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PART 7 LIABILITIES

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PART 7 LIABILITIES

7.1 Liability Identification

A liability of the University is a future disposition of economic benefits that the University is presently obliged to make to other entities as a result of past transactions or past events.

Management of the university's liabilities should be in accodance with Part 3, Division 7 of the *Financial Management Standard 1997.*

The University has adopted the accrual method of accounting; thus all liabilities once incurred shall be promptly identified, assessed and recorded in the University financial systems.

Managers shall be responsible for ensuring liabilities are recognised in the University's financial systems when the following criteria are satisfied:

(a) it is probable that settlement of the liability will be required; and

(b) the amount of such settlement can be measured reliably.

The University will incur a liability when goods and services have been ordered through the University ordering procedures and a supplier for these goods and services supplies the requirements of the purchase order.

The liability shall normally cease to exist once the Financial Services Department arranges payment to the supplier. Payment shall be arranged after the responsible officer acknowledges that the goods have been received or the services have been performed.

Amounts owed to creditors, which have not been paid or recorded in the financial systems as at balance date, shall be accrued and a corresponding liability shown in the financial statements.

7.2 Types of Liabilities

LIABILITIES

The liabilities that the University will generally include in its financial statements include:

(a) current liabilities, including:

   (i) accounts payable;

   (ii) end of year accounting adjustments on account of material accruing items;

   (iii) unearned revenue where there is an obligation to provide future benefits or in default to refund;

   (iv) other items where settlement during the next twelve months is probable;

(b) employee entitlements including any accrued annual leave, long service leave, any superannuation obligation the University is responsible for and in the case of sick leave:

   (i) all of the current entitlement where accrued and payable on the termination of services; or

   (ii) where not so payable, that part of the entitlement accrued that will be required to satisfy any eligible claim arising from a past event;

(c) claims incurred but not reported under superannuation, insurance, grant or subsidy schemes;

(d) borrowing's, debt servicing and other financial arrangements;

(e) distributable amounts;

(f) other material liabilities.

7.3 Controls

Liabilities shall only be incurred for official University business and can only be incurred on behalf of the University by officers with the appropriate level of financial delegation, as detailed in the current University Schedule of Financial Delegation (Appendix 3).

Managers shall institute procedures to ensure that:

(a) personnel shall not enter independently into any agreements with potential suppliers, that may be construed by the supplier as an official purchase order to supply goods and services;

(b) personnel in obtaining information from potential suppliers are to clearly state to the supplier that all discussions are based on obtaining relevant information and quotations for decision making;

(c) no misunderstandings between University personnel and suppliers result in the University being committed for goods and services that have not been authorised through University purchasing procedures;

(d) adequate checks are made prior to making a commitment, that when due for payment sufficient funds are available under an approved budget;

(e) the liability entered into is in the name of the University;

(f) adequate internal controls exist

(i) to protect University resources from unlawful and unauthorised commitments;

(ii) prior to making the commitment for goods or services, establish that the goods and services are necessary for the completion of University objectives and for identified official purposes;

(iii) so that the commitment is supported by readily assessable records and documentation systematically filed and securely stored, all documentation requiring authorisation shall be signed by the responsible accountable officer;

(iv) no commitment is made without the proper level of authorisation and the completion of University purchasing procedures.

The Group Manager, Finance and Facilities shall ensure that any liability entered into for borrowing or financial arrangement has the necessary approvals required under the *Statutory Bodies Financial Arrangement Act 1982.*

7.4 Quarterly Review

The Group Manager, Finance and Facilities is responsible for ensuring that a Quarterly Review of University current liabilities is undertaken and as circumstances require, and of all liabilities on an annual basis and as circumstance require to determine

(a) if projected funds are sufficient to satisfy obligations when due in the ordinary course of business;

(b) the level of funds likely to be available for other priorities or investment;

(c) in a case where any scheme or arrangement has been approved to meet a liability, whether the provisions or contributions to sinking funds or trusts thereunder, are being maintained at the required level.

The Group Manager, Finance and Facilities shall present the results of the Quarterly Review to the Finance and Facilities Committee of Council.

In presenting the results of the Quarterly Review the Group Manager, Finance and Facilities shall make recommendations where appropriate, to the Financeand Facilities Committee. The Group Manager, Finance and Facilities shall follow up any actions as required.

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