

## Report 5 of 2023

Agency audit reports





# Report of the Auditor-General

## Report 5 of 2023 Agency audit reports

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Delivered to the President of the Legislative Council and the Speaker of the  
House of Assembly on 24 July 2023 and published on 26 July 2023  
under section 38(2) of the *Public Finance and Audit Act 1987*

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First Session, Fifty-Fifth Parliament

By authority: M. Dowling, Government Printer, South Australia

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*The Auditor-General's Department acknowledges and respects  
Aboriginal people as the State's first people and nations, and  
recognises Aboriginal people as traditional owners and occupants of  
South Australian land and waters.*



**Auditor-General's  
Department**

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24 July 2023

President  
Legislative Council  
Parliament House  
**ADELAIDE SA 5000**

Speaker  
House of Assembly  
Parliament House  
**ADELAIDE SA 5000**

Dear President and Speaker

**Report of the Auditor-General:  
Report 5 of 2023 Agency audit reports**

As required by the *Public Finance and Audit Act 1987* (PFAA), I present this report to you.

**Content of the Report**

In September 2023 I will issue my annual report for the year ended 30 June 2023. Some agencies I audit have a financial year that ended before 30 June 2023. To improve the timeliness of reporting on their activities, I have prepared this Report to Parliament rather than waiting to include them in my annual report.

This report summarises the audit outcomes for the following agencies:

- Adelaide Oval SMA Limited
- Flinders University
- SACE Board of South Australia
- University of Adelaide
- University of South Australia.

I have published the financial statements of these agencies and additional student data provided by the Flinders University, University of Adelaide and University of South Australia on our website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au).

This data is revenue from fees and charges and international and domestic student numbers (based on equivalent full-time student loads) for the 10 years between January 2013 and December 2022. This student number data is unaudited and so I provide no assurance on that data.

### **Acknowledgements**

I have great pleasure in again recognising and thanking my professional and dedicated staff for their support in undertaking and reporting on the agencies contained in this report and for the cooperation the public sector agencies gave to my staff.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

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# Adelaide Oval SMA Limited (AOSMA)

## Financial statistics

<b>Income</b> \$70.5 million	Revenue from sales attributable to AOSMA \$38.1 million	Revenue from fees and charges \$17.1 million	Other \$15.3 million	
<b>Expenses</b> \$76.3 million	Employee benefits \$33.2 million	Raw material and consumables \$12.4 million	Supplies and services \$7.6 million	Other \$23.1 million
<b>Asset</b> \$118.1 million	Loan receivable \$41.2 million	Right-of-use asset \$25.6 million	Other \$51.3 million	
<b>Liabilities</b> \$98 million	Loans and borrowings \$51.7 million	Lease liabilities \$26.9 million	Other \$19.4 million	

**\$ \$5.8 million**  
Loss from trading activities

**\$ \$7.5 million**  
Net contributions from the SANFL and SACA

**\$ \$18.3 million**  
Money collected as agent on behalf of SANFL and SACA

## Significant events and transactions

- Total income increased in 2021-22 as remaining COVID-19 restrictions were lifted and attendance at events improved. Food and beverage sales had the largest increase, reflecting the increase in patronage at events.
- AOSMA's employee benefits expense and raw materials and consumables expenses also increased, reflecting the increase in patronage at events.

## Financial report opinion

### Unmodified

## Audit findings

- Key management personnel declarations were not always completed promptly or accurately.
- The management of capital works in progress could be improved.

## Functional responsibility

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AOSMA was established in December 2009 as a not-for-profit public company limited by guarantee. AOSMA's directors are appointed equally by the South Australian National Football League (SANFL) and the South Australian Cricket Association (SACA). AOSMA is not a public authority.

AOSMA manages, operates and maintains the Adelaide Oval stadium owned by the SA Government and the area closely surrounding it (the precinct). Under the *Adelaide Oval Redevelopment and Management Act 2011* the Adelaide Oval Core Area is leased to the Minister for Infrastructure and Transport (the Minister) by the Corporation of the City of Adelaide (Adelaide City Council). The Minister has subleased this area to AOSMA until 2091.

AOSMA also provides various services as agent on behalf of the SANFL, SACA, Commercial Operations Trust (COT), Adelaide Oval Hotel Trust (AOHT) and other promoters in return for a fee.

## Authority for audit

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Section 9(3) of the *Adelaide Oval Redevelopment and Management Act 2011* provides for the Auditor-General to audit AOSMA's accounts each year.

## Scope of the audit

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The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report.

Specific areas of audit attention for the year ended 31 October 2022 included:

- governance
- revenue, including fees and charges and sales attributable to AOSMA
- expenses, including raw materials and consumables and supplies and services
- employee benefits expenses and liabilities
- cash
- leases
- loans and borrowings
- plant, equipment and computer software
- stakeholder contributions
- related party transactions.

## Audit findings

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### Communicating our audit findings

We communicated our audit findings in a management letter to the Chief Executive Officer. The main findings and AOSMA's responses are discussed below.

*Key management personnel declarations were not always completed promptly or accurately*

The Australian Accounting Standards require AOSMA to disclose transactions with related parties in its financial statements. The objective of the accounting standard is to ensure that an entity's financial statements draw attention to the existence of related parties, and that transactions with such parties may materially affect its financial position and performance.

While the definition of a related party is complex, AOSMA's related parties include members of its key management personnel (KMP), their close family members and entities over which AOSMA's KMP or close family members have control or significant influence.

To identify related party transactions, AOSMA requires its KMP to complete declarations detailing close family members, any entities that they or their close family members control, and any transactions they entered with AOSMA throughout the financial year.

We found:

- the KMP declarations for 2021-22 were not completed promptly after the balance date or when the KMP departed AOSMA
- some completed KMP declarations did not include all known related entities and transactions with AOSMA.

These issues prevented AOSMA from preparing accurate disclosures in its financial report before submitting it for audit. The declarations were later received before finalising the financial report.

We recommended that AOSMA establish controls to ensure KMP declarations are completed promptly, and provide guidance to KMPs on the information they must declare. AOSMA advised us that additional controls will be put in place for 2022-23.

*Management of capital works in progress could be improved*

We noted that AOSMA could improve its controls over reviewing and classifying transactions to capital works in progress (CWIP).

We recommended that AOSMA document CWIP management activities in an asset policy, including controls for reviewing invoices to ensure they meet the recognition criteria before capitalisation, certifying project completion, transferring completed projects from CWIP to the fixed asset register, and regular monitoring of the CWIP balance.

AOSMA acknowledged the opportunity to improve its controls over recognising CWIP and responded that it will implement a new checklist to regularly review capital expenditure and ensure transactions are correctly classified.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	Year ended 31.10.22 \$million	Year ended 31.10.21 \$million
<b>Trading activities</b>		
Income	71	61
Expenses	76	67
<b>Profit (Loss) from trading activities</b>	<b>(6)</b>	<b>(6)</b>
<b>Stakeholder contributions</b>		
Contributions from the SANFL and SACA	14	9
Contributions to the SANFL and SACA	(7)	(5)
<b>Net contributions</b>	<b>8</b>	<b>4</b>
<b>Trading result after net contributions from stakeholders</b>	<b>2</b>	<b>(3)</b>
SA Government grants and other contributions	-	3
Gains/losses from lease receivable remeasurement	1	-
<b>Total comprehensive result</b>	<b>3</b>	<b>1</b>
Net cash provided by (used in) operating activities	5	-
<b>Assets</b>		
Current assets	20	16
Non-current assets	98	97
<b>Total assets</b>	<b>118</b>	<b>112</b>
<b>Liabilities</b>		
Current liabilities	19	16
Non-current liabilities	79	79
<b>Total liabilities</b>	<b>98</b>	<b>95</b>
<b>Total equity</b>	<b>20</b>	<b>17</b>

\* Table may not add due to rounding.

AOSMA operates under a complex set of arrangements with the SANFL and SACA that dictate the accounting treatment of certain financial transactions and their presentation in the financial report.

### Statement of Comprehensive Income

#### Trading activities

AOSMA reported a trading loss before stakeholder contributions of \$5.8 million, a \$664,000 improvement from the \$6.5 million trading loss before stakeholder contributions in 2021.

Trading income increased by \$9.7 million to \$70.5 million due mainly to:

- an increase in revenue from sales attributable to AOSMA of \$11 million, comprising a \$4.9 million increase in beverage sales, a \$5.2 million increase in food sales and an \$882,000 increase in other venue hospitality. Sales increased in response to further lifting of COVID-19 restrictions that led to higher crowd numbers for sporting and other events

- an increase in other revenue of \$3.5 million, mainly due to AOSMA receiving a \$2.4 million refund of emergency service levies paid after AOSMA was assessed as exempt.

These increases were partially offset by a \$5.2 million decrease in JobKeeper subsidies from the Australian Government, with no subsidies received in the 2021-22 financial year.

Trading expenses increased by \$9.1 million to \$76.3 million due mainly to:

- an increase in raw materials and consumables of \$3.3 million, directly from an increase in food, beverage and hospitality sales as operating activity at the oval increased
- an increase in employee benefits expense of \$2.2 million, reflecting increases in casual wages to cover more shifts as patronage increased at the oval, payroll tax increases after waivers were applied to the 2020-21 financial year, and annual leave expenses as leave balances increased
- an increase in building and maintenance costs of \$1.2 million as a backlog of maintenance postponed during COVID-19 recommenced
- an increase in other expenses of \$1.8 million, due largely to legal costs that AOSMA incurred during the year to recover emergency services levies paid.

### SA Government related items

No SA Government grants or contributions were provided to AOSMA in 2021-22. In the previous year, AOSMA received contributions of \$3.1 million from the SA Government, comprising \$1 million in ex gratia relief for the annual sublease of the Adelaide Oval Core Area and \$2.1 million towards the sinking fund due to COVID-19 impacts.

### Stakeholder contributions

Net contributions to AOSMA from the SANFL and SACA increased to \$7.5 million (\$3.8 million). Contributions are paid in line with the promoters agreements AOSMA has with the SANFL and SACA.

In 2022 the SANFL and SACA contributed \$14.1 million (\$9.1 million) to ensure AOSMA has sufficient working capital to support its operations.

AOSMA then pays a percentage of its match day food and beverage sales to the SANFL and SACA. For 2021-22 this totalled \$6.6 million (\$5.3 million). This amount is in addition to \$18.3 million (\$18.6 million) collected and distributed by AOSMA to the SANFL and SACA throughout the year as their agent.

### Money collected on behalf of other parties

AOSMA collects money as agent on behalf of the SANFL, SACA, COT, Australian Football League (AFL), Cricket Australia (CA), football clubs and various other promoters. Collecting this money involves selling, on their behalf, tickets to events, supply rights, Adelaide Oval football memberships, Stadium Club corporate seats and suites and the Adelaide Oval roof climb.

For the year ended 31 October 2022, AOSMA collected \$18.3 million on behalf of the SANFL and SACA. This amount is disclosed as related party transactions in note 17 of AOSMA's financial report.

Amounts collected by AOSMA as agent on behalf of the AFL, CA, football clubs and various other promoters are not recognised in AOSMA's financial report, except for the balance awaiting distribution as at 31 October 2022 included in payables. These collections relate to tickets sold through AOSMA's ticketing agent on behalf of these other entities.

AOSMA's financial report does not include revenue generated at the Adelaide Oval directly by the SANFL, SACA, AFL, CA, football clubs or other promoters.

## Statement of Financial Position

### Assets

Total assets increased by \$5.7 million to \$118.1 million as at 31 October 2022. This was mainly due to:

- an increase in cash of \$1.9 million, mainly reflecting the contributions to the sinking fund exceeding expenditure
- a \$1.8 million increase in trade and other receivables, mainly for amounts due from the AOHT and COT for services AOSMA provided
- an increase in the right-of-use asset of \$1.1 million and lease receivable of \$1.2 million, both increases reflecting the application of CPI to the measurement of the underlying leases.

AOSMA's significant assets include:

- loans receivable of \$41.2 million from the AOHT. The loan receivable decreased by \$722,000 as repayments were made during the year. The balance is due to be repaid by 2030
- right-of-use asset of \$25.6 million, representing the remaining useful life of the lease that AOSMA has with the Minister for the Adelaide Oval Core Area. The right-of-use asset increased by \$1.1 million after the lease liability was adjusted for CPI, partially offset by depreciation.

See the sections on leasing and licensing arrangements and the Adelaide Oval Hotel below for more information.

### Liabilities

Total liabilities increased by \$2.8 million to \$98 million as at 31 October 2022 due mainly to:

- an increase in payables of \$1.9 million, largely reflecting differences in the timing of payments compared with 2021, and the increase of activity at the oval
- an increase in lease liabilities of \$1.4 million as the annual adjustment for CPI was applied to lease payments.

These increases were partially offset by a \$1.4 million decrease in loans and borrowings as repayments were made.

AOSMA's significant liabilities include:

- loans and borrowings of \$51.7 million. This includes \$41.2 million borrowed from the Treasurer (see the section on the Adelaide Oval Hotel below) and \$10.5 million of bank loans and overdraft

- lease liabilities of \$26.9 million, for the lease with the Minister for the Adelaide Oval Core Area (see the section on leasing and licensing arrangements below).

## Further commentary on operations

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### State legislative requirements

AOSMA's operations are subject to the requirements of the *Adelaide Oval Redevelopment and Management Act 2011*, which specifies the following matters:

- leasing and licensing requirements for the management of the Adelaide Oval. These requirements involve the Adelaide City Council, the responsible Minister, the SANFL, SACA and AOSMA
- AOSMA's financial reporting and audit requirements and the redevelopment in general, including that the Auditor-General audits AOSMA's accounts each year
- the establishment of a sinking fund to be managed by AOSMA to pay for non-recurrent expenditure of the Adelaide Oval in the years after its completion. After consulting AOSMA, the Treasurer must determine annually the amount payable by AOSMA into the sinking fund. A report on money paid into and out of the fund must be provided to the Minister by 1 September each year.

### Sinking fund

AOSMA has established a bank account to hold sinking fund money. It obtained a report from a project consultant that provides an estimate of the forecast non-recurrent expenditure of the Adelaide Oval over a 50-year period and the required annual sinking fund contribution.

The balance of the sinking fund as at 31 October 2022 was \$11.1 million. A total of \$3.4 million in contributions were made to the sinking fund in 2021-22, partially offset by \$1.7 million of capital replacement expenditure out of the sinking fund. Interest income of \$180,000 was earned during the year (see note 3 of AOSMA's financial report).

### Leasing and licensing arrangements

AOSMA subleases the Adelaide Oval Core Area, which includes the stadium, from the SA Government.

The rent payable by AOSMA to the SA Government over the 80-year lease term is expected to be \$74.3 million before indexation. The rent payable is increased annually for CPI. AOSMA is required to pay the annual sublease fee by 31 July each year. The land situated in the Adelaide Oval Core Area is leased by the SA Government from the Adelaide City Council for an equal term at \$1 per annum.

The Minister has licensed the SANFL the exclusive right to play football at the oval during the football season from 15 March to 7 October for a term of 20 years, with a right of renewal for three further 20-year terms. The licence enables the SANFL to enter into arrangements with the AFL and football clubs for the use of the oval. Likewise, the Minister has licensed SACA the exclusive right to play cricket at the oval during the cricket season from 8 October to 14 March for a term of 80 years. The licence

enables SACA to enter into arrangements with CA for the use of the oval. The licences preserve AOSMA's right to hold ad hoc events, such as concerts, at the oval at any time provided sufficient notice is given to the SANFL and SACA.

The Adelaide City Council has also licensed the SA Government to use the area closely surrounding the stadium for a 20-year term for no fee, with a right of renewal for three further 20-year terms. The SA Government has sublicensed the use of this area to the SANFL, SACA and AOSMA for an equivalent term for a fee of \$10 each per annum.

## **Adelaide Oval Hotel**

On 30 June 2019 the Minister consented to AOSMA undertaking a hotel development at the Adelaide Oval. Construction commenced in 2019 and the hotel opened for operations on 25 September 2020.

The Adelaide Oval Hotel is managed by the trustee of the AOHT under a sub-sublease and licence agreement with AOSMA. The AOHT is a jointly controlled entity of the SANFL and SACA. It pays AOSMA an annual lease fee of \$600,000, adjusted annually for CPI. As required by the Australian Accounting Standards, amounts owing under this arrangement are recognised in the Statement of Financial Position as finance lease receivables and measured at the present value of outstanding lease payments. At 31 October 2022 these finance lease receivables were valued at \$15.7 million. This lease receivables asset will reduce as lease payments are received.

To finance the hotel build, AOSMA entered into a facility agreement with the Treasurer on 7 August 2019 for \$42.6 million, with AOSMA on-lending these funds to the AOHT. As at 31 October 2022 \$41.2 million remains. The loan is receivable in quarterly instalments with the final instalment receivable on 30 September 2030 including a final balloon payment.

AOSMA is contracted under an operations and services agreement to provide services to the AOHT, as required, to operate the hotel. This agreement provides that the AOHT will reimburse AOSMA the cost, as determined by AOSMA, of providing these services without mark up. This includes the provision of staffing services to the AOHT.

## **Commercial Operations Trust**

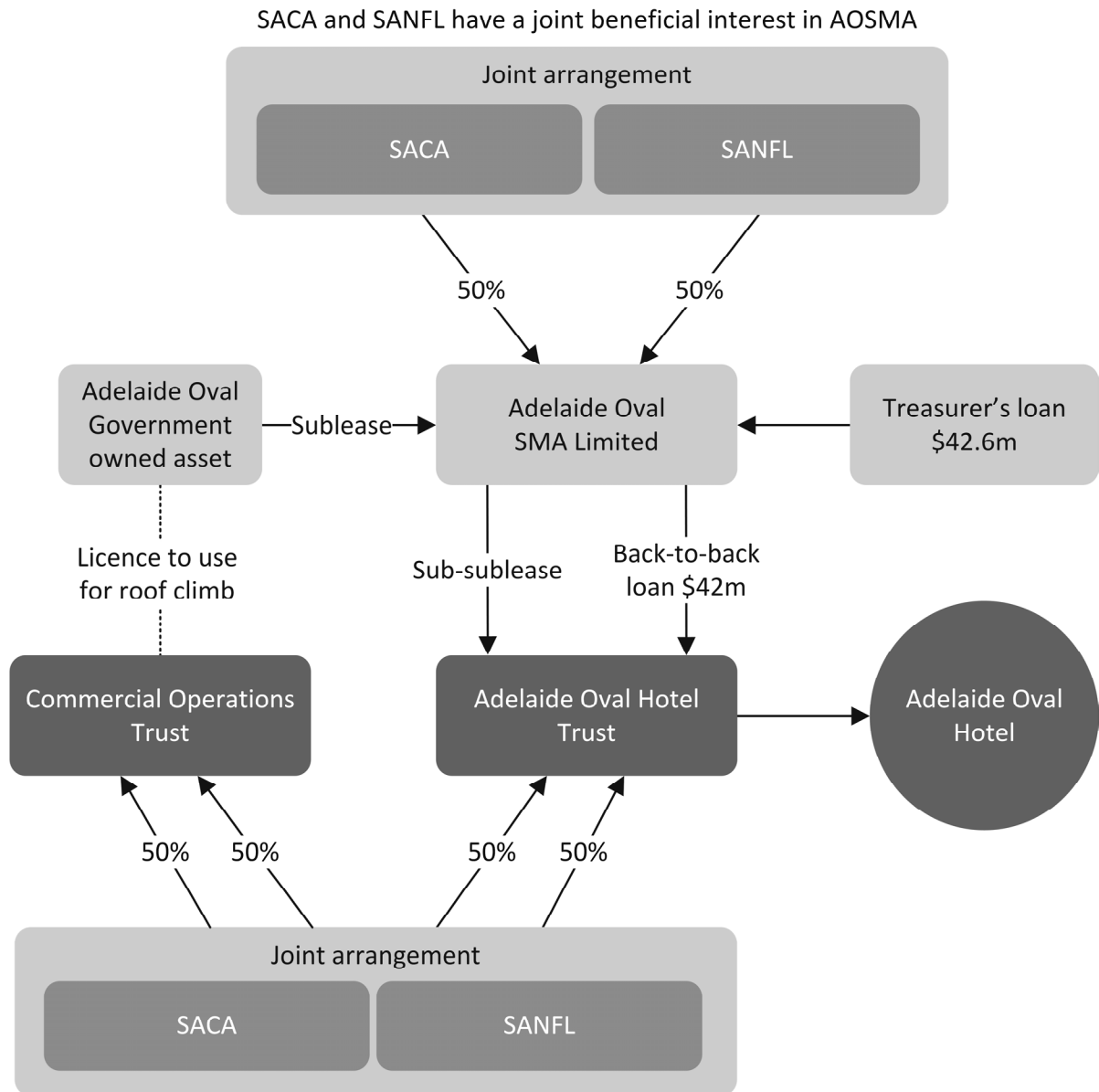
The trustee for COT is a jointly controlled entity of the SANFL and SACA established in 2015-16 and appointed to operate the Adelaide Oval roof climb in the Adelaide Oval Core Area. AOSMA licensed COT to operate the roof climb from 1 July 2016 to 16 November 2031. The issuing of the licence was approved by the Minister.

In addition to the Adelaide Oval roof climb, COT is responsible for operating the bar and café at the Adelaide Festival Centre and, since 1 November 2018, the catering services at Monarto Zoo. AOSMA was previously responsible for these catering services. AOSMA is contracted under an operations and services agreement to provide management and staff services to COT to operate the roof climb and other offsite food and beverage operations.

The licence and management fees outlined in the agreements are recognised under other revenue in AOSMA's financial report. All AOSMA costs for providing services, including for labour hire, are reimbursed by COT.



An overview of Adelaide Oval stakeholder relationships is provided in the diagram below.



SACA and SANFL have a joint beneficial interest in AOHT and COT

# SACE Board of South Australia (SACE Board)

## Financial statistics

<b>Income</b> \$22.5 million	SA Government grants \$17 million	Other \$5.5 million	
<b>Expenses</b> \$23 million	Employee benefits \$14.2 million	Supplies and services \$7.3 million	Other \$1.5 m
<b>Asset</b> \$24.9 million	Current \$17.6 million	Non-current \$7.3 million	
<b>Liabilities</b> \$4.9 million	Current \$3.2 million	Non-current \$1.7 million	

## Significant events and transactions

- 14,676 students completed their South Australian Certificate of Education in 2022, a decrease of 1,065 students from 2021.
- 15 of the 29 locally assessed examinations were delivered electronically to students in 2022, increasing from 13 in 2021.

## Financial report opinion

### Unmodified

## Audit findings

We communicated a small number of low risk issues to the SACE Board.

## Functional responsibility

The SACE Board is established by the *SACE Board of South Australia Act 1983*.

The SACE Board's functions include:

- establishing a qualification (to be called the South Australian Certificate of Education or SACE) to be awarded by the SACE Board
- determining requirements for achieving the SACE
- commissioning the development and review of courses and subjects

- accrediting subjects and courses that will be recognised by the SACE Board as being suitable for the purposes of the SACE
- assessing the satisfactory completion of subjects, courses or other requirements.

## Scope of the audit

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### Audit of the financial report

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report.

Specific areas of audit attention in 2022 included:

- revenue from sales of goods and services
- supplies and services
- employee benefits expenses
- intangible assets.

## Audit findings

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### Communicating our audit findings

We communicated a small number of low risk audit findings in a management letter to the Chief Executive. The SACE Board accepted these findings.

## Interpretation and analysis of the financial report

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### Highlights of the financial report

	2022 \$million	2021 \$million
<b>Expenses</b>		
Employee benefits expenses	14.2	14.5
Supplies and services	7.3	6.4
Other expenses	1.5	1.4
<b>Total expenses</b>	<b>23.0</b>	<b>22.3</b>
<b>Income</b>		
Income from SA Government	17.0	20.6
Sale of goods and services	4.8	4.5
Other income	0.7	0.5
<b>Total income</b>	<b>22.5</b>	<b>25.6</b>
<b>Net result</b>	<b>(0.5)</b>	<b>3.3</b>
<b>Total comprehensive income</b>	<b>(0.5)</b>	<b>3.3</b>
Net cash provided by (used in) operating activities	1.1	3.2

	2022 \$million	2021 \$million
<b>Assets</b>		
Current assets	17.6	17.2
Non-current assets	7.3	7.8
<b>Total assets</b>	<b>24.9</b>	<b>25.0</b>
<b>Liabilities</b>		
Current liabilities	3.2	2.5
Non-current liabilities	1.7	2.0
<b>Total liabilities</b>	<b>4.9</b>	<b>4.5</b>
<b>Total equity</b>	<b>20.0</b>	<b>20.5</b>

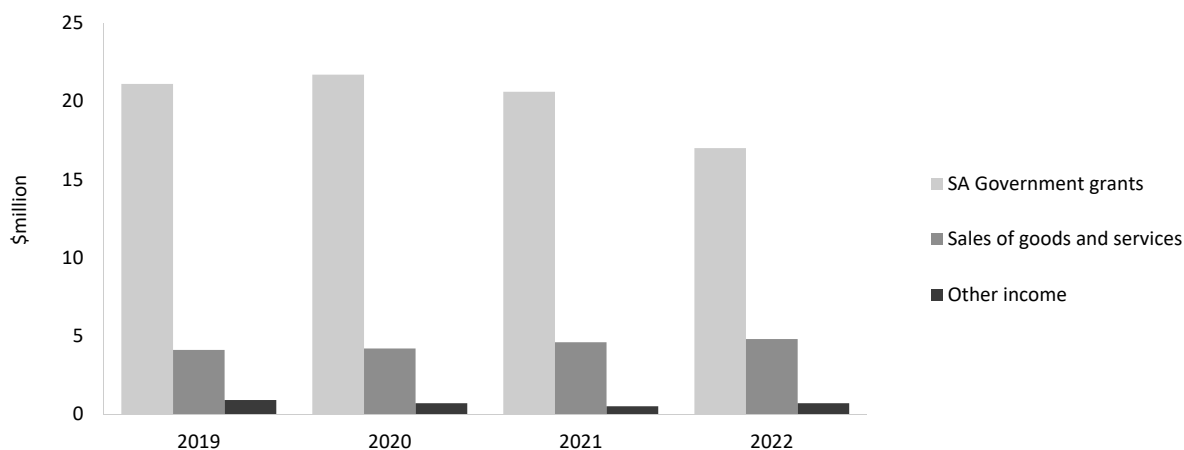
## Statement of Comprehensive Income

### Income

The SACE Board's main source of income is SA Government grants.

In 2022 the SACE Board received \$17.1 million in SA Government grants, a decrease of \$3.6 million from 2021. The decrease was largely due to a reduction in SACE stage 2 review funding and a one-off amount received in 2021 from the former Department for Innovation and Skills for the reimbursement of the fitout of the SACE Board's new Waymouth Street office. A change to the timing of when SA Government grants were received to match the SACE Board's expenditure profile also impacted the amount in 2022.

The following chart shows the main sources of income for the SACE Board for the four years to 2022 and demonstrates its dependency on SA Government funding.



### Expenses

Expenses largely comprise supplies and services (\$7.3 million) and employee benefits expenses (\$14.2 million).

Supplies and services increased by \$779,000 in 2022, due mainly to increases in repairs and maintenance of \$563,000, software of \$281,000 and contractors of \$276,000. The increase in repairs and maintenance reflects the reversal of the make good provision on the SACE Board's former Wayville office accommodation in 2021 and recognising a new make good provision on its office accommodation on Waymouth Street in 2022. The increase in software costs is due to implementing new systems and indexation on existing contracts, while the increase in contractor costs relates to higher agency staffing costs to backfill roles and recruitment costs.

## Statement of Financial Position

### Liabilities

Total liabilities increased by \$371,000 to \$4.9 million, principally as a result of the SACE Board establishing a \$346,000 provision for make good for decommissioning costs for its new Waymouth Street office accommodation.

## Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2022.

	2019 \$million	2020 \$million	2021 \$million	2022 \$million
<b>Net cash flows</b>				
Operating activities	3.7	3.0	3.2	1.1
Investing activities	(1.5)	(1.9)	(2.9)	(0.8)
Change in cash	2.2	1.1	0.3	0.3
Cash at 30 June	14.8	15.9	16.2	16.5

# University sector overview

## Overview

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The Auditor-General is the appointed external auditor for the State's three public universities:

- the University of Adelaide
- the University of South Australia
- Flinders University.

These universities advance learning and knowledge by providing higher education and conducting research activities.

## Sector summary

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### Financial statistics

The following table shows the main financial statistics for the three universities.

	2022 \$million	2021 \$million
Australian Government financial assistance	1,513	1,478
Fees and charges revenue	537	546
Employee related expenses	1,315	1,275
Assets	6,073	5,647
Liabilities	1,451	1,367
Staff (FTEs)	8,320	8,155
Students (EFTSLs)	62,396	65,951

## Financial report opinions

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We issued unmodified audit opinions for each university's financial report.

## Controls opinion

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All three universities are public authorities for the purpose of the *Public Finance and Audit Act 1987* and are included in the work we perform to support our controls opinion.

We applied the controls opinion criteria described in Part B of my Annual Report to Parliament to identify areas of review, and then subsequently assessed selected controls over:

- payroll and buildings and improvements for the University of Adelaide

- buildings and improvements for the University of South Australia
- buildings and improvements for Flinders University.

Our controls opinion is discussed in Part B of my Annual Report to Parliament.

## Other matters

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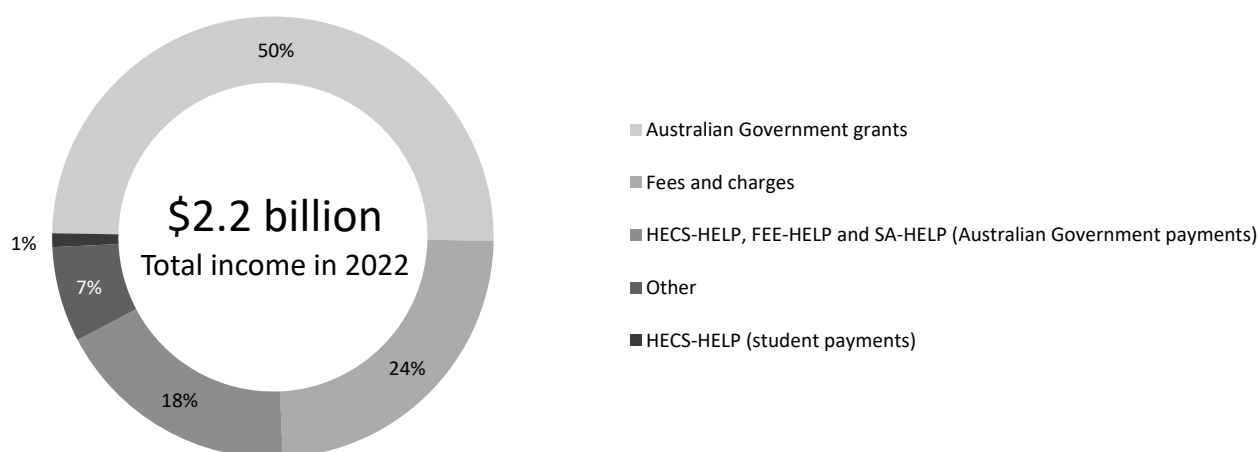
Our financial statement audits reviewed the control environments for all significant university sector balances. Matters arising from these reviews are disclosed in each university’s commentary under ‘Communicating our audit findings’.

## Key financial statistics

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### Income

Total income for the three universities was \$2.2 billion in 2022. The sources of income are shown in the following chart.



In 2022 income decreased by 6% for the university sector as a whole.

### Australian Government grants and payments

The universities are operationally dependent on Australian Government financial assistance, which amounted to 68% of their total income in 2022. It comprises the Commonwealth Grants Scheme, Higher Education Loan Program (HELP) income, research grants and other funding.

Further information is provided in the commentary for each university under ‘Statement of Comprehensive Income’.

### Fees and charges

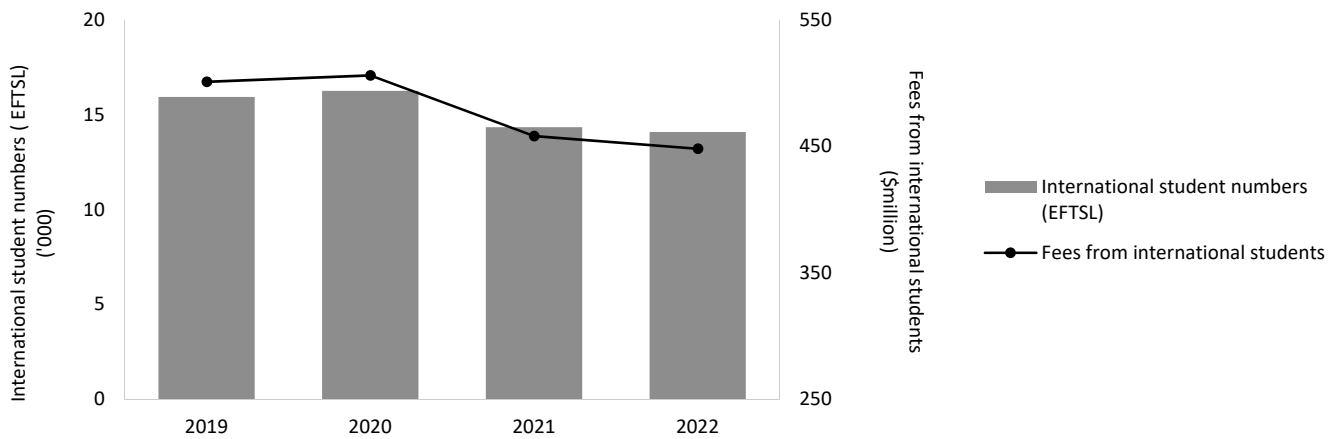
Over the last four years university sector fees and charges decreased by 10%, from \$598 million in 2019 to \$537 million in 2022. The disruptions to international student travel caused by the COVID-19 pandemic has been the main driver of this decrease.

The following table shows that total student numbers decreased by 3% over the last four years, with the sources of students changing to 77% domestic (78%) and 23% international (22%) in 2022.

	2019 Number	2020 Number	2021 Number	2022 Number
Domestic students	48,118	50,095	51,618	48,317
International students	15,927	16,247	14,333	14,079
<b>Total students</b>	<b>64,045</b>	<b>66,342</b>	<b>65,951</b>	<b>62,396</b>

Source: Student numbers, which are based on equivalent full-time student load (EFTSL), were obtained from data provided by the three universities and are unaudited.

Revenue from fees and charges from international students decreased by 11% over the last four years to \$448 million in 2022, but has decreased by 2% since 2021 in line with a 2% decrease in international student numbers.



Source: Student numbers, which are based on EFTSL, were obtained from data provided by the three universities and are unaudited.

The decline in fees and charges from overseas students reflects the impact of COVID-19 and the related travel restrictions that prevented new and continuing international students from travelling to Australia. 2022 fees and charges largely reflect amounts from continuing students and those studying online.

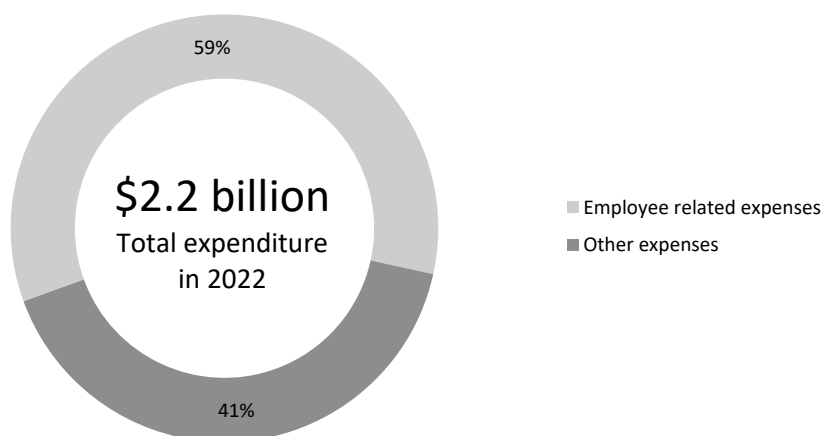
International students studying in South Australia come from a variety of countries. While the proportion from each country differs for each university, the main two countries of origin are China and India.

As detailed in the annexure to this report, additional student data provided for the 10 years between January 2013 and 31 December 2022 is published on our website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au).

## Expenditure

Total expenditure for the three universities was \$2.2 billion in 2022. The sources of expenditure are shown in the following chart.





### Employee related expenses

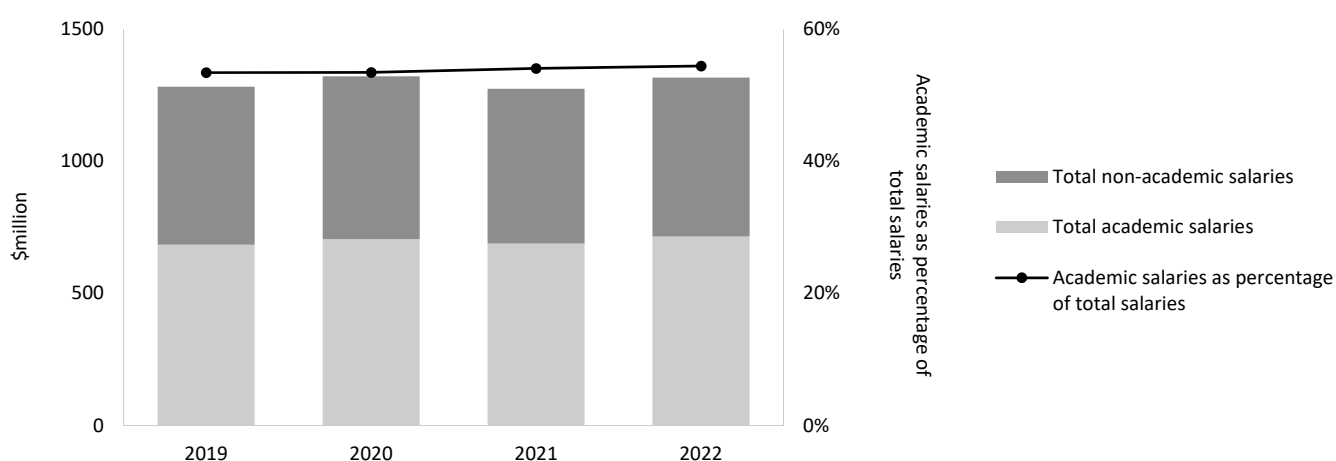
In the last four years, employee related expenses across the universities increased by 2.6%, from \$1.28 billion in 2019 to \$1.32 billion in 2022. This small increase reflects a reduction in non-academic staff over that period.

The table below shows total staff numbers for all three universities.

	2019	2020	2021	2022
	FTEs	FTEs	FTEs	FTEs
Academic	3,692	3,786	3,709	3,838
Non-academic	4,821	4,916	4,446	4,482
Total FTEs	8,513	8,702	8,155	8,320
Percentage of academic staff	43%	44%	45%	46%

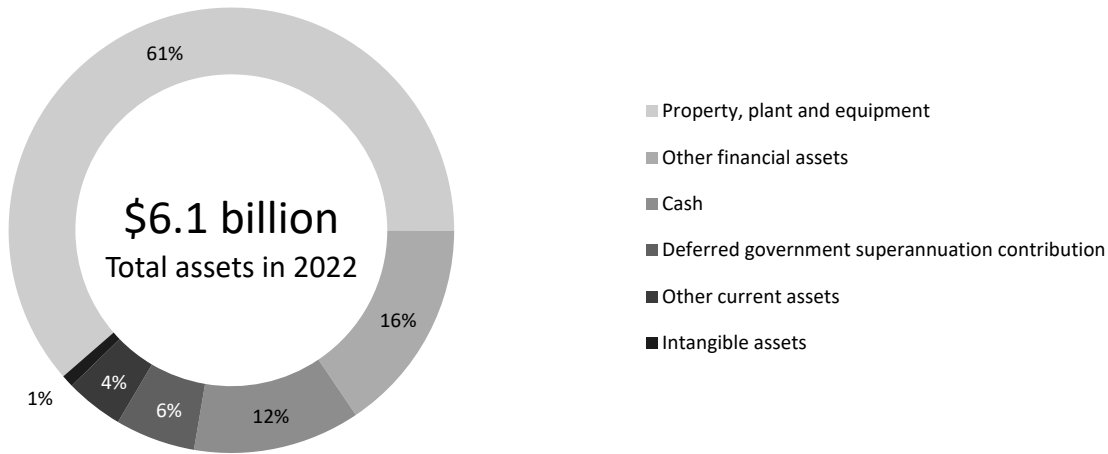
Source: Staff numbers, which are based on full-time equivalents (FTEs), were obtained from data provided by the three universities and are unaudited.

The following chart shows academic salaries as a percentage of total salaries. The percentage has been steady since 2019.



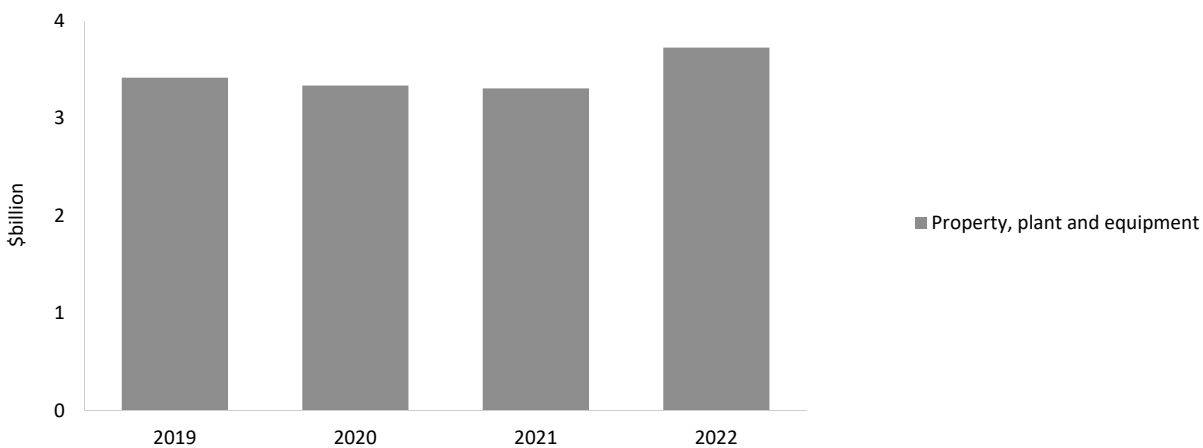
### Assets

Total assets for the three universities were \$6.1 billion in 2022. The categories of assets are shown in the following chart.



### Property, plant and equipment

Property, plant and equipment totals \$3.7 billion, which is 61% of the total value of university sector assets. It primarily consists of \$2.8 billion (74%) of buildings and infrastructure and \$550 million of land (15%). The following chart shows the value of property, plant and equipment over the last four years.



In 2022 all three universities revalued their land, buildings and infrastructure, in line with their normal approach of revaluing every three years. This resulted in a collective net revaluation gain across the universities of \$330 million.

Another revaluation of land, buildings and infrastructure for all three universities is due in 2025.

Further information on individual property, plant and equipment balances is provided in the commentary for each university under ‘Statement of Financial Position’.

### Deferred government superannuation contribution

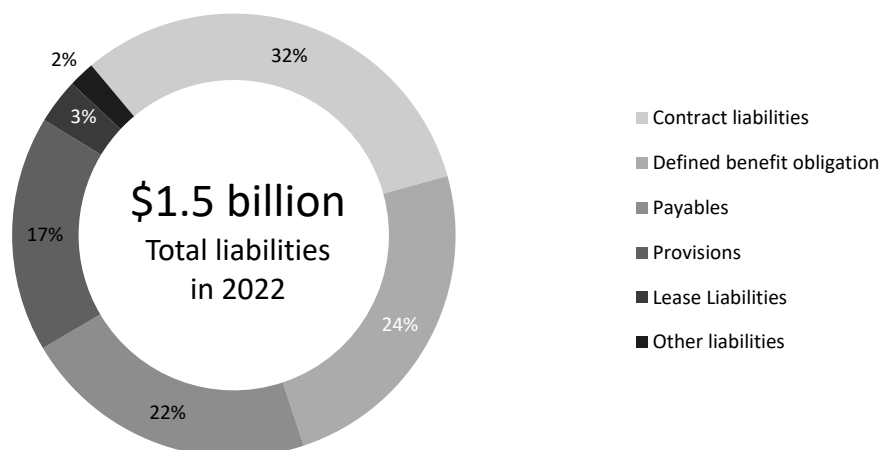
Numerous present and former employees of the three universities, and their predecessor institutions, are members of State managed superannuation schemes. Under current arrangements the Australian Government funds the universities on an emerging cost basis.

The defined benefit obligations of all three universities totalled \$351 million, with a corresponding receivable of the same value being recognised from the Australian Government. The receivables represent 6% of total assets held by the three universities.

Information on the individual schemes is provided in the 2022 financial report for each university.

## Liabilities

Total liabilities for the three universities were \$1.5 billion in 2022. The categories of liabilities are shown in the following chart.



### Defined benefit obligation

Defined benefit obligations total \$351 million, 24% of the liabilities held by the three universities, and are offset by deferred government contributions as explained under ‘Deferred government superannuation contribution’ above.

### Contract liabilities

Contract liabilities total \$461 million, 32% of the liabilities held by the three universities. They mainly represent unspent grant money. They were recognised for the first time in 2019 to implement new accounting requirements in AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit Entities*.

### Provisions

Provisions total \$250 million, 17% of the liabilities held across the university sector. They primarily comprise annual and long service leave liabilities totalling around \$237 million.

## Emerging issues

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### Impact of the COVID-19 pandemic

The South Australian university sector continued to be adversely affected by COVID-19 in 2022.

Travel bans on international arrivals limited the number of international students able to attend South Australian university campuses to either commence or continue their studies. This impacted all three universities given they all derive significant revenue from international students – a total of \$448 million in 2022 – as discussed above.

While many continuing students were able to study because they were in Australia or could study online, some chose to defer the resumption of their studies.

The ramifications of the travel bans is more pronounced for new overseas students, as those wanting to study in person have, in some cases, either deferred starting their studies or chosen to study in other countries with operationally earlier, and more favourable, travel policies.

The effect of COVID-19 on future earnings for the South Australian university sector remains uncertain. All universities have looked to offset reduced revenues by reducing discretionary spending, deferring capital investment and, in some cases, targeted employee redundancy schemes.

### **Australian university sector investment in Education Australia Ltd**

In April 2021 at an extraordinary general meeting, the Australian university sector agreed to a proposal by Education Australia Ltd and IDP Education Australia (IDP) to restructure Education Australia Ltd's 40% shareholding in IDP. Education Australia Ltd is wholly owned by all 38 Australian universities.

Under this proposal, Education Australia Ltd sold its IDP shares and distributed an in specie fully franked distribution of 1.83 million IDP shares, and a fully franked cash dividend of \$5.3 million to each Australian university. All 38 Australian universities were also eligible to receive a \$25 million franking credit refund from the in specie transfer of the IDP shares received from Education Australia Ltd in August 2021.

As at 31 December 2022 the value of the IDP shares for each of the State's three universities is disclosed in each university's financial statements. In 2022 each university sold differing percentages of their respective IDP shares at the completion of each escrow period. The three universities also received franking credit refunds from the ATO. These amounts are disclosed in each university's financial statements.

In 2022 the ATO advised all 38 Australian universities that it is withholding the refund of the remaining franking credits, while it considers the universities' entitlement to this remaining refund. As at 31 December 2022, each of the State's three universities are continuing to recognise an imputation credits receivable of \$22.7 million from the in specie transfer of the IDP shares received.

### **University merger**

Following the March 2022 State election, the SA Government announced the establishment of a University Merger Commission to advise on a potential university merger. It was understood that the Commission would comprise senior leaders from each university and be chaired by an independent commissioner.

In December 2022, the University of Adelaide and the University of South Australia agreed to conduct a formal feasibility study and business case for creating a new, combined university. At the date of signing the 2022 financial statements, a formal decision about the merger had not been made by the respective university councils.


In July 2023 the University of Adelaide and the University of South Australia signed a Heads of Agreement with the SA Government to pursue a merger to establish a new institution called Adelaide University in January 2026.

# Flinders University (Flinders)

## Financial statistics



 **2,054**  
Total FTEs

 **16,469**  
Students (EFTSL)

 **\$467.7 million**  
Buildings

### Significant events and transactions

- Construction of the \$255 million Health and Medical Research Building continued. It is expected to be completed in early 2024. Borrowings of \$117.8 million were drawn down in 2022 for the construction.
- Flinders Academy Pty Ltd was established as a wholly owned subsidiary of Flinders. A loan of \$1.3 million was advanced by Flinders for establishment costs. The first intake of students will be in 2023.
- Land, buildings and infrastructure were revalued as at 31 December 2022 resulting in an uplift in value of \$56.6 million.

### Financial report opinion

**Unmodified**

### Controls opinion findings

No significant findings.

### Other audit findings

No significant findings.

## Functional responsibility

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Flinders is established by the *Flinders University Act 1966*.

The functions of Flinders include establishing and providing educational facilities and courses of study at a university standard, and generally disseminating knowledge and promoting scholarship.

## Scope of the audit

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### **Audit of the financial report**

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report.

Specific areas of audit attention in 2022 included:

- corporate governance
- research grants, student fees and other revenue
- cash and investments
- property, plant and equipment, including the processes in place for asset management and capital projects
- payroll
- accounts payable
- general ledger and financial accounting.

The audits of Flinders' controlled entities for the year ended 31 December 2022 were carried out by private accounting firms.

### **Controls opinion**

We reviewed controls over buildings and improvements as part of our overall controls opinion, which is discussed in Part B of my Annual Report to Parliament.

## Audit findings

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### **Communicating our audit findings**

We communicated our audit findings in management letters to the President and Vice-Chancellor.

#### Controls opinion findings

There were no significant findings for our controls opinion work on Flinders.

## Other audit findings

There were no significant findings for our financial opinion work on Flinders.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2022 \$million	2021 \$million
<b>Income</b>		
Australian Government grants	267	267
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	103	106
HECS-HELP (student payments)	6	6
Fees and charges	119	117
Other	65	61
<b>Total income</b>	<b>560</b>	<b>557</b>
<b>Expenses</b>		
Employee related expenses	338	327
Other expenses	206	194
<b>Total expenses</b>	<b>544</b>	<b>521</b>
<b>Operating result</b>	<b>16</b>	<b>36</b>
Net cash provided by (used in) operating activities	81	111
Net cash provided by (used in) investing activities	(143)	(55)
Net cash provided by (used in) financing activities	109	(1)
<b>Assets</b>		
Current assets	337	237
Non-current assets	1,006	910
<b>Total assets</b>	<b>1,343</b>	<b>1,147</b>
<b>Liabilities</b>		
Current liabilities	160	139
Non-current liabilities	227	112
<b>Total liabilities</b>	<b>387</b>	<b>251</b>
<b>Total equity</b>	<b>956</b>	<b>896</b>

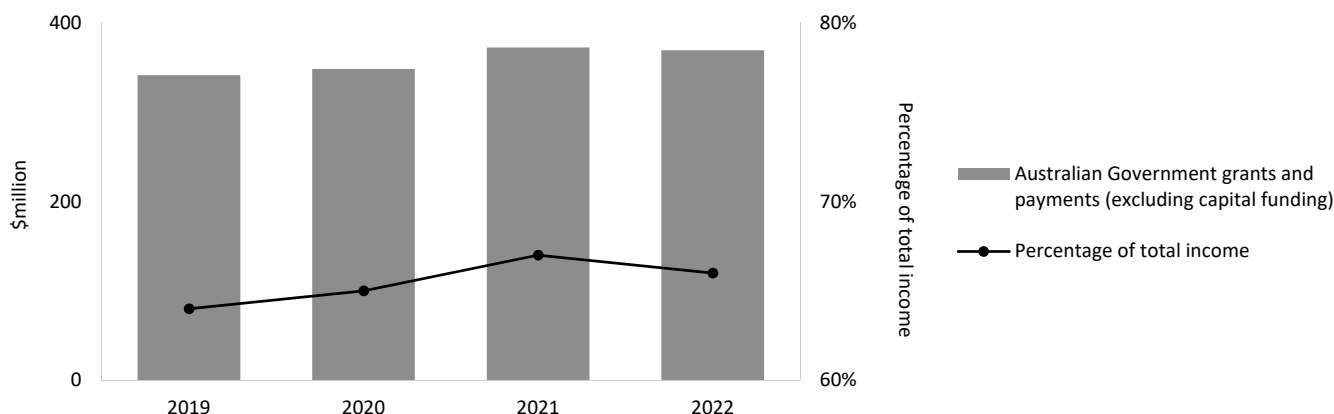
### Income Statement

#### Income

2022 income totalled \$560 million, an increase of \$3 million (0.5%).

#### Australian Government grants and payments

The chart below shows the total Australian Government financial assistance provided to Flinders, excluding capital funding as this is not necessarily comparable from year to year. It also shows that financial assistance continues to account for more than 60% of total income.



The total Australian Government financial assistance Flinders received decreased by \$3 million to \$370 million in 2022, mainly due to:

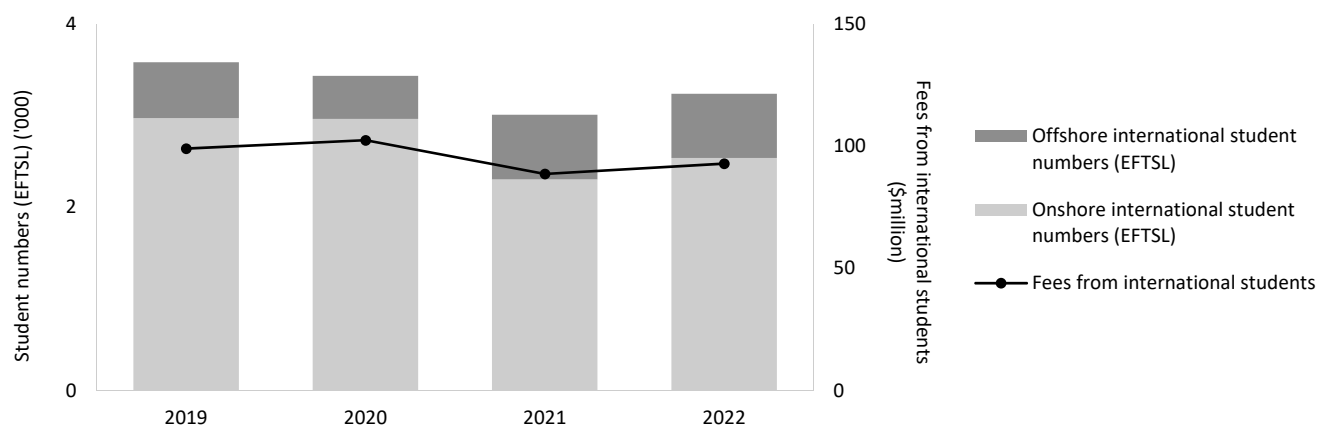
- a decrease of \$2.6 million in Higher Education Loan Program (HELP) funding, mainly due to a decrease in HECS-HELP funding of \$1.8 million. The introduction of the Job Ready program in 2020 saw a fall in fees for some courses. The HECS-HELP funding received from government was lower due to the mix of Flinders’ students
- a decrease of \$5.8 million in Commonwealth Grants Scheme funding for Commonwealth supported student places and reflects lower domestic fee-paying student numbers
- a decrease of \$11.4 million in Education Research grants. In 2021 an additional \$11.4 million of Block Fund Grant Funding was awarded by the Australian Government as COVID-19 pandemic relief.

These decreases were offset by increases in:

- other research grants of \$13.9 million, due to additional funding of \$14.1 million from the Australian Government
- National Health and Medical Research Council grants of \$1.4 million
- Australian Research Council grants of \$1 million.

### Fees and charges

The following chart shows fees from international students together with international student numbers.



Source: Student numbers, which are based on equivalent full-time student load (EFTSL), were obtained from statistics published by Flinders and are unaudited.



Fees from international students increased by \$4.1 million (4.7%) to \$92.8 million primarily due to an increase in the number of onshore international students as the Australian border opened in 2022.

The following table shows that total student loads decreased by 5.7% over the last four years, with a 2.2% increase in domestic students between 2019 to 2021 offset by a decrease in domestic students in 2022 of 6.7%. International students between 2019 and 2021 decreased by 16% due to the impact of COVID-19. International student numbers were returning to pre-COVID levels in 2022, with an increase of 7.7%.

	2019 Number	2020 Number	2021 Number	2022 Number
Domestic students	13,877	14,121	14,188	13,231
International students	3,581	3,432	3,007	3,238
Total students (EFTSL)	17,458	17,553	17,195	16,469

Source: Student load data is sourced from statistics published by Flinders and is unaudited.

As detailed in the annexure to this report, additional student data for the 10 years between January 2013 and December 2022 is published on our website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au).

## Investment income

Net investment income decreased by \$16.9 million to \$3 million mainly due to:

- dividends from equity investments, down \$6.7 million
- managed fund distribution, down \$3 million
- net loss arising on financial assets designated at fair value through profit and loss, of \$6.5 million compared to nets gains of \$4.6 million in 2021.

These decreases were offset by an increase interest income of \$3.1 million. This reflects the weaker domestic and international equity markets in 2022. Investment returns can be volatile, with the varying impact affecting the overall operating result.

## Expenses

Total expenses increased by \$23.1 million (4.4%) to \$544 million in 2022.

### Employee related expenses

Total employee related expenses increased by \$10.8 million to \$338 million in 2022. The increase is mainly due to:

- salary expenses for academic staff, up \$5.7 million, and for non-academic staff, up \$8.6 million, mainly due to annual salary increases and the impact of the tight labour market putting upward pressure on salary costs
- superannuation contribution for academic staff, up \$1.8 million, and for non-academic staff, up \$2.2 million, reflecting increased salaries and wages costs
- annual leave expense for academic staff, up \$1.3 million, and for non-academic staff, up \$949,000.

These increases were offset by a decrease in redundancy expenses for academic staff, down \$4.3 million, and for non-academic staff, down \$3.4 million.

	2019 \$million	2020 \$million	2021 \$million	2022 \$million
Employee related expenses	322	324	327	338

The following table shows total staff numbers for Flinders. The total number of FTEs has been relatively constant for the last four years, with staff numbers returning to 2020 levels in 2022. The table also shows the percentage of academic staff over the four years, which has fluctuated slightly but remained constant in 2022 at 44%.

	2019 FTEs	2020 FTEs	2021 FTEs	2022 FTEs
Academic	832	868	886	907
Non-academic	1,173	1,161	1,107	1,147
Total FTEs	2,005	2,029	1,993	2,054
Percentage of academic staff	42%	43%	44%	44%

Source: Staff numbers, which are based on FTEs, were obtained from statistics published by Flinders and are unaudited.

## Other expenses

Non-employee related expenses increased by \$12.2 million. The increase was mainly due to:

- other expenses, up \$20.9 million, due to the uplift of general activity across Flinders and is mainly due to increases in:
  - administration and management fees of \$4.8 million
  - travel, staff development and entertainment costs of \$5.1 million
  - student placement and practicum expenses of \$4.2 million
  - software expenses of \$3 million
  - scholarships, grants and prizes of \$1.3 million
- a net loss arising on financial assets designated at fair value through profit and loss of \$6.5 million compared to a net profit of \$4.6 million in 2021. The net loss was due to weaker international and domestic equity markets
- repairs and maintenance, up \$2.2 million, mainly due to an increase in minor works expenditure of \$1.7 million.

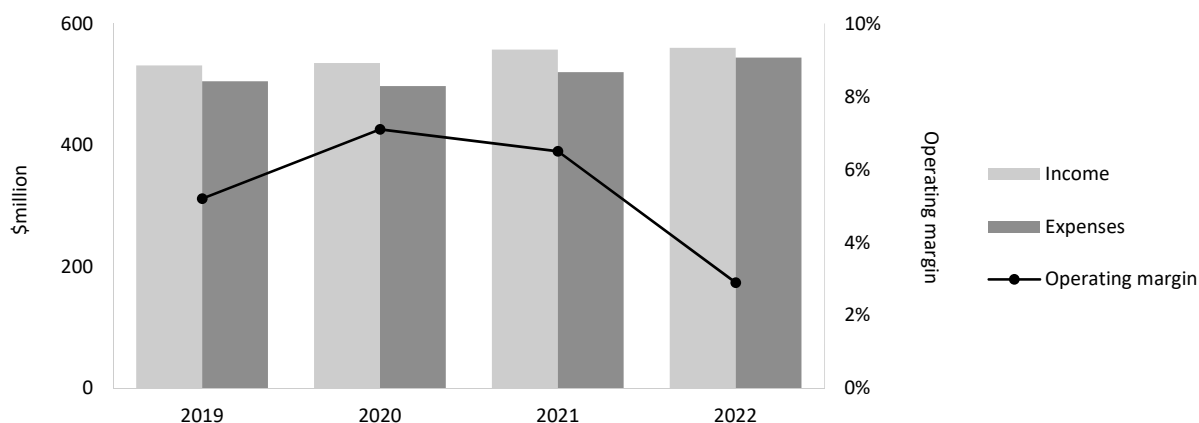
These increases were offset by decreases in:

- depreciation and amortisation of \$4.9 million, mainly due to a decrease in the amortisation of software costs of \$3.7 million as \$8.2 million of software costs were impaired in 2021
- impairment of assets of \$12.5 million in 2021 as \$12.8 million of intangible assets were impaired.

## Operating result

The operating surplus was \$16.3 million, \$20.1 million lower than 2021. This decrease reflects the net impact of the \$3 million increase in revenue explained above, combined with the \$23.1 million increase in expenditure in 2021.

The following chart shows the operating income, operating expenses and operating margin (the operating result for the year divided by total income) for the four years to 2022.



Flinders' operating margin improved in 2020 and then declined in 2021 and 2022, reflecting the lower operating surplus.

## Statement of Financial Position

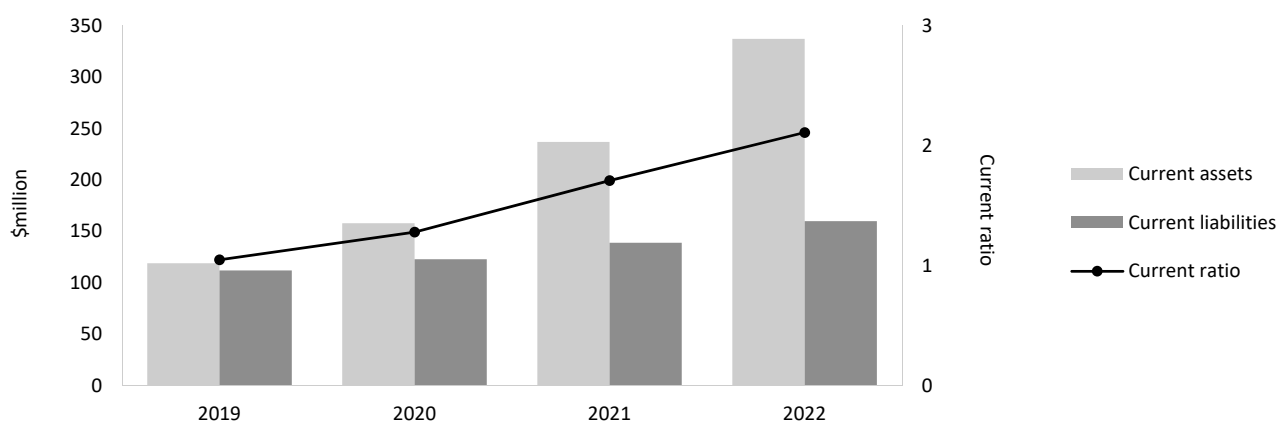
Flinders' consolidated net assets as at 31 December 2022 totalled \$956 million (\$896 million), an increase of \$60.3 million.

### Assets

#### Current assets

Flinders' cash and current financial assets (term deposits) increased by \$97.2 million to \$276.8 million, primarily due to a management strategy to maintain a high short-term liquidity position, pending the completion of an investment strategy and Health and Medical Research Building (HMRB) drawdowns which were not yet due to be paid to the builder.

The following chart shows Flinders' current assets and liabilities. The current ratio remains positive, with Flinders' current assets exceeding current liabilities by \$177.5 million. The improved ratio for 2021 and 2022 is due to management's desire to maintain a high short-term liquidity position and the HMRB drawdowns yet to be paid to the builder. The current ratio for 2019 reflects the first-time recognition of contract liabilities in 2019 as a result of new revenue accounting requirements.



## Property, plant and equipment

The main component of Flinders' Statement of Financial Position is property, plant and equipment, representing 59.4% of total assets. The carrying value of property, plant and equipment increased by \$135.2 million to \$797.8 million, mainly due to:

- asset additions of \$111 million, mainly for capital work in progress additions of \$93.3 million as a result of the HMRB construction and the Festival Tower fitout
- assets revalued as at 31 December 2022, resulting in an uplift in asset values of \$56.6 million, comprising a \$34.5 million increase in land, a \$21.4 million increase in buildings and a \$655,000 increase in infrastructure
- offset by \$32.1 million in depreciation charges.

## Liabilities

Flinders' liabilities increased by \$136 million to \$387.3 million. The major items contributing to this were:

- borrowings, up \$113.6 million, due to borrowings of \$117.8 million for the HMRB, offset by a decrease in lease liabilities of \$4.2 million
- contract liabilities, up \$36.4 million, due to the increase in grants received and unspent as at 31 December 2022 of \$25.8 million and an increase in student fees in advance of \$11.2 million.

These increases were offset by a decrease in trade and other payables of \$10.4 million mainly due to:

- creditors decreased by \$9.1 million. At the end of 2021 the creditors balance was large due to Flinders' working capital management strategy to manage the financial impact of COVID-19 restrictions
- OS-HELP liability to the Australian Government, down \$3.5 million, due to Flinders repaying \$3.5 million in 2022.

## Statement of Cash Flows

Net cash flows from operating activities decreased by \$29 million to \$81.8 million mainly due to a decrease in cash flows of:

- \$3.6 million from Australian Government grants
- \$4.3 million from OS-HELP net income
- \$4.4 million from dividends received
- \$2.7 million from other investment income
- \$5.2 million from GST recovered.

These decreases were offset by increases in cash flows of:

- \$32.6 million from receipts from student fees and other customers
- \$5.2 million from SA Government grants
- \$3.1 million from interest received.

This was offset by a \$50.1 million increase in payments to suppliers and employees.

Net cash used in investing activities increased by \$88.6 million mainly due to increases of:

- \$55.9 million in purchases of property, plant and equipment, intangible assets and other long-term assets
- \$45.2 million in payments for financial assets.

This was offset by an increase in proceeds from the sale of investments of \$15.4 million.

Cash provided by financing activities increased by \$110.1 million due to proceeds from borrowings of \$115.8 million, offset by an increase in the repayment of lease liabilities of \$5.7 million.

## Further commentary on operations

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### Impact of COVID-19

In 2022, there was a further easing of COVID-19 restrictions across Australia, particularly for international travel, which saw further growth in onshore international students, 2020 and 2021 reaching pre-COVID levels in 2023.

Flinders continued to focus on the wellbeing of staff and students, including implementing strategies to enhance the online learning experience, prioritise research growth and student support for those experiencing financial hardship and continue to progress towards pandemic recovery.

Flinders continued to manage the potential financial impact of COVID-19, and consequently COVID-19 has not had a material impact on its financial result in 2022. As the community adjusts to living with the virus, it is expected that Flinders will return to a more 'business as usual approach' while monitoring the situation.

### Investment in Education Australia Ltd

In April 2021 at an extraordinary general meeting, all 38 Australian universities agreed to a proposal by Education Australia Ltd and IDP Education Australia (IDP) to restructure Education Australia Ltd's 40% shareholding in IDP. Education Australia Ltd is wholly owned by all 38 Australian universities.

As at 31 December 2021 Flinders held \$63.4 million in IDP shares and it was also eligible to receive a \$25 million franking credit refund.

In 2022 Flinders sold 600,000 IDP shares for \$17.4 million, following the expiry of the escrow period attached to them.

In 2022 the ATO advised all 38 Australian universities that it is withholding the refund of the remaining franking credits while it considers the universities' entitlement to this remaining refund.

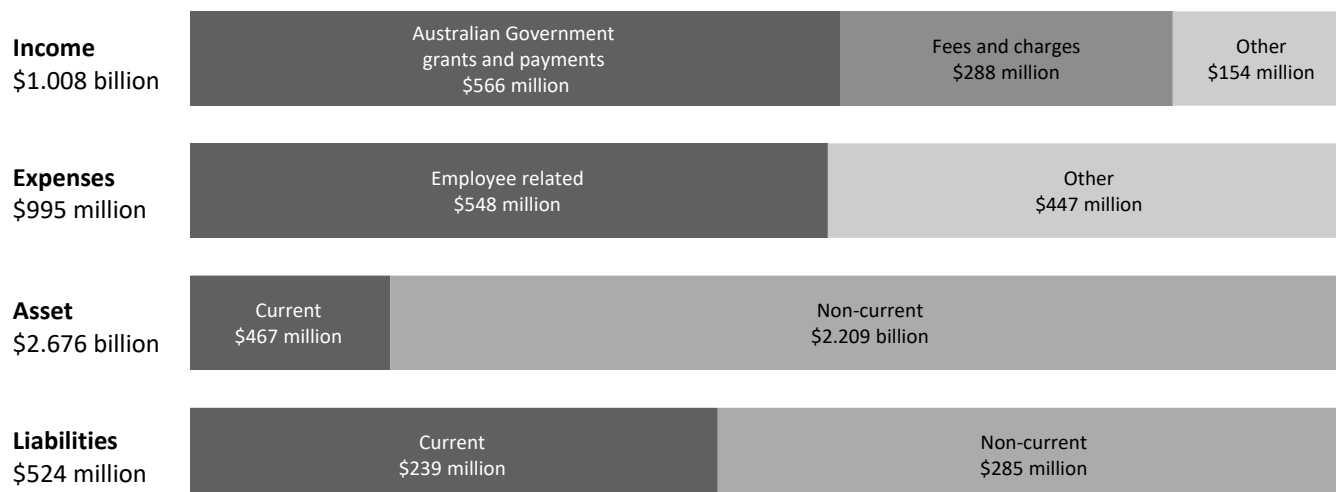
### Establishment of Flinders Academy Pty Ltd

Flinders Academy Pty Ltd was established in 2022 and is a wholly owned subsidiary of Flinders. It provides a range of tailored diploma courses for student who do not meet the academic or English language entry requirements to study a Flinders degree.

As part of establishing Flinders Academy Pty Ltd, a loan of \$1.3 million was advanced by Flinders. The first intake of students will be in 2023.


# University of Adelaide (Uni Adelaide)

## Financial statistics (consolidated)



 **3,616**  
Total FTEs

 **22,716**  
Students (EFTSL)

 **\$1.3 billion**  
Buildings

### Significant events and transactions

- In December 2022, Uni Adelaide and the University of South Australia agreed to conduct a formal feasibility study and business case for creating a new, combined university.
- Land, buildings and infrastructure were revalued as at 31 December 2022 resulting in an uplift in value of \$155.7 million.

### Financial report opinion

#### Unmodified

### Controls opinion findings

- The central record of prescribed positions contained some inaccurate and incomplete data.
- A large number of employees are not completing all stages of the staff planning, development and review process.
- Uni Adelaide's processes to validate employee leave and payment data could be improved.

### Other audit findings

No significant findings.

## Functional responsibility

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Uni Adelaide is established by the *University of Adelaide Act 1971*.

Uni Adelaide's primary objective is advancing learning and knowledge, which it achieves by providing higher education and conducting research activities.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Specific areas of attention in 2022 included:

- corporate governance
- research grants, student fees and other revenue
- cash and investments
- property, plant and equipment
- payroll and workforce management
- expenditure and accounts payable.

We reviewed internal audit activities in planning and conducting our audit. We made use of the work performed by internal audit over Uni Adelaide's ICT control environment.

### Controls opinion

We reviewed controls over payroll and buildings and improvements as part of our overall controls opinion, which is discussed in Part B of my Annual Report to Parliament.

## Audit findings

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### Communicating our audit findings

We communicated our audit findings in a management letter to the Vice-Chancellor and President. The main findings and Uni Adelaide's responses are discussed below.

#### Controls opinion findings

##### Payroll

Uni Adelaide employed more than 3,600 FTEs in 2022 and incurred over \$540 million in employee expenses. Given the significance of these expenses, we review payroll processes and controls annually.

*The central record of prescribed positions contained some inaccurate and incomplete data*

We found that Uni Adelaide's central record of prescribed positions, which records the employees who require a working with children check, contained some incomplete and inaccurate data.

Incomplete and unreliable data reduces Uni Adelaide’s ability to centrally report, track and manage the risks of legal compliance with child protection legislation.

Uni Adelaide responded that it will conduct staff compliance training, improve its records system and work closely with local areas to improve the quality of employee clearance data.

*A large number of staff are not completing all stages of the staff planning, development and review process*

We found that a large proportion of Uni Adelaide employees are not completing all stages of the staff planning, development and review process.

Low planning, development and review participation rates can negatively impact affected Uni Adelaide employees. For example, they may be unaware of their expected performance standards, as their current performance is not being evaluated.

Uni Adelaide responded that participation and completion rates will be distributed to various university leadership levels. Uni Adelaide also intends to conduct a review of its performance, development and review processes in 2023.

*Weaknesses in processes to ensure employee leave balances and payments made to employees are accurate*

Consistent with prior years, we found weaknesses in Uni Adelaide’s processes to:

- confirm and reconcile leave taken as recorded on the payroll system
- confirm the accuracy and reasonableness of a range of employee expenditure matters.

Our 2022 audit confirmed that the same risks remained around confirming the accuracy of employee leave balances and payments made to employees.

Uni Adelaide responded that it will investigate implementing additional controls to strengthen the confirmation of leave taken. For other areas, it considered its current processes were appropriate given its risk assessment.

## Interpretation and analysis of the financial report

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### Highlights of the financial report – consolidated

	2022 \$million	2021 \$million
<b>Revenue</b>		
Australian Government grants	412	504
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	145	139
HECS-HELP (student payments)	9	9
Fees and charges (course and non-course)	288	294
Other	154	201
<b>Total revenue</b>	<b>1,008</b>	<b>1,147</b>



	2022 \$million	2021 \$million
<b>Expenses</b>		
Employee related expenses	548	539
Other expenses	447	409
<b>Total expenses</b>	995	948
<b>Operating result</b>	13	198
Other comprehensive income	138	66
<b>Total comprehensive income</b>	151	264
Net cash provided by (used in) operating activities	96	287
Net cash provided by (used in) investing activities	(340)	(35)
Net cash provided by (used in) financing activities	(19)	(62)
<b>Assets</b>		
Current assets	467	405
Non-current assets	2,209	2,124
<b>Total assets</b>	2,676	2,529
<b>Liabilities</b>		
Current liabilities	239	244
Non-current liabilities	285	283
<b>Total liabilities</b>	524	527
<b>Total equity</b>	2,152	2,002

## Statement of Comprehensive Income

### Revenue

2022 revenue totalled \$1 billion, a decrease of \$139 million (12%).

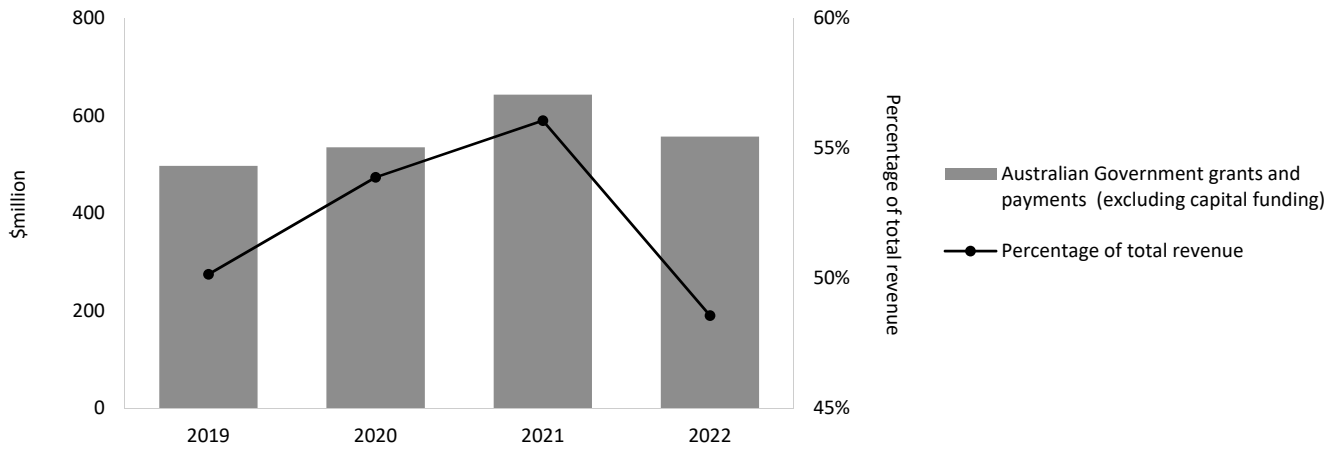
### Australian Government grants and payments

Total Australian Government financial assistance received by Uni Adelaide decreased by \$86 million (13%) to \$557 million in 2022.

In 2022, Australian Government grants and payments included the following major items:

- \$178 million in Commonwealth Grants Scheme funding for Commonwealth supported student places, a marginal decrease compared to 2021
- \$145 million in Higher Education Loan Program (HELP) funding, which included funding for HECS-HELP, a marginal increase compared to 2021.

The following chart shows Australian Government grants and payments, excluding capital funding as this is not necessarily comparable from year to year. It shows a sharp decrease in the 2022 proportion of non-capital Australian Government grants and payments to total income, down 7% in 2022. Last year Uni Adelaide received a material one-off revenue transfer of \$59 million for a funding component for the South Australian Immunogenomics Cancer Institute. No equivalent, material revenue transfer was received in 2022.



### Fees and charges

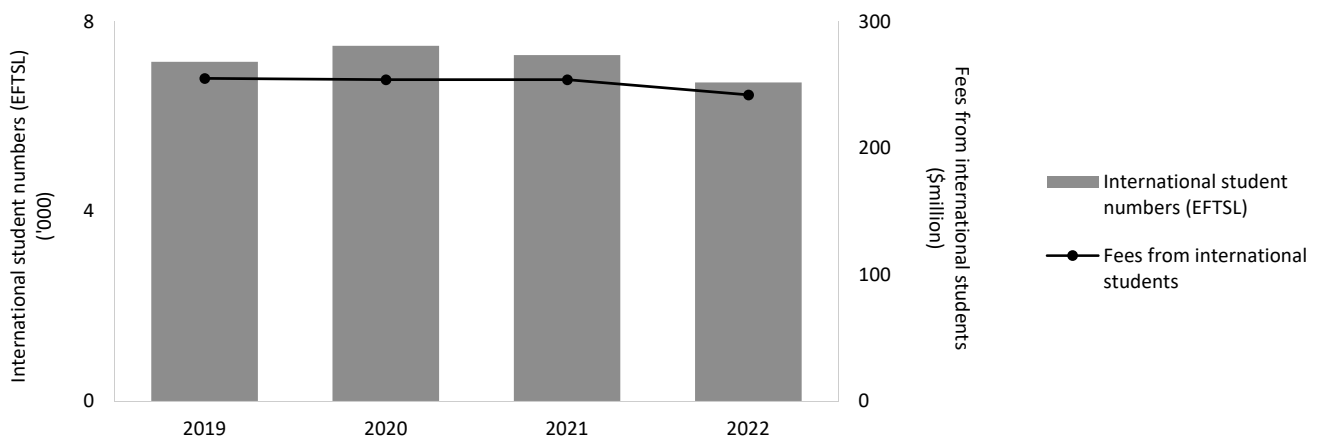
Fees and charges (course and non-course) decreased marginally by \$6 million to \$288 million in 2022. This decline was mainly due to reduced international student numbers, offset by a small increase in fees.

The table below shows that the total student load declined by 5% in 2022. Student composition has changed over the last four years, with the proportion of international student numbers decreasing from 30.5% in 2021 to 29.5% in 2022.

	2019 Number	2020 Number	2021 Number	2022 Number
Domestic students	15,033	15,534	16,617	16,004
International students	7,148	7,487	7,289	6,712
Total students (EFTSL)	22,181	23,021	23,906	22,716

Source: Student numbers, which are based on equivalent full-time student load (EFTSL), were obtained from Uni Adelaide’s annual report and are unaudited.

The following chart highlights that international fee-paying student revenue declined by \$12 million to \$242 million in 2022. This reflects the fall in returning international students to Adelaide after the COVID-19 pandemic.



Source: Student numbers, which are based on EFTSL, were obtained from Uni Adelaide’s annual report and are unaudited.

As detailed in the annexure to this report, additional student data provided for the 10 years between January 2013 and December 2022 is published on our website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au).

## Other revenue

Other revenue decreased by \$47 million (23%) to \$154 million. This was mainly because of the recognition of a net unrealised loss on endowment fund investments of \$25.4 million in 2022. Last year Uni Adelaide recorded a \$36.8 million net unrealised gain. The fluctuations in gains and losses reflects the volatility in world markets in 2022.

## Expenses

2022 expenditure totalled \$995 million, an increase of \$47 million (5%) compared to 2021. The increase mainly reflects a moderate rise in salaries and wages and a general increase in operating expenditure as Uni Adelaide’s operating activities began to normalise after COVID-19.

### Employee related expenses

The \$9 million increase in employee related expenses to \$548 million was mainly due to rises in salaries and wages (plus superannuation contributions) of \$18.2 million, offset by a decrease in redundancy expenses of \$14.8 million.

The table below shows total FTE numbers of continuing and fixed-term employees.

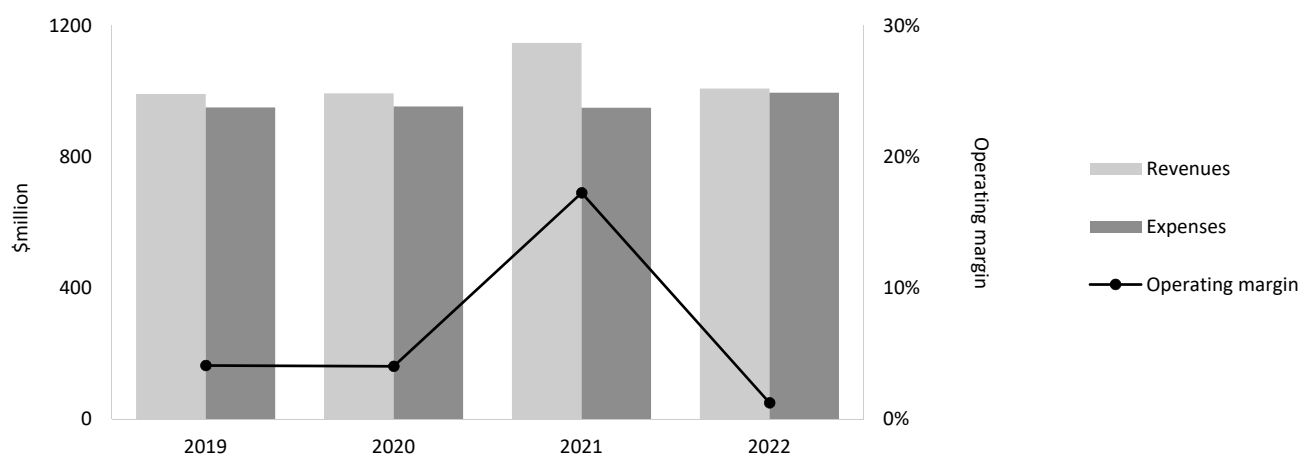
	2019 FTEs	2020 FTEs	2021 FTEs	2022 FTEs
Academic	1,717	1,757	1,649	1,745
Non-academic	2,116	2,176	1,915	1,871
Total FTEs	3,833	3,933	3,564	3,616
Percentage of academic staff	45%	45%	46%	48%

Source: Staff numbers, which are based on FTEs, were obtained from Uni Adelaide’s annual report and are unaudited.

## Operating result

The 2022 consolidated operating result was a surplus of \$13 million compared to a \$198 million surplus in 2021. The significant decrease in the movements in revenues and expenses is explained above.

The following chart shows the operating revenues, operating expenses and operating margin (the operating result for the year divided by total income) for the four years to 2022.



Uni Adelaide’s operating margin declined significantly to 1.3% in 2022, which reflects a sharp drop in its net operating result relative to the growth in revenue and expenditure.

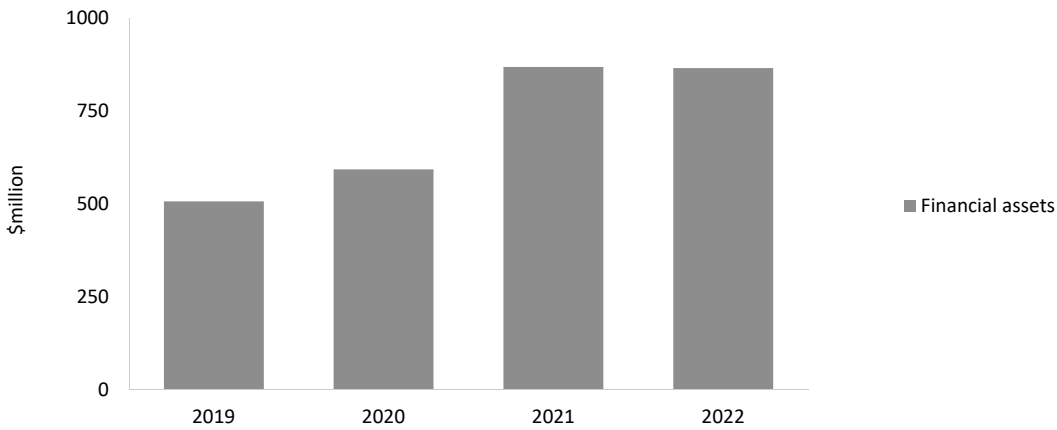
**Statement of Financial Position**

Uni Adelaide’s consolidated net assets increased by \$150 million to \$2.152 billion as at 31 December 2022.

**Assets**

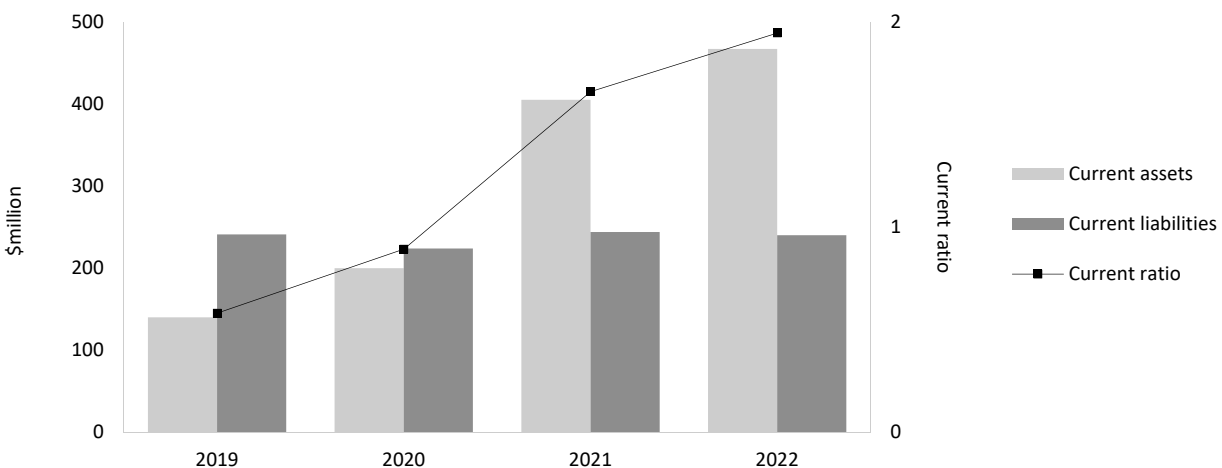
The value of Uni Adelaide’s assets increased by \$147 million (5.8%) in 2022. This was mainly because of the non-cash revaluation of Uni Adelaide’s property, plant and equipment to \$155 million.

Uni Adelaide also holds large financial asset holdings, being cash and cash equivalents, receivables, contract assets and other financial assets totalling \$853 million. The chart below shows the value of these financial assets for the last four years.



Financial asset holdings remained steady in 2022. Reductions in the value of endowment fund and general equity holdings were offset by rises in receivables, term deposit balances and contract assets.

As at 31 December 2022, current assets exceeded current liabilities by \$228 million. The following chart shows Uni Adelaide’s current assets, current liabilities and improving current ratio for the four years to 2022.



## Liabilities

Total liabilities decreased by \$3 million to \$524 million in 2022. Increases in payables and contract liabilities were offset by declines in employee provisions and deferred superannuation benefit obligations.

## Statement of Cash Flows

Cash and cash equivalents at 31 December 2022 totalled \$53.9 million (\$316.3 million). Net cash flows provided by operating activities decreased to \$96 million (\$287 million), mainly due to:

- decreases in Australian Government financial assistance of \$92 million
- increases in fee-paying student revenue of \$7 million
- decreases in consultancy and contract research revenue of \$7 million
- increases in salaries and related expenditure of \$26 million.

## Further commentary on operations

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### University merger

In December 2022, Uni Adelaide and the University of South Australia agreed to conduct a formal feasibility study and business case for creating a new, combined university. The decision to explore a merger's feasibility was taken in response to the SA Government's higher education policy to consider a merger between the universities. At the date of signing the 2022 financial statements, a formal decision about the merger had not been made by the respective university councils.

In July 2023 Uni Adelaide and the University of South Australia signed a Heads of Agreement with the SA Government to pursue a merger to establish a new institution called Adelaide University in January 2026.

### Investment in Education Australia Ltd

In April 2021 at an extraordinary general meeting, the Australian university sector agreed to a proposal by Education Australia Ltd and IDP Education Australia (IDP) to restructure Education Australia Ltd's 40% shareholding in IDP. Education Australia Ltd is wholly owned by all 38 Australian universities.

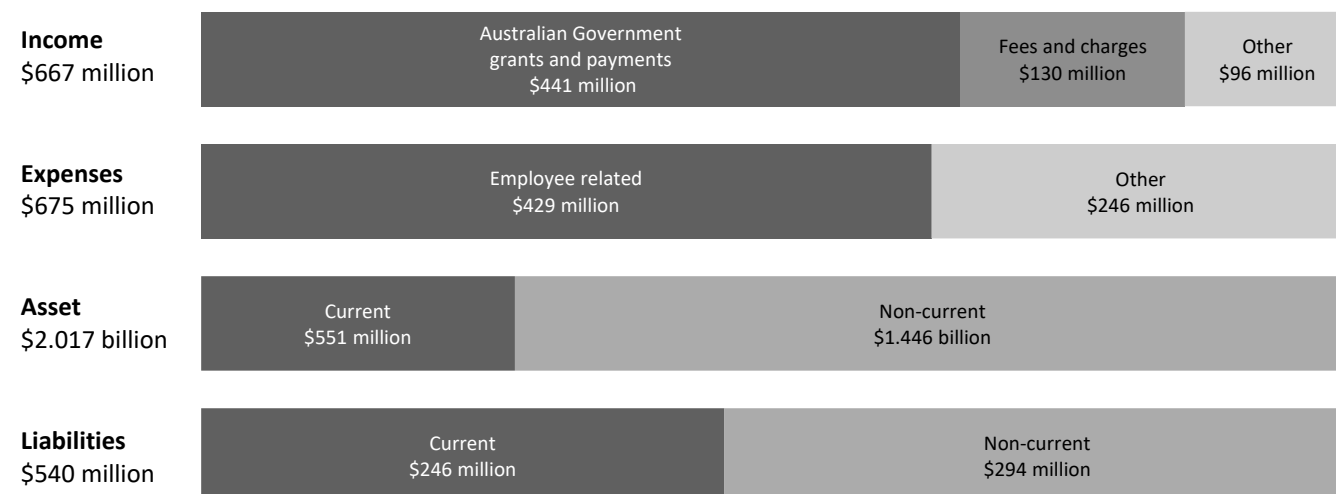
As at 31 December 2021 Uni Adelaide held \$63.4 million in IDP shares and a \$740,000 residual interest in Education Australia Ltd, and was also eligible to receive a \$25 million franking credit refund.

In 2022 Uni Adelaide received a \$2.3 million franking credit refund from the ATO. However, in 2022 the ATO advised all 38 Australian universities that it is withholding the refund of the remaining franking credits (\$22.7 million) while it considers the universities' entitlement to this remaining refund.


In September and October 2022 Uni Adelaide sold 75% of its IDP shares, reducing the carrying value of its IDP share investments by \$47.6 million. Uni Adelaide recognised a loss of \$7.8 million on the sale of these shares through other comprehensive income.


# University of South Australia (UniSA)

## Financial statistics



 **2,650**  
Total FTEs

 **23,211**  
Students (EFTSL)

 **\$865 million**  
Buildings

### Significant events and transactions

- In December 2022, UniSA and the University of Adelaide agreed to conduct a formal feasibility study and business case for creating a new, combined university.
- Land, buildings and infrastructure were revalued as at 31 December 2022 resulting in an uplift in value of \$118 million.

### Financial report opinion

**Unmodified**

### Controls opinion findings

No significant findings.

### Other audit findings

No significant findings.

## Functional responsibility

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UniSA is established under the *University of South Australia Act 1990*.

UniSA's main functions are to provide tertiary education programs, to preserve, extend and disseminate knowledge through teaching, research, scholarship and consultancy, and to provide educational programs for the benefit of the wider community or the enhancement of its cultural life.

## Scope of the audit

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### **Audit of the financial report**

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report.

Specific areas of audit attention in 2022 included:

- payroll
- expenditure
- Australian Government financial assistance
- student fees and other revenue
- consultancy and research revenue
- cash management and investments
- property, plant and equipment
- corporate governance
- IT general controls.

The audits of UniSA's controlled entities for the year ended 31 December 2022 were carried out by a private accounting firm.

We reviewed internal audit activities in planning and conducting our audit.

### **Controls opinion**

We reviewed controls over buildings and improvements as part of our overall controls opinion, which is discussed in Part B of my Annual Report to Parliament.

## Audit findings

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### **Communicating our audit findings**

We communicated our audit findings in a management letter to the Vice Chancellor and President. The main findings and UniSA's responses are discussed below.

#### Controls opinion findings

There were no significant findings for our controls opinion work on UniSA.

## Other audit findings

There were no significant findings for our other audit work on UniSA.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2022 \$million	2021 \$million
<b>Income</b>		
Australian Government grants	294	307
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	147	155
HECS-HELP (student payments)	13	12
Fees and charges	130	135
Other	83	70
<b>Total income</b>	<b>667</b>	<b>679</b>
<b>Expenses</b>		
Employee related expenses	429	409
Other expenses	246	216
<b>Total expenses</b>	<b>675</b>	<b>625</b>
<b>Operating result before income tax</b>	<b>(8)</b>	<b>54</b>
Net cash provided by (used in) operating activities	43	101
Net cash provided by (used in) investing activities	16	(6)
<b>Assets</b>		
Current assets	551	527
Non-current assets	1,466	1,444
<b>Total assets</b>	<b>2,017</b>	<b>1,971</b>
<b>Liabilities</b>		
Current liabilities	246	235
Non-current liabilities	294	353
<b>Total liabilities</b>	<b>540</b>	<b>588</b>
<b>Total equity</b>	<b>1,477</b>	<b>1,383</b>

### Statement of Comprehensive Income

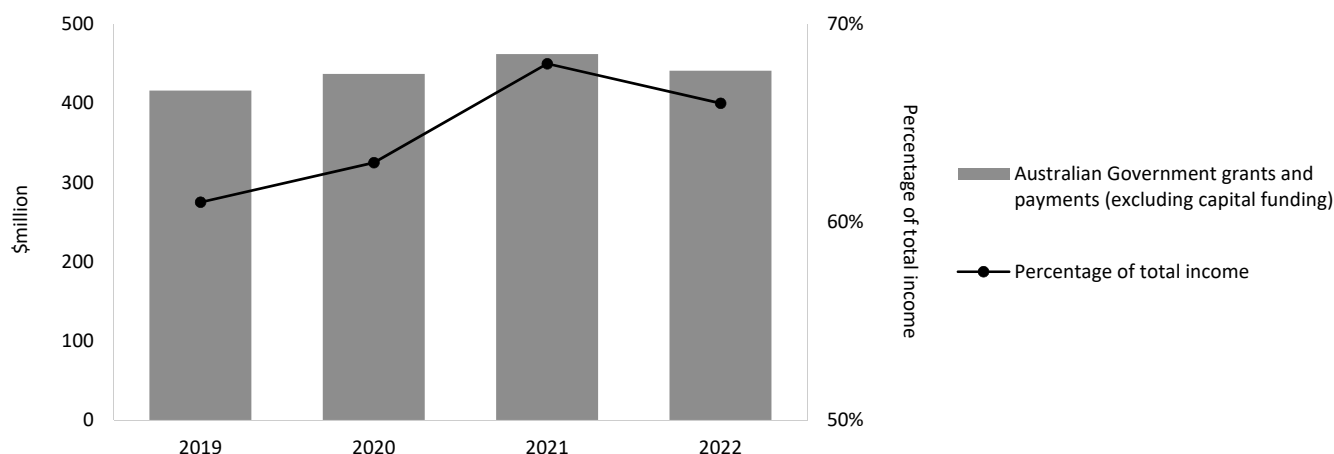
#### Income

2022 income totalled \$667 million, a decrease of \$12 million (1.7%).

#### Australian Government grants and payments

The following chart shows Australian Government grants and payments provided to UniSA, excluding capital funding as this is not necessarily comparable from year to year. It shows that Australian Government financial assistance continues to account for more than 60% of total income.





Australian Government grants decreased by \$13 million to \$294 million in 2022, mainly due to:

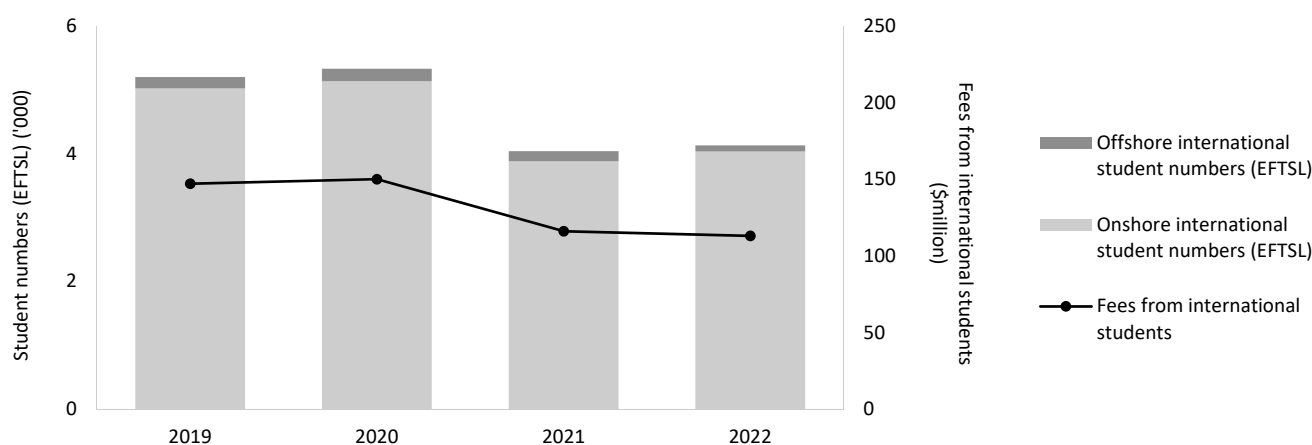
- a \$21.9 million decrease in Education Research funding, which included a one-off payment of \$18 million for Research Support Program additional support in 2021
- offset by a \$7.2 million increase in other Australian Government financial assistance – non-capital funding and a \$2.4 million increase in Commonwealth Grants Scheme funding.

### Fees and charges

Fees and charges decreased marginally by \$5 million to \$130 million in 2022. This was mainly due to:

- a \$2.5 million decrease in fee-paying onshore and offshore overseas students
- a \$600,000 decrease in fee-paying domestic postgraduate students
- a \$1.2 million decrease in miscellaneous enrolment fees
- a \$1.4 million decrease in other fees and charges.

The following chart shows that the fee-paying international student numbers increased marginally by 2.3% in 2022 due to the gradual easing of COVID-19 travel bans which previously restricted overseas students travelling to Australia to study.



Source: Student numbers, which are based on equivalent full-time student load (EFTSL), were obtained from UniSA's annual reports and are unaudited.

The table below shows the 8.3% decrease in domestic student numbers offset by a 2.3% increase in international student numbers (EFTSL) in 2022.

	2019 Number	2020 Number	2021 Number	2022 Number
Domestic students	19,208	20,440	20,813	19,082
International students	5,198	5,328	4,037	4,129
Total students (EFTSL)	24,406	25,768	24,850	23,211

Source: Student numbers, which are based on EFTSL, were obtained from UniSA's annual reports and are unaudited.

As detailed in the annexure to this report, additional student data for the 10 years between January 2013 and December 2022 is published on our website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au).

## Other revenue

Other revenue increased by \$13 million to \$83 million in 2022 largely from:

- a \$3 million increase in state and local government financial assistance, mainly as a result of increased research funding
- a \$6 million increase in consultancy and contract research revenue, mainly due to \$3.9 million in international research income, \$1.1 million in Australian industry and other research income and \$1 million in non-Higher Education Research Data Collection research funding
- a \$4.7 million increase in interest income due to interest rate increases over term deposits.

## Expenses

2022 expenses totalled \$675 million, an increase of \$50 million (8%).

### Employee expenses

UniSA's main expense is employee related expenses, which increased by \$20 million (5%) to \$429 million in 2022. This was mainly due to:

- a \$13 million increase in salaries due to increased FTEs in 2022
- a \$2.3 million increase in salaries from a 3% employee benefits increase and 0.6% step increase
- a \$4.5 million increase in funded superannuation costs.

The following table shows the breakdown of total staff numbers between academic and non-academic staff since 2019. There was a decrease in overall staff numbers in 2021, mainly due to some of the Early Retirement Scheme participants separating from UniSA early in the year.

	2019 FTEs	2020 FTEs	2021 FTEs	2022 FTEs
Academic	1,143	1,161	1,174	1,186
Non-academic	1,532	1,579	1,424	1,464
Total FTEs	2,675	2,740	2,598	2,650
Percentage of academic staff	43%	42%	45%	45%

Source: Staff numbers, which are based on FTEs, were obtained from UniSA's annual report and are unaudited.

## Other expenses

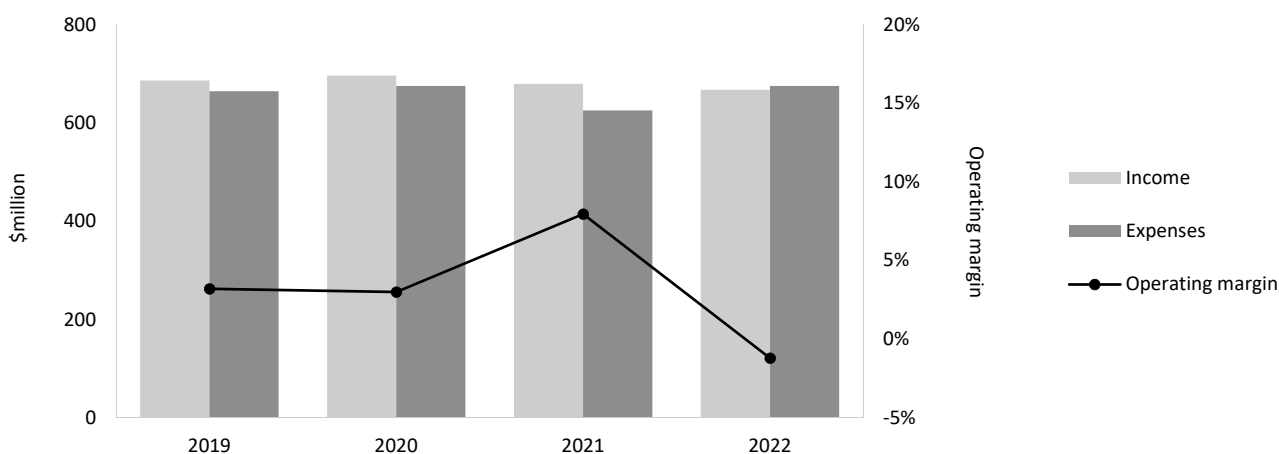
Other expenses increased across the board by \$30 million to \$246 million in 2022. The main components of this increase included:

- an \$11 million increase in external services
- a \$7 million increase in travel, staff development and entertainment expenses
- a \$4 million increase in utilities costs
- a \$1.5 million increase in bank charges, legal fees, insurance and taxes
- a \$1.3 million increase in IT hardware and software expenses
- a \$1.1 million increase in library subscriptions.

## Operating result

The consolidated operating result before income tax for the year was a deficit of \$8 million compared to a surplus of \$54 million in 2021. As mentioned above, the decrease is mainly due to a decrease in total revenue of \$12 million and a large increase in total expenditure of \$50 million.

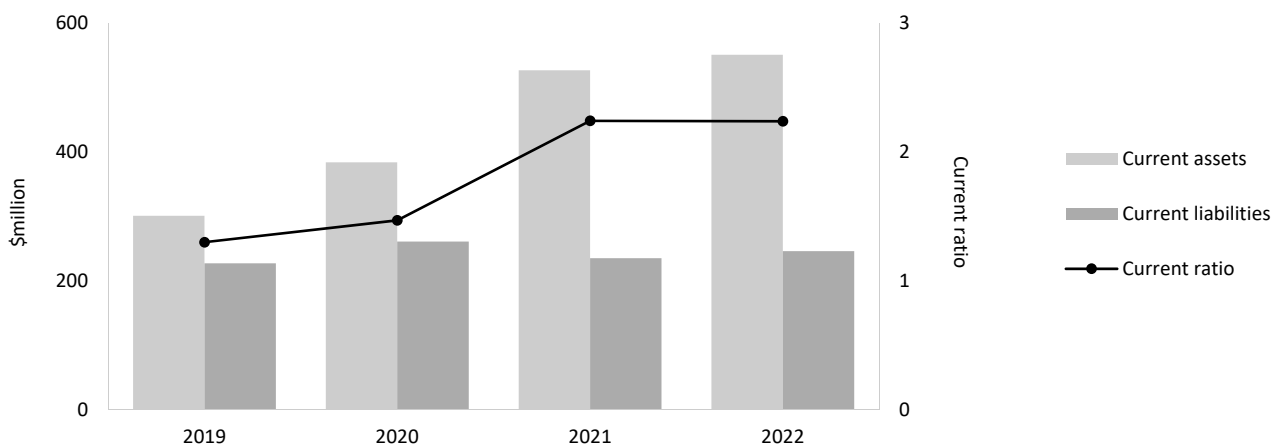
The following chart shows the movement in income, expenses and the operating margin (the operating result for the year divided by total income) for the last four years. The operating margin decreased to -1.2% in 2022.



## Statement of Financial Position

UniSA's net assets at 31 December 2022 were \$1.48 billion (\$1.38 billion).

The following chart shows that UniSA's current ratio has remained relatively stable since 2019. As at 31 December 2022 the current ratio remains consistent with 2021, with current assets exceeding current liabilities by \$305 million.



## Assets

### Cash and cash equivalents

UniSA's cash and cash equivalents totalled \$452 million as at 31 December 2022 compared to \$395 million in 2021. The \$57 million increase in cash holdings is largely due to:

- \$52 million cash proceeds from the sale of IDP shares
- \$4 million cash proceeds from the sale of other investments.

### Property, plant and equipment

The main component of UniSA's Statement of Financial Position is property, plant and equipment, representing 59% of total assets. The carrying value of property, plant and equipment increased by \$111 million to \$1.19 billion due mainly to:

- a revaluation surplus of \$118 million
- asset additions of \$34 million
- offset by annual depreciation/amortisation charges of \$42 million.

## Liabilities

UniSA's liabilities decreased by \$48 million to \$540 million in 2022. The significant movements were:

- defined benefit superannuation obligations, which decreased by \$57.5 million to \$270 million as a result of decreases in benefit payments to members and changes in the assumptions used to value these obligations. The value is calculated by actuaries and the liability amount is offset by a matching asset for UniSA
- a \$5.2 million decrease in trade and other payables, mainly due to decreases of \$2.4 million in accrued creditors and \$2 million in OS-HELP.

This was offset by increases in liabilities including:

- a \$10.6 million increase in contract liabilities, reflecting research grants funding received where no services were delivered
- a \$3.8 million increase in other liabilities due to OS-HELP and HECS-HELP received in advance but unspent.

## Statement of Cash Flows

Net cash flows provided by operating activities decreased by \$58 million to \$43 million, mainly due to:

- a \$22 million decrease in Australian Government grants and all other payments received
- a \$37 million increase in payments to suppliers and employees.

Net cash provided by investing activities increased by \$22 million, mainly due to:

- a \$55 million increase in proceeds from the sale of investments, mainly due to \$52 million from the sale of IDP shares
- offset by increases of \$19 million in payments for property, plant and equipment and \$9 million in payments for investments.

## Further commentary on operations

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### **University merger**

In December 2022, the University of Adelaide and UniSA agreed to conduct a formal feasibility study and business case for creating a new, combined university. The decision to explore a merger's feasibility was taken in response to the SA Government's higher education policy to consider a merger between the universities. At the date of signing the 2022 financial statements, a formal decision about the merger had not been made by the respective university councils.

In July 2023 the University of Adelaide and UniSA signed a Heads of Agreement with the SA Government to pursue a merger to establish a new institution called Adelaide University in January 2026.

### **Investment in Education Australia Ltd**

In April 2021 at an extraordinary general meeting, the Australian university sector agreed to a proposal by Education Australia Ltd and IDP Education Australia (IDP) to restructure Education Australia Ltd's 40% shareholding in IDP. Education Australia Ltd is wholly owned by all 38 Australian universities.

As at 31 December 2021, UniSA held 1.8 million IDP shares valued at \$63.4 million and a \$1.1 million residual interest in Education Australia Ltd, and was also eligible to receive a \$25 million franking credit refund.

In 2022 UniSA sold 100% of its IDP shares at the completion of each escrow period. The cash proceeds received from the sale of its IDP shares were \$51.9 million. UniSA also received a \$3.8 million franking credit refund from the ATO.

In 2022 the ATO advised all 38 Australian universities that it is withholding the refund of the remaining franking credits, while it considers the universities' entitlement to this remaining refund.

As at 31 December 2022, UniSA is continuing to recognise an imputation credits receivable of \$22.7 million from the in specie transfer of IDP shares received in August 2021 from Education Australia Ltd.

## Annexure

### Financial statements of all the agencies contained in this report will be published on the Auditor-General's Department website

The *Public Finance and Audit Act 1987* (PFAA) requires me to publish the audited financial statements of all public authorities on a website. This is a significant accountability measure that ensures they will all be available centrally. The PFAA also allows me to publish other documents on that website, including the financial statements of agencies that are not public authorities.

Under section 36(4) of the PFAA I will publish the audited financial statements of the following agencies on the Auditor-General's Department website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au):

- Adelaide Oval SMA Limited
- Flinders University
- SACE Board of South Australia
- University of Adelaide
- University of South Australia.

### Data will be published on the Auditor General's Department website

Section 36(4) of the PFAA allows me to publish information, including data on a website. I will publish data provided by the Flinders University, University of Adelaide and University of South Australia on the Auditor-General's website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au). It also provides a tool to allow users to access and analyse this data.

This data is revenue from fees and charges and international and domestic student numbers (based on equivalent full-time student loads). It covers the 10 years between January 2013 and 31 December 2022. The student number data is unaudited and so I provide no assurance on this data.



