the Nominations Committee's suggestions but would not be bound to appoint one of those suggested. The Minister would be required to give reasons for the appointment of a particular person.</li> </ul> </li> <li>the Nominations Committee, the Council and the Minister should be required to have regard to the desirability of ensuring that: <ul style="list-style-type: none"> <li>there is a balance of skills, expertise and gender among members of the Council;</li> <li>regard is had to the skills necessary to ensure that the Council can fulfil its responsibilities under the legislation; and</li> <li>Council members have an appreciation of the purposes of the University, its independence and academic freedom, and the capacity to appreciate the national role of the University and what the University's external community needs from it.</li> </ul> </li> <li>at least two of the Council members would be required to have a high level of relevant financial expertise and at least one member would be required to have a high level of relevant commercial expertise.</li> <li>Council appointed members and members appointed by the Minister should be appointed for a period not exceeding four years; they could be renewed, but unless the Council, in the case of Council appointed members, or the Minister, in the case of members appointed by the Minister, determines otherwise in respect of a particular member, Council appointed members and members appointed by the Minister would not be permitted to hold office for more than eight years.</li> <li>Council members, other than members of staff, should be paid and time-release from their usual duties should be authorised for staff members.</li> </ul> | Agreed with exception | Partially implemented                 |

| Recommendation No. | Recommendations from the Walker Review  | ANU Response | Status of implementation <sup>a</sup> |
|--------------------|---|--------------|---------------------------------------|
| 8                  | It is recommended that Council consider establishing a Campus Planning Committee being a Council Committee charged with providing advice to Council on the development and periodic review of master plans for the University's Campus or, if its terms of reference were to extend to advising Council on the design and implementation of major infrastructure projects and/or the naming of buildings, Council might consider establishing it as a Buildings and Estates Committee.  | Agreed       | Implemented                           |
| 9                  | It is recommended that, in the case of Council committees: <ul style="list-style-type: none"> <li>• each committee's terms of reference should be easily located and formatted consistently</li> <li>• short biographies of each committee member should be published on the web site</li> <li>• an annual schedule of business should be developed that links the committee's terms of reference to a schedule of matters to be addressed at the various committee meetings scheduled for that year</li> <li>• Council should consider annual reports from each Committee evaluating its effectiveness against its schedule of business and terms of reference.</li> </ul> | Agreed       | Implemented                           |
| 10                 | It is recommended that, in due course, consideration be given to the Chair of the Academic Board being elected by all academic staff or by the professoriate.   | Agreed       | Implemented                           |
| 11                 | It is recommended that the Committee on Conditions and Appointment of the Vice-Chancellor should be replaced by a Remuneration Committee with expanded terms of reference.  | Agreed       | Implemented                           |
| 12                 | It is recommended that section 37 of the ANU Act (acting appointments) should apply only to the office of Vice-Chancellor and that Council should integrate the Emergency Appointment (Vice-Chancellor) Committee into the Remuneration Committee in which case it might be titled Remuneration and Appointments Committee.   | Agreed       | Implemented                           |
| 13                 | It is recommended that, taking into account the advice of its Finance Committee, the Council should determine whether it is necessary to have an Investment Advisory Sub-Committee as a Sub-committee of the Finance Committee; if so, both its formal terms of reference and, in practice, the work it is asked to undertake, should be those of a governance committee and the Corporate Governance and Risk Office should assume responsibility for it. This would not preclude the management of the University establishing a management committee, even one drawing on external advice, to guide the day-to-day operations of the Investment Office.                  | Agreed       | Implemented                           |
| 14                 | It is recommended that the Nominations Committee should develop a 'skills register' to ensure that the members of Council, collectively, meet the needs of a skills-based board.  | Agreed       | Implemented                           |
| 15                 | It is recommended that the Council should re-examine the Guidelines by reference to which the Nominations Committee operates to ensure that they reflect the skills required of Council members and the responsibilities of Council members.  | Agreed       | Implemented                           |
| 16                 | It is recommended that the Induction Program should be expanded to include material acquainting new members with the Higher Education sector; this material should be provided in written form well before the induction briefing sessions.   | Agreed       | Implemented                           |

| Recommendation No. | Recommendations from the Walker Review   | ANU Response | Status of implementation <sup>a</sup> |
|--------------------|--|--------------|---------------------------------------|
| 17                 | It is recommended that the Chancellor make contact with all Council members in the second quarter of each year to discuss their professional development needs. A list of possible programs should be made available to Council members and discussions held regarding what, if anything, might be beneficial for each particular member. A similar process should extend to members of Council Committees who are not Council members.  | Agreed       | Implemented                           |
| 18                 | It is recommended that the ANU take a leadership role in the sector by working with other Australian universities to consider jointly sponsoring the development of a program by an appropriate provider targeted at the professional development needs of members of university governing bodies and governance committees, with modules of the program being offered each year.  | Not agreed   | N/A                                   |
| 19                 | It is recommended that, within a short time after each Council meeting, a short statement should be placed on the Council website, authorised by the Chancellor, summarising 'what happened at Council'.   | Agreed       | Implemented                           |
| 20                 | It is recommended that the Vice-Chancellorship Statute be amended to adopt more contemporary language regarding the role of the Vice-Chancellor.   | Agreed       | Implemented <sup>b</sup>              |
| 21                 | It is recommended that the Vice-Chancellorship Statute be amended to deal with the process to be followed if there is a breakdown in relationships or a breach of duty.  | Agreed       | Implemented <sup>b</sup>              |
| 22                 | It is recommended that section 35 of the current ANU Act should be repealed on the understanding that, as chief executive officer, the Vice-Chancellor has authority to make executive appointments, reporting the appointment to Council, with Council designating in a Statute those roles in respect of which it reserves the power to make appointments on the recommendation of the Vice-Chancellor.  | Agreed       | Partially Implemented                 |
| 23                 | It is recommended that the Chancellorship Statute should provide that the Chancellor does not hold an executive role.  | Agreed       | Implemented <sup>b</sup>              |
| 24                 | It is recommended that section 3.3 of the Chancellorship Statute should provide that a breach of the duties imposed by the PGPA Act could constitute a ground for forming the opinion that the Chancellor no longer retains the Council's confidence.  | Agreed       | Implemented <sup>b</sup>              |
| 25                 | It is recommended that Council should adopt protocols to describe the interface between members of Council (and members of Council Committees) and the staff of the University; these protocols should make it clear that the Vice-Chancellor is the primary source of advice to Council and Council Committees and, with the exception of the processes of Council or Council Committees, members of Council and members of Council Committees may give directions to members of staff only with the express or implied consent of the Vice-Chancellor. | Agreed       | Implemented                           |
| 26                 | It is recommended that, in addition to the current biennial discussions with Council members, Council should address the question of its collective effectiveness annually.  | Agreed       | Implemented                           |
| 27                 | It is recommended that Council adopt rules in the form of 'Standing Orders' or 'Operating Provisions' dealing with the conduct of meetings.  | Agreed       | Implemented                           |



| Recommendation No. | Recommendations from the Walker Review   | ANU Response | Status of implementation <sup>a</sup> |
|--------------------|--|--------------|---------------------------------------|
| 28                 | It is recommended that those rules should provide that, at the commencement of each Council meeting, before observers are admitted, Council members should be provided with an opportunity to request that an item, not already designated as a confidential item, should be considered in camera; at this time, Council members could also determine whether an item designated as confidential in the papers should be considered in open session. | Agreed       | Implemented                           |
| 29                 | It is recommended that Council establish protocols regarding consultation with staff and students.   | Agreed       | Implemented                           |

Note a: Implementation status of recommendations from the Walker Review as reported to the Council. The last update with regard to the implementation of the recommendations of the Walker Review was provided in August 2018.

Note b: The Council approved the *Australian National University (Governance) Statute 2020* on 2 October 2020. The new Statute came into effect on 1 January 2021.

Source: ANAO analysis of ANU's implementation of Walker Review recommendations.

**Table A.2: Implementation of the recommendations from the Winchester Review, as reported to the Council**

| Recommendation No. | Recommendations from the Winchester Review   | ANU Response  | Status of implementation <sup>a</sup>                                  |
|--------------------|--|---|--|
| 1                  | It is recommended that ANU enhance the understanding of and support for academic governance, currently offered through CGRO, including updating all relevant documents pertaining to Academic Board and its committees on the University website, with dates and version numbers as appropriate.   | Agreed  | Implemented  |
| 2                  | It is recommended that ANU reconsider the role and appointment of the Chair of Academic Board:<br>a) to become a member of Council, rather than an observer;<br>b) to be elected by and from the Professoriate, rather than appointed by Council on the recommendation of the Vice-Chancellor;<br>c) to increase the workload allocation to a fraction greater than 0.5 FTE;<br>d) to provide targeted executive support; and<br>e) to codify the number of terms a Chair may serve. | a) Not agreed<br>b) Not agreed<br>c) Agreed<br>d) Agreed<br>e) Agreed | a) N/A<br>b) N/A<br>c) Implemented<br>d) Implemented<br>e) Implemented |
| 3                  | It is recommended that ANU focus its Academic Board more clearly on oversight of academic quality, including:<br>a) redeveloping its reporting timetable and work plan;<br>b) requesting appropriate reports from PPM, including KPIs;<br>c) considering which reports should come directly to Academic Board for institutional oversight; and<br>d) reducing duplication in agendas between governance and management committees.   | Agreed  | Implemented  |
| 4                  | It is recommended that ANU reconsider the status of the Academic Board:<br>a) to be a sub-committee of Council, rather than having a reporting relationship only; and<br>b) to be the delegated authority for academic governance rather than the Vice-Chancellor.   | a) Not agreed<br>b) Agreed  | a) N/A<br>b) Implemented   |

| Recommendation No. | Recommendations from the Winchester Review  | ANU Response | Status of implementation <sup>a</sup> |
|--------------------|---|--------------|---------------------------------------|
| 5                  | It is recommended that ANU consider an amendment to the TOR of AQAC and TLDC:<br>a) to move educational policy from the remit of AQAC to TLDC; and<br>b) to include matters of educational quality within the TOR of TLDC.  | Agreed       | Implemented                           |
| 6                  | It is recommended that ANU remove the SEC from its status as a sub-committee of Academic Board, reconsider its role and reallocate its reporting relationships.   | Agreed       | Implemented                           |
| 7                  | It is recommended that ANU amend the TOR of URC to include:<br>a) specific mention of matters of research integrity; and<br>b) oversight of research performance, with appropriate reporting to Academic Board and Council.   | Agreed       | Implemented                           |
| 8                  | It is recommended that ANU establish the HDRC as a sub-committee of Academic Board, reporting directly to the Board rather than through URC, and make appropriate changes to its membership and TOR reflecting the recent establishment of a Graduate Research Office.  | Not agreed   | N/A                                   |
| 9                  | It is recommended that ANU include elected members of staff on sub-committees of Academic Board.  | Agreed       | Implemented                           |
| 10                 | It is recommended that ANU amend the TOR of its sub-committees, so that they are consistent in their requirements in relation to the oversight of quality of their respective areas of influence.   | Agreed       | Implemented                           |
| 11                 | It is recommended that ANU develop a benchmarking policy and that the setting and monitoring of benchmarks be included in the TOR of either or both of the Academic Board or its sub-committees.  | Not agreed   | N/A                                   |
| 12                 | It is recommended that ANU plan to improve the communication between Academic Board and Council, through mechanisms, which could include:<br><ul style="list-style-type: none"> <li>• Enhanced two-way reporting;</li> <li>• Cross-attendance;</li> <li>• Referrals from Council to Academic Board; and</li> <li>• More independent advice from Academic Board to Council.</li> </ul> | Agreed       | Implemented                           |
| 13                 | It is recommended that ANU consider the further delegation of approval of academic and research policy, and/or related academic procedures and guidelines to the Academic Board.  | Agreed       | Implemented                           |
| 14                 | It is recommended that ANU act urgently to address overdue policy reviews and include a schedule of policy reviews in Academic Board workplans and its sub-committees to provide greater visibility to policy review.   | Agreed       | Implemented                           |
| 15                 | It is recommended that ANU undertake a comprehensive revision and restructuring of the RAR in 2019, and consider, at minimum:<br>a) Simplification of phrasing;<br>b) Elimination of duplication and contradictions;<br>c) Splitting into sections related to the student life-cycle; and   | Noted        | Implemented                           |

| Recommendation No. | Recommendations from the Winchester Review  | ANU Response | Status of implementation <sup>a</sup> |
|--------------------|---|--------------|---------------------------------------|
|                    | d) Appropriate authorities and delegations.   |              |                                       |
| 16                 | It is recommended that ANU audit and update its Delegations of Authority Policy, Delegations of Authority Procedure and Delegations Register and in that review:<br>a) Amend the Procedure to include an evaluation of academic delegations by the Academic Board at least annually; and<br>b) Amend the Register to include appropriate delegations to the Provost and Dean, HDR to reflect their new roles.                                     | Noted        | Implemented                           |
| 17                 | It is recommended that ANU clarify the process for the approval of new HDR programs and for coursework elements within HDR programs.  | Noted        | Not implemented                       |
| 18                 | It is recommended that ANU, in its revisions of the policy, procedure and forms for program and course accreditation, take fully into account all the requirements of program review listed in HES 5.3.   | Noted        | Not implemented                       |
| 19                 | It is recommended that ANU streamline and consolidate its approach to research integrity policy, procedure and reporting.   | Noted        | Implemented                           |
| 20                 | It is recommended that ANU revise and update its Risk Management Framework, Risk Management Policy and Risk Management Procedure and in that review:<br>a) Ensure academic risk is fully incorporated, including Academic Board as a stakeholder and treatment owner;<br>b) include an evaluation of academic risks by the Academic Board at least annually; and<br>c) Use identified academic risks for revision of the internal audit schedule. | Agreed       | Implemented                           |

Note a: Implementation status of recommendations from the Winchester Review as reported to the Council. The last update with regard to the implementation status of Winchester Review recommendations and the closure of the Winchester Review was provided in April 2021.

Source: ANAO analysis of ANU's implementation of Winchester Review recommendations.

## Appendix 5 Council mechanisms for monitoring the performance of the ANU

1. Table A.3 provides an analysis of the mechanisms established by Council to monitor the performance of the Australian National University (ANU) and the extent to which the reporting requirements have been complied with.

**Table A.3: Council mechanisms used to monitor the performance of the ANU**

| Monitoring mechanism                             | 2018 | 2019 | 2020 | Details  |
|--|------|------|------|--|
| Strategic Plan progress updates.                 | ✓    | ✓    | ✓    | Annual updates include commentary on the university's overall performance and assessment against the 12 KPIs outlined in the Strategic Plan.   |
| Executive plan progress reports.                 | ✓    | ✓    | ✓    | Annual and mid-year progress reports for the six Executive plans that underpin the Strategic Plan. The reports track progress made against a number of key initiatives. The reports provide a link to the initiatives related to those identified in the Strategic Plan. The reports also identify the risk treatment/s which have been applied, timeline, status and trend.   |
| College plan progress reports.                   | ✓    | ✓    | ✓    | College progress reports track progress made by each College against a number of key initiatives. The reports also include a timeline and status however do not identify a risk treatment or trend. These reports are presented at the first Council meeting each year.  |
| Vice-Chancellor's report.                        | ✓    | ✓    | ✓    | Report presents key information on the day-to-day operations of the ANU. The Vice-Chancellor report was presented at every Council meeting across the period examined.   |
| Vice-Chancellor's annual self-assessment report. | ✓    | ✓    | ✓    | Report evaluates the Vice-Chancellor's performance against a set of 20 KPIs. Twelve of the KPIs are those of the Strategic Plan. The remaining eight relate to the Vice-Chancellor's management of the ANU. These reports are prepared annually and provided to the Remuneration Committee for deliberation regarding the Vice-Chancellor's performance across the year, remuneration and KPIs for the following year. |

Source: ANAO Analysis.

## Appendix 6      Methodology for the assessment of the performance reporting of the ANU

1. An assessment was conducted against the requirements of section 35 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), sections 16E, 16EA and 16F of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and corresponding guidance material issued by the Department of Finance:

- *Developing good performance information: Resource Management Guide No.131*, Department of Finance, Canberra, May 2020;
- *Corporate plans for Commonwealth entities: Resource Management Guide No.132*, Department of Finance, Canberra, February 2020; and
- *Annual performance statements for Commonwealth entities: Resource Management Guide No.134*, Department of Finance, Canberra, March 2020.

2. The methodology that has been applied by the ANAO aligns with the amendments made by the *Public Governance, Performance and Accountability Amendment (2020 Measures No.1) Rules 2020*. These amendments came into effect on 28 February 2020 and included the insertion of a new section (section 16EA) into the PGPA Rule 2014. Section 16EA sets out requirements that all performance measures must meet.

3. For entities with a calendar-based reporting cycle, compliance with the requirements of section 16EA of the Rule do not take effect until the 2021 reporting period.

4. The new framework has been used to analyse the ANU's 2020 Corporate Plan and Performance Statements in order to assist the ANU ensure its corporate plan and performance statements for the 2022 performance cycle meet the new requirements.

5. In applying the 'related' criterion, ANAO assessed whether the entity's performance measures relate directly to one or more of the entity's purposes or key activities.

6. In applying the 'measurable' criterion, ANAO assessed whether the entity's performance measures were:

- reliable and verifiable — use sources of information and methodologies that are reliable and verifiable; and
- free from bias — provide an unbiased basis for the measurement and assessment of the entity's performance.

7. In assessing the ANU's performance criteria for completeness, ANAO considered whether the performance criteria present a basis for collective and balanced assessment of the ANU against its purpose/s, including those articulated in its enabling Act and noting that the ANU has identified its purposes in its corporate plan as strategies for change. In particular, the ANAO considered whether the ANU's performance criteria:

- where reasonably practical, comprise a mix of quantitative and qualitative measures;
- include measures of the entity's outputs, effectiveness and efficiency measures; and
- provide a basis for an assessment of the entity's performance over time.

8. The Rule requires that each of the entity's performance measures must meet the requirements of each limb of section 16EA. For the purpose of presenting the analysis as part of this audit, the scale used to rate the performance measures/key performance indicators is as follows:

- fully or mostly meet the requirements of section 16EA of the PGPA Rule;
- partially meets the requirements of section 16EA of the PGPA Rule; and
- did not meet the requirements of section 16EA of the PGPA Rule.