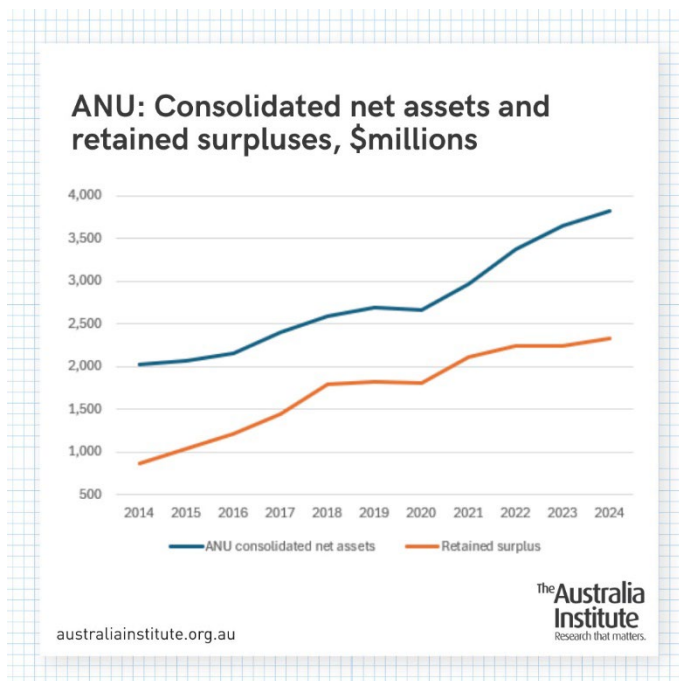


1. Your report titled ‘Cooking the Books at the Australian National University’ found that ANU actually had a \$90 million surplus in 2024, despite claiming they had a deficit of \$142.5 million. In response, ANU’s CFO, Michael Lonergan, wrote in an article in the Canberra Times that ‘there are no material misstatements’. What do you make of ANU’s response to your report?

In our report “Cooking the books at the Australian National University – An analysis of the ANU accounts” the Australia Institute found that claims of a financial crisis at the ANU were contradicted by the ANU’s audited financial statements. We found that the ANU leadership highlights an ‘underlying operating deficit’ which exists outside of the audited financial statements and adjusts the ANU’s audited operating surplus in ways not endorsed by the auditor.

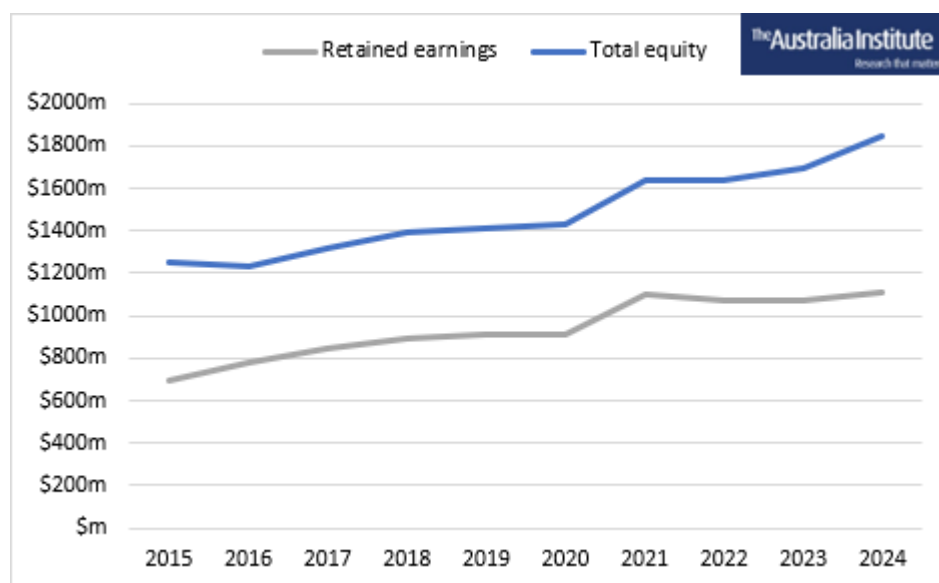
ANU leadership reacted negatively to this report. Mr Lonergan is quoted in the Canberra Times stating that the audit office ensures “there are no material misstatements” with the unaudited section. The Australia Institute has not alleged that the ANU has lied or made misstatements in its annual report. Instead, we believe that the adjustments made to create the ‘underlying operating deficit’ are opaque and not fully explained by the ANU. We further believe that these adjustments do not appear to create a reliable measure of financial health, and that, according to better measures, such as retained earnings and total equity, the ANU is financially healthy. This analysis is supported by the steady rise in the value of the ANU’s net assets and retained surplus, as demonstrated by the chart below:



The discrepancy between this evidence and the ANU’s claimed financial crisis could be a further point of inquiry for the Senate.

2. **The Australia Institute has also just revealed that the University of Newcastle has no ‘financial crisis’ despite the university’s position being unsustainable. Do you think this is the trend that we can expect from universities, that they are lying about their financial position to justify staff cuts and restructures?**

As highlighted by your question, the University of Newcastle’s finances are not unsustainable. Indeed, the university’s retained earnings and net assets continue to grow, as demonstrated by the chart below:



The discrepancy between this evidence and the University of Newcastle’s claimed financial issues could be a question for the NSW Parliament.

Universities creating adjusted alternative measures of their operating surpluses or deficits appears to be a trend across the industry. Our research so far has shown that these alternative measures have been used to justify restructures and cutting staff and courses. These alternative measures have often been uncritically repeated in the media.

3. **What governance reforms would you prioritise to make universities genuinely accountable to the public — not just to government or donors?**

We do not believe that universities are currently genuinely accountable to government or parliament, whether Commonwealth or state-based. Regulators remain weak, and universities rarely appear before parliament. Additionally, when universities are informing parliaments through their annual reports to parliament, they are encouraging parliament to ignore their audited financial statement and focus on another indicator invented by management and not included in the audited accounts.

Priority reforms to improve accountability to government, parliament and the public include:

- Restructuring university councils by reducing the number of appointed external members and ensuring a majority of members are elected by staff and students. External members should also be selected and regulated in such a way as to encourage them to genuinely represent the interests of the broader community.
 - The Commonwealth government, which is already the principal public funder of the sector, should take over responsibility as principal regulator.
 - University councils should be required to publish full meeting minutes and meet in public whenever possible, with exceptions only justified on narrow grounds.
 - Disclosure requirements for financial reporting and conflicts of interest should be increased.
 - Universities across Australia should use uniform accounting standards in their financial statements to allow for meaningful comparisons between them.
4. **How should the establishing acts of universities be amended to clarify that their central purpose is to serve the public interest?**

This could be done in several ways, including by amending the objects and functions sections of each university's establishing act. The extent of change necessary to clarify this central purpose may vary depending on the university. Changes could include an increased emphasis on serving the public and community, above and beyond abstract statements about education.

5. **Do you agree that public funding to our universities should increase? If so, by how much?**

In our submission to the inquiry, we described the historical shift in funding models away from public funding. We found that in 2022, inflation-adjusted government spending per student on higher education was the lowest since records started in 1964. We also demonstrated how Australia's tertiary education system is unusually reliant on private sources of funding. In this submission, we recommended that the Australian Government should increase public funding for Australia's public higher education system to 1% of GDP.

However, while we support the higher funding necessary to create a universal public higher education system that is able to deliver high-quality public goods of education and research, this problem will not be solved by only boosting funding for the sector. Without fixing the sector's governance issues, additional public money is at risk of being mismanaged. Mismanagement is currently eroding public confidence in the sector; if this mismanagement continues, it is unlikely that the public will have sufficient confidence in the sector to maintain higher levels of public funding over the long term.

An additional reform that would help promote public trust in the sector would be a uniform approach to university accounting and an expectation that only audited financial statements are relied upon when universities engage in public commentary. Under current rules, it is difficult to assess differences between institutions owing to differences in accounting standards. Additionally, as outlined by our work on the ANU and University of Newcastle, universities often adjust their audited results in unjustified ways when making public statements.