

Report 4 of 2022
Agency audit reports



Report of the Auditor-General

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Agency audit reports

Delivered to the President of the Legislative Council and the Speaker of the House of Assembly on 26 July 2022 and published on 28 July 2022 under section 38(2) of the *Public Finance and Audit Act 1987*

First Session, Fifty-Fifth Parliament

By authority: C. McArdle, Government Printer, South Australia

*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.*



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26 July 2022

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 4 of 2022 *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 2022 I will issue my annual report for the year ended 30 June 2022. Some agencies I audit have a financial year that ended before 30 June 2022. 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.

As stated in the Annexure to this report, the financial reports of these agencies will be published on the Auditor-General's Department website after this report is tabled in Parliament.

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)

Income	\$53.2 million	Revenue from fees and charges \$16.7 million	Revenue from sales attributable to AOSMA \$27.2 million	Other \$9.3 million
Expenses	\$59.6 million	Employee benefits \$23.6 million	Raw material & consumables \$9.1 million	Supplies & services \$7 million
Assets	\$112.4 million	Current \$16.2 million	Non-current \$96.2 million	
Liabilities	\$95.2 million	Current \$16.7 million	Non-current \$78.5 million	

\$ \$6.5 million
Loss from trading activities

\$ \$3.8 million
Net contributions from the
SANFL and SACA

\$ \$18.6 million
Money collected as agent

Significant events and transactions

- The COVID-19 pandemic continued to impact AOSMA's operations. However, the easing of restrictions resulted in higher attendances at events and performances, which increased revenue from sales, fees and charges by \$6 million.
- Commonwealth JobKeeper subsidies decreased by \$10.9 million, partially offset by reduced staffing costs of \$8.1 million for staff stood down.
- Borrowing costs and interest revenue both increased, reflecting the impact of the first full year of repayments on AOSMA's \$42.6 million, 10-year loan from the Treasurer and its back-to-back loan to the Adelaide Oval Hotel.
- The SA Government contributed \$2.124 million to AOSMA's sinking fund in response to the COVID-19 related downturn.

Financial report opinion

Unmodified

Audit findings

We communicated a small number of low risk audit findings to management.

Functional responsibility

AOSMA is a company whose 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. It was created in December 2009 as a not-for-profit public company limited by guarantee.

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 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

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

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 2021 included:

- governance
- revenue
- expenditure
- payroll
- cash
- fixed assets
- liabilities
- inventory
- system user access
- general ledger.

Audit findings

Communicating our audit findings

We communicated a small number of low risk audit findings to management.

Interpretation and analysis of the financial report

Highlights of the financial report*

	Year ended 31.10.21 \$million	Year ended 31.10.20 \$million
Trading activities		
Income	53	56
Expenses	60	64
Profit (Loss) from trading activities	(6)	(8)
Stakeholder contributions		
Contributions from the SANFL and SACA	9	8
Contributions to the SANFL and SACA	(5)	(7)
Net contributions	4	1
Trading result after net contributions from stakeholders	(3)	(8)
SA Government related items		
SA Government grants and other contributions	3	2
Total comprehensive result	1	(6)
Net cash provided by (used in) operating activities	-	4
Assets		
Current assets	16	18
Non-current assets	96	98
Total assets	112	116
Liabilities		
Current liabilities	17	24
Non-current liabilities	78	76
Total liabilities	95	100
Total equity	17	16

* 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 \$6.5 million, a \$1.9 million improvement from the \$8.4 million trading loss before stakeholder contributions experienced in 2020.

Trading income decreased by \$2.5 million to \$53.2 million due mainly to:

- a reduction in Commonwealth JobKeeper subsidies of \$10.9 million
- an increase in sales of \$3.8 million for food and beverage following an easing of restrictions that led to higher crowd numbers for sporting and other events
- a \$2.2 million improvement in fees and charges income due to increased match day recoveries and catering commission from the AOHT

- an increase in interest revenues of \$1.8 million, reflecting the first-time recognition of interest on AOSMA's loan to the AOHT (see comments under 'Adelaide Oval Hotel' below).

Trading expenses decreased by \$4.5 million to \$59.6 million due mainly to:

- a decrease in employee benefits expense of \$8.1 million for stood down staff no longer being paid under the JobKeeper scheme, which ceased in March 2021
- increases in the cost of raw materials and consumables (\$1.4 million) and supplies and services (\$790,000), both driven by the improvement in operating activity
- an increase in borrowing costs of \$1.9 million, reflecting the full-year impact of AOSMA's loan from the Treasurer for the construction of the Adelaide Oval Hotel (see comments under 'Adelaide Oval Hotel' below).

Stakeholder contributions

Net contributions to AOSMA from the SANFL and SACA were \$3.8 million (\$882,000).

Under the promoters agreement, AOSMA pays a percentage of its match day food and beverage sales to the SANFL and SACA. For 2020-21 this totalled \$5.3 million (\$3.7 million). This amount is in addition to \$18.6 million (\$11.9 million) collected and distributed by AOSMA to the SANFL, SACA, AOHT and COT throughout the year as their agent.

The SANFL and SACA contributed \$9.1 million (\$7.6 million) under the promoters agreement to ensure AOSMA has sufficient working capital to support its operations.

SA Government related items

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.

Money collected on behalf of other parties

AOSMA collects money as agent on behalf of the SANFL, SACA, AOHT, 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 2021, AOSMA collected:

- \$18.6 million on behalf of the SANFL, SACA, AOHT and COT. This amount is disclosed as related party transactions in note 17 of AOSMA's financial report
- \$12.2 million on behalf of the AFL, CA, football clubs and various other promoters. These collections are not disclosed in AOSMA's financial report and are unaudited, apart from the balance awaiting distribution as at 31 October 2021. These collections related 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

Total assets decreased by \$3.5 million to \$112.4 million as at 31 October 2021. This was due largely to:

- a decrease in property, plant and equipment of \$1.9 million, largely comprising depreciation of \$2.8 million offset by asset additions of \$941,000
- a \$3.7 million decrease in trade receivables, mainly reflecting the improved timing of amounts due from the SANFL and SACA in 2021
- an increase in cash and cash equivalents of \$2.5 million, mainly reflecting the contribution to the sinking fund received from the SA Government.

Total liabilities decreased by \$4.4 million to \$95.2 million as at 31 October 2021 due mainly to:

- a decrease in payables of \$7.7 million, largely reflecting differences in the timing of payments compared with 2020, relating to AFL finals held at the oval
- offset by an increase in loans and borrowings of \$2.9 million, due largely to an increase in the overdraft drawdown for working capital.

Further commentary on operations

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 Corporation of the City of Adelaide (Adelaide City Council), the responsible Minister, the SANFL, SACA and AOSMA
- AOSMA's financial reporting and audit requirements and the redevelopment in general
- 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.

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.

Sinking fund

Due to the impacts of COVID-19, AOSMA received a contribution from the Treasurer of \$2.124 million towards the \$3.2 million contribution by AOSMA to the sinking fund in 2020-21. Payments totalling \$916,000 were made out of the sinking fund in 2020-21 and \$197,000 in interest income was received (refer to note 3 of AOSMA's financial report). The balance of the sinking fund as at 31 October 2021 was \$9.2 million.

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 term of the lease is expected to be \$74.3 million before indexation. 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. Work offsite commenced in July 2019, with construction onsite commencing in October 2019. 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. As required by the 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 2021 these finance lease receivables were valued at \$14.5 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 2021 \$41.9 million remains.

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.

Commercial Operations Trust

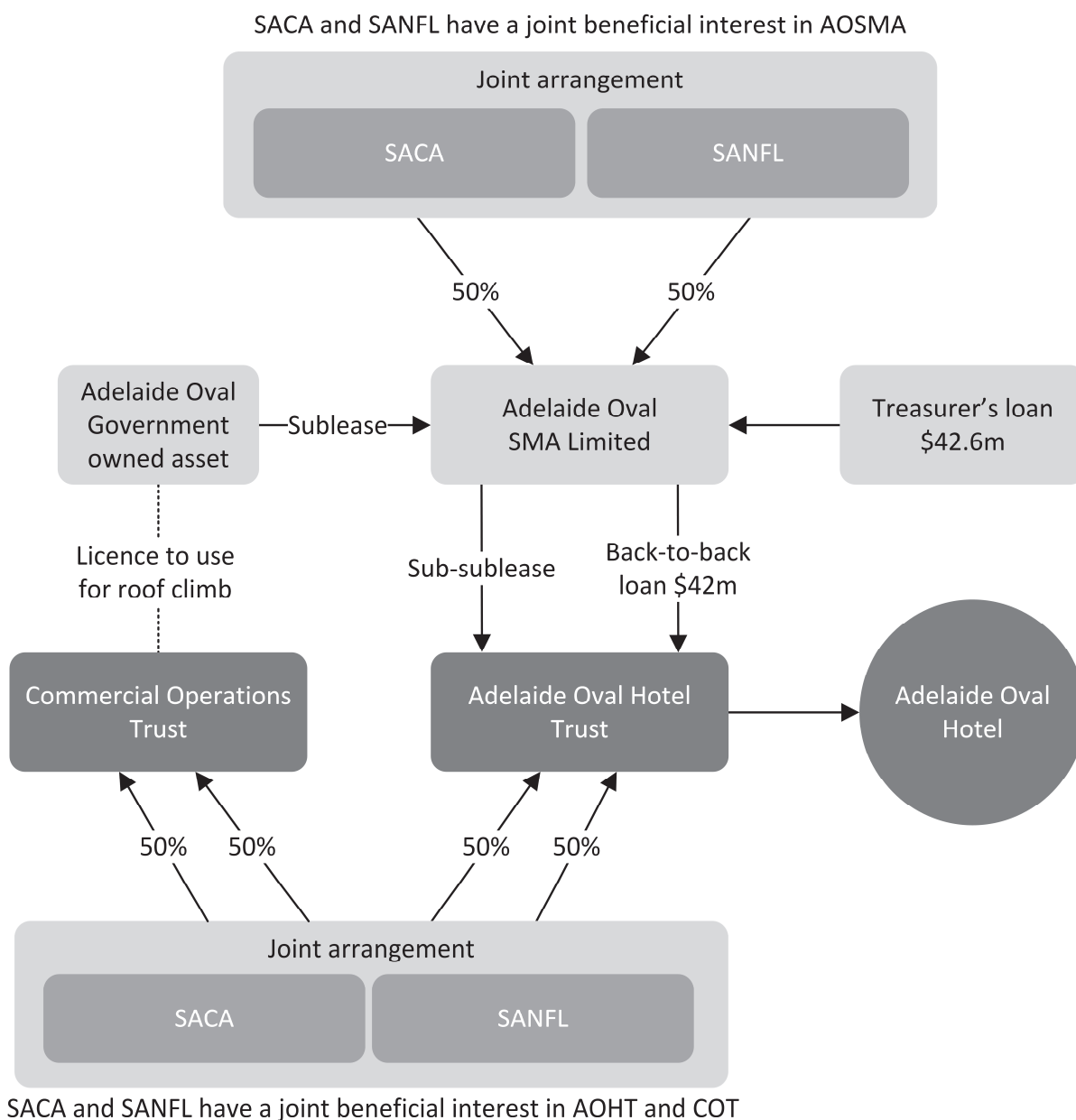
The trustee for COT is a jointly controlled entity of the SANFL and SACA established in 2015-16 and appointed to operate the Adelaide Oval roof climb in the Adelaide Oval Core Area. AOSMA licensed COT to operate the roof climb from 1 July 2016 to 16 November 2031. The issuing of the licence was

approved by the Minister. AOSMA also entered into a service agreement with COT, which enables AOSMA to manage the roof climb business on behalf of COT. The associated licence and management fees outlined in the agreements are recognised as revenue in AOSMA’s financial report. Net ticket sales for the roof climb that were administered by AOSMA as agent for COT for the year totalled \$1.15 million. This amount is not recognised in AOSMA’s financial report.

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. All AOSMA costs are reimbursed by COT.

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



SACE Board of South Australia (SACE Board)

Income	\$25.7 million	SA Government grants etc \$20.6 million	Other \$5.1 million
Expenses	\$22.3 million	Employee benefits \$14.5 million	Supplies and services \$6.5 million Other \$1.3 million
Assets	\$25 million*	Current \$17.2 million	Non-current \$7.9 million
Liabilities	\$4.6 million*	Current \$2.5 million	Non-current \$2 million

* Does not add due to rounding.

Significant events and transactions

The SACE Board moved to new office accommodation.

Financial report opinion

Unmodified

Audit findings

Insufficient user access controls in a key user management system.

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

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 2021 included:

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

Audit findings

Communicating our audit findings

We communicated our audit findings in a management letter to the Chief Executive. The main finding and the SACE Board's response are discussed below.

Insufficient user access controls in user access permission system

We identified opportunities to improve the SACE Board's control of user access in the RAMP user access permission system.

We found that:

- the SACE Board had not documented the approvals and delegations required to create and amend user details in RAMP
- all staff in the ICT service desk area have access to create new users in RAMP. These staff can also change existing user privileges (including administrator access).

This increases the risk of unauthorised or inappropriate user access to RAMP.

The SACE Board accepted these findings and advised us that it will develop a formal documented process for reviewing user access to RAMP.

Interpretation and analysis of the financial report

Highlights of the financial report*

	2021 \$million	2020 \$million
Expenses		
Employee benefits expenses	14.5	14.9
Supplies and services	6.5	7.5
Other expenses	1.3	1.1
Total expenses	22.3	23.5
Income		
Income from SA Government	20.6	21.7
Sale of goods and services	4.6	4.2
Other income	0.5	0.7
Total income	25.7	26.6
Net result	3.3	3.1
Total comprehensive income	3.3	3.1

	2021 \$million	2020 \$million
Net cash provided by (used in) operating activities	3.2	3.0
Assets		
Current assets	17.2	16.8
Non-current assets	7.9	6.2
Total assets	25.0	23.0
Liabilities		
Current liabilities	2.5	2.7
Non-current liabilities	2.0	3.1
Total liabilities	4.6	5.8
Total equity	20.5	17.2

* Table may not add due to rounding

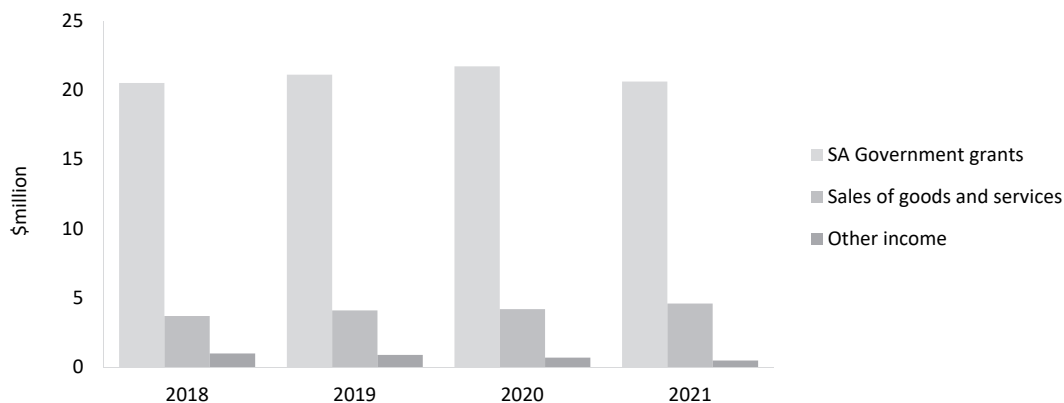
Statement of Comprehensive Income

Income

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

In 2021 the SACE Board received \$20.6 million in SA Government grants, a decrease of \$1 million from 2020. The decrease was due principally to the completion of the SACE modernisation project in June 2021.

The following chart shows the main sources of income for the SACE Board for the four years to 2021 and demonstrates its dependency on SA Government funding.



Expenses

Expenses largely comprise employee benefits expenses and supplies and services. In 2021 employee benefits expenses decreased by \$410,000 to \$14.5 million, due mainly to a net reduction in the number of employees.

Supplies and services decreased by \$1 million to \$6.5 million in 2021, due mainly to decreases in contractors of \$565,000 and repairs and maintenance of \$555,000. The decrease in contractor expenses reflects a reduction in work on IT projects. The decrease in repairs and maintenance reflects the reversal of the make good provision on the SACE Board's previous Wayville office accommodation.

Statement of Financial Position

Assets and liabilities

Total assets increased by \$2 million in 2021, due mainly to the acquisition of \$1.5 million in leasehold improvements for the SACE Board's new Waymouth Street office accommodation.

Total liabilities decreased by \$1.2 million to \$4.6 million, principally as a result of a decrease in employee benefits following employee resignations in 2021.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2021.

	2018 \$million	2019 \$million	2020 \$million	2021 \$million
Net cash flows				
Operating activities	3.5	3.7	3.0	3.2
Investing activities	(1.7)	(1.5)	(1.9)	(2.8)
Financing activities	-	-	-	-
Change in cash	1.8	2.2	1.1	0.3
Cash at 30 June	12.6	14.8	15.9	16.2

Note: Table may not add due to rounding.

University sector overview

Overview

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

Financial statistics

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

	2021 \$million	2020 \$million
Australian Government financial assistance	1,478	1,321
Fees and charges revenue	546	588
Employee related expenses	1,273	1,321
Assets	5,655	5,261
Liabilities	1,367	1,412
FTEs	8,155	8,702
Students (EFTSLs)	65,951	66,342

Financial report opinions

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

Controls opinion

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.

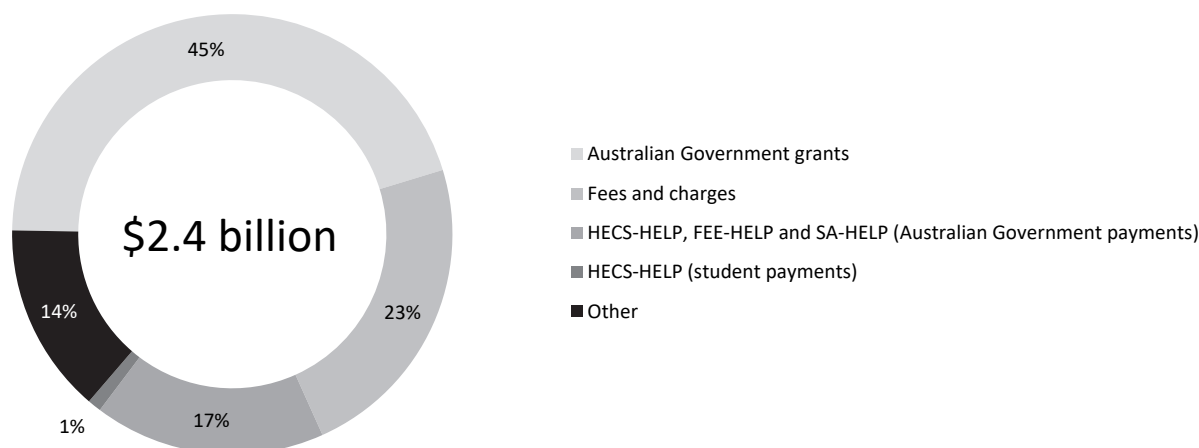
Other matters

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

Income

Total income for the three universities was \$2.4 billion in 2021. The sources of income are shown in the following chart.



In 2021 income rose by 7% 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 62% of their total income in 2021. 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

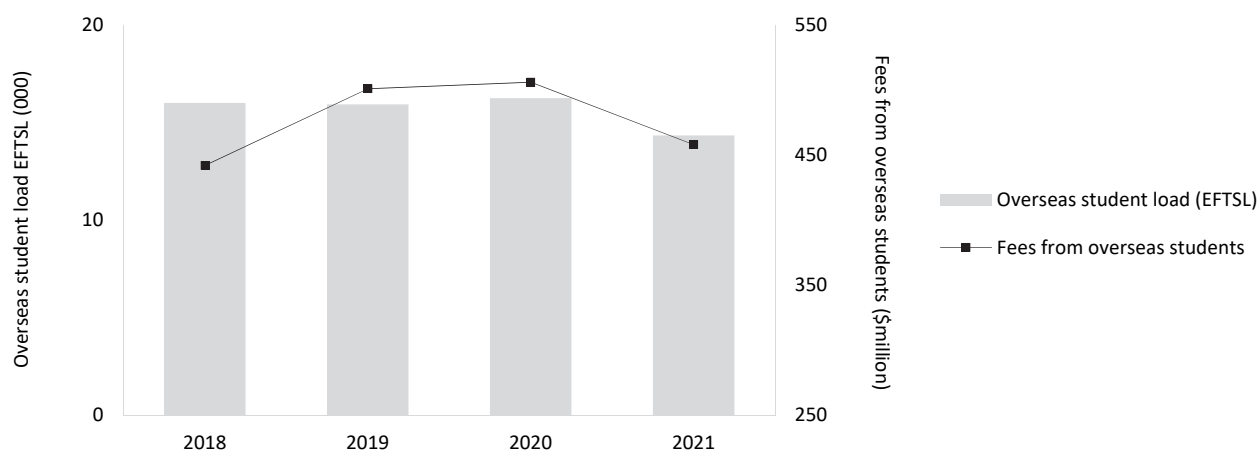
Over the last four years university sector fees and charges increased marginally by 2%, from \$534 million in 2018 to \$546 million in 2021. The ongoing disruptions to international student travel caused by the COVID-19 pandemic has been the main driver of this moderate growth.

The following table shows that total student loads increased by 6% over the last four years, with the sources of students changing to 78% domestic (76%) and 22% overseas (24%) in 2021.

	2018 Number	2019 Number	2020 Number	2021 Number
Domestic students	45,797	48,118	50,095	51,618
Overseas students	16,004	15,927	16,247	14,333
Total students	61,801	64,045	66,342	65,951

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 overseas students increased by 4% over the last four years to \$458 million in 2021, but has decreased by 10% since 2020 in line with a 12% decrease in international student numbers.



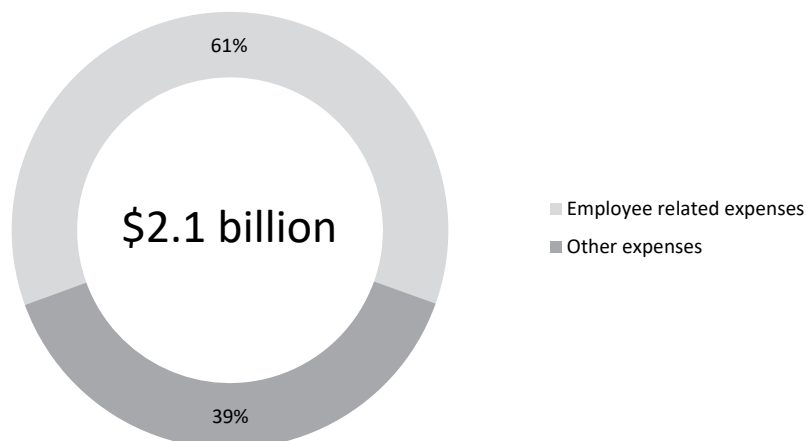
Source: Student numbers, which are based on EFTSL, were obtained from data provided by the three universities and are unaudited.

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 overseas students from travelling to Australia. 2021 fees and charges largely reflect amounts from continuing students and those studying online.

Overseas 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.

Expenditure

Total expenditure for the three universities was \$2.1 billion in 2021. The sources of expenditure are shown in the following chart.



Employee related expenses

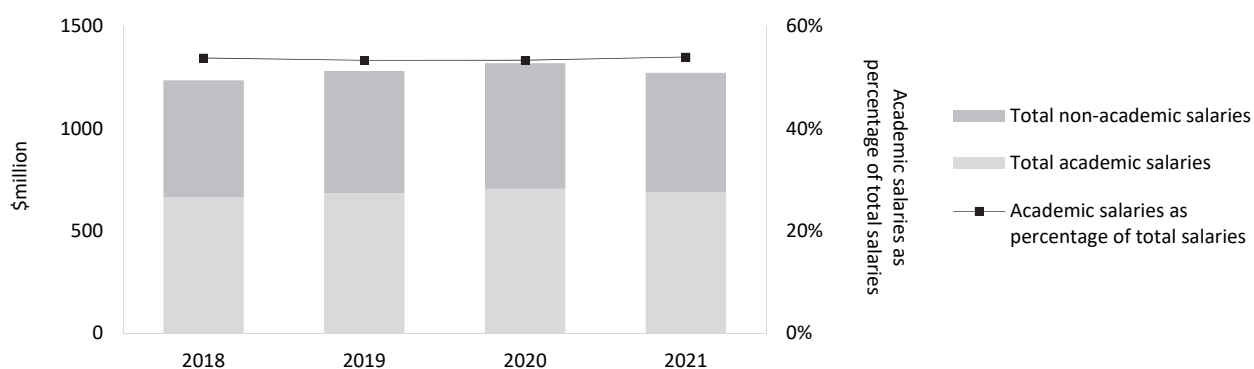
In the last four years, employee related expenses across the universities increased by 3%, from \$1.24 billion in 2018 to \$1.27 billion in 2021. This small increase reflects a reduction in non-academic staff over that period.

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

	2018 FTEs	2019 FTEs	2020 FTEs	2021 FTEs
Academic	3,721	3,692	3,786	3,709
Non-academic	4,796	4,821	4,916	4,446
Total FTEs	8,517	8,513	8,702	8,155
Percentage of academic staff	44%	43%	44%	45%

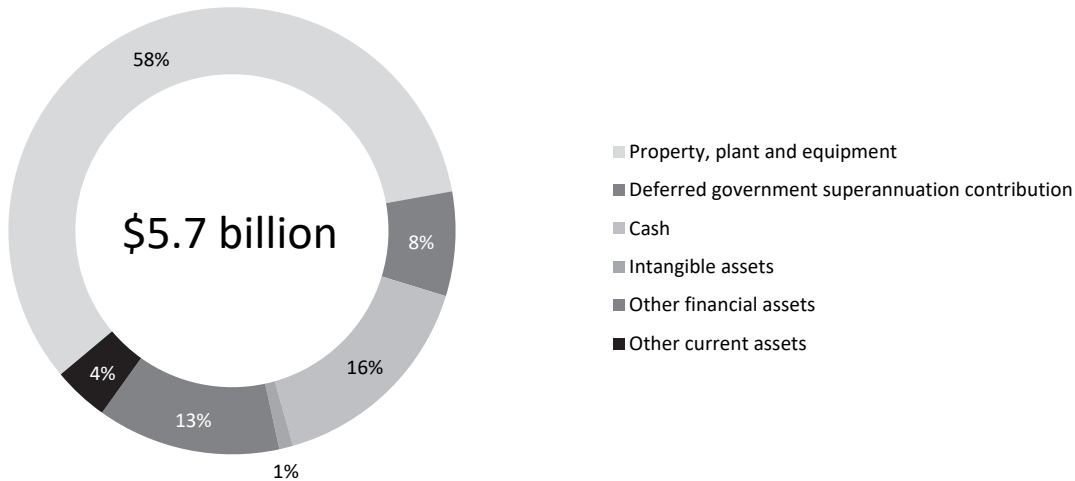
Source: Staff numbers, which are based on FTEs, were obtained from data provided by the three universities and are unaudited.

The following chart shows academic salaries as a percentage of total salaries. The percentage has been steady since 2018.



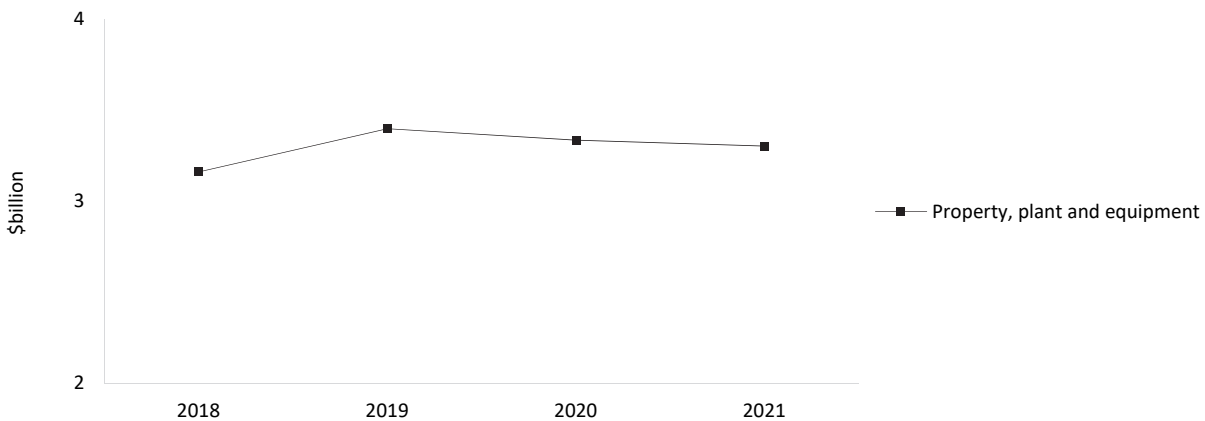
Assets

Total assets for the three universities were \$5.7 billion in 2021. The categories of assets are shown in the following chart.



Property, plant and equipment

Property, plant and equipment totals \$3.3 billion, which is 58% of the total value of university sector assets. It primarily consists of \$2.5 billion (76%) of buildings and infrastructure and \$460 million of land (14%). The following chart shows the value of property, plant and equipment over the last four years.



In 2019 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 \$166 million.

Another revaluation of land, buildings and infrastructure for all three universities is due in 2022.

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

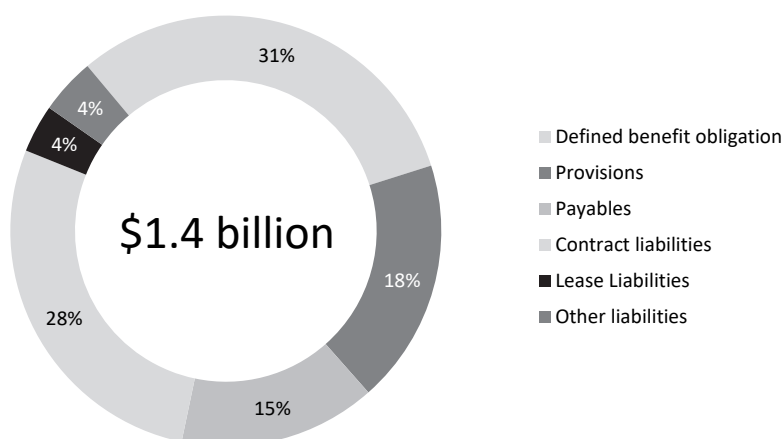
Numerous present and former employees of the three universities, and their predecessor institutions, are members of State managed superannuation schemes. Under current arrangements the Commonwealth Government funds the universities on an emerging cost basis.

The defined benefit obligations of all three universities totalled \$427 million, with a corresponding receivable of the same value being recognised from the Commonwealth Government. The receivables represent 8% of total assets held by the three universities.

Information on the individual schemes is provided in the 2021 financial report for each university.

Liabilities

Total liabilities for the three universities were \$1.4 billion in 2021. The categories of liabilities are shown in the following chart.



Defined benefit obligation

Defined benefit obligations total \$427 million, 31% 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 \$381 million, 28% 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 \$251 million, 18% of the liabilities held across the university sector. They primarily comprise annual and long service leave liabilities totalling around \$239 million.

Emerging issues

Impact of the COVID-19 pandemic

The South Australian university sector continued to be adversely affected by COVID-19 in 2021.

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 \$458 million in 2021 – as discussed above.

While many continuing students were able to study because they were in Australia or could work 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.

However the Commonwealth Government recently announced border entry changes that permit fully vaccinated eligible international student visa holders to travel to Australia without needing to apply for a travel exemption.

Australian university sector restructuring of 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 (wholly owned by all 38 universities) and IDP Education Australia (IDP) to restructure Education Australia Ltd's 40% shareholding in IDP.

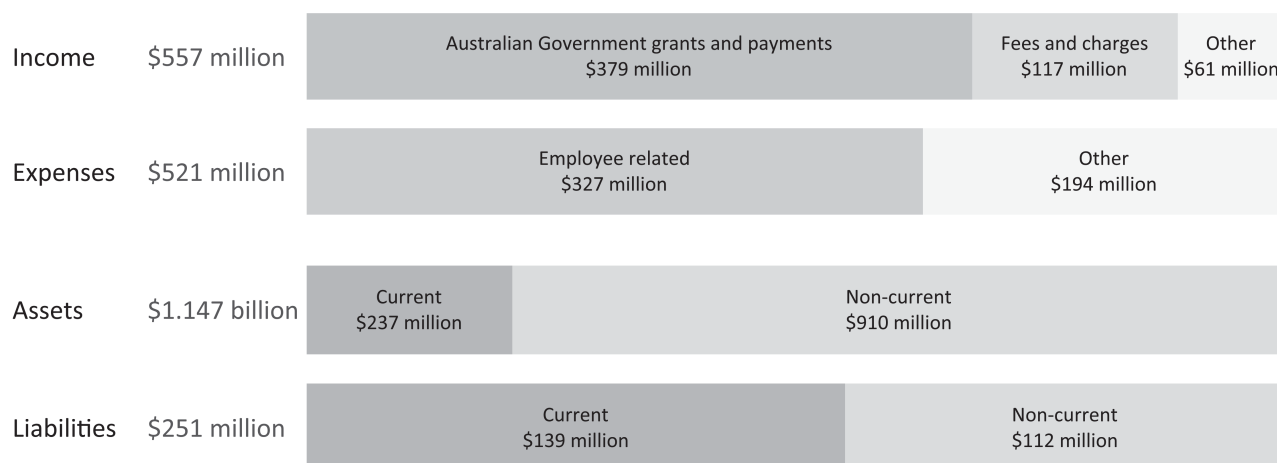
Under this proposal, Education Australia Ltd divested its IDP shareholdings and distributed to each of the 38 universities an in specie fully franked distribution of 1.831 million IDP shares, and a fully franked cash dividend of \$5.3 million. As at 31 December 2021 the value of each University's IDP share allotment was \$63.4 million, with 100% of these shares subject to some form of escrow period not exceeding 12 months. All 38 universities are also eligible to receive a \$25 million franking credit refund in 2022 under the proposal.


University Merger Commission

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


Flinders University (Flinders)

Financial statistics



 **1,993**
Total employees

 **17,195**
Students (EFTSL)

 **\$436 million**
Buildings

Significant events and transactions

- Construction of the \$255 million Health and Medical Research Building commenced in December 2021.
- Flinders announced that the Festival Tower would be its new city presence.
- In 2021, Education Australia Ltd shares in IDP Education Limited (IDP) were returned to the 38 university shareholders. Flinders received 1.8 million IDP shares valued at \$53.1 million, \$25 million franking credits and cash proceeds of \$5.3 million. As at 31 December 2021, the value of the IDP shares was \$63.4 million.

Financial report opinion

Unmodified

Controls opinion findings

No significant findings.

Other audit findings

- Six academic staff employed in prescribed positions had worked without a current working with children check in 2021.
- Weaknesses in the manual process for ensuring all employees working in prescribed positions held current working with children checks.
- IT general controls can be improved within the revenue system, including:
 - IT change management
 - user offboarding
 - user group audit logging process.

Functional responsibility

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

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 2021 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
- IT general controls over the revenue system.

The audits of Flinders' controlled entities for the year ended 31 December 2021 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

Communicating our audit findings

We communicated our audit findings in management letters to the President and Vice-Chancellor. The main findings and Flinders' responses are discussed below.

Controls opinion findings

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

Other audit findings

Employees working in prescribed positions without a current working with children check

Our review of Flinders' processes to ensure that all staff working in a prescribed position have a current working with children check found that there is currently no automated central monitoring or reporting of these checks. We identified six academic staff who worked in prescribed positions without having the required check in 2021.

Flinders responded positively to our findings and agreed to take appropriate remedial action.

Revenue system IT general controls could be improved

In 2021, we reviewed the IT general controls operating in Flinders' revenue system. This included password management, privileged user access, audit logging, change management, patch management, backup and disaster recovery management.

We identified some areas of weaknesses where controls can be further improved, including:

- IT change management
- user offboarding
- user group audit logging processes.

Flinders responded positively to our findings and agreed to take appropriate remedial action, expected to be completed by September 2022.

Interpretation and analysis of the financial report

Highlights of the financial report

	2021 \$million	2020 \$million
Income		
Australian Government grants	267	236
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	106	112
HECS-HELP (student payments)	6	6
Fees and charges	117	125
Other	61	56
Total income	557	535
Expenses		
Employee related expenses	327	324
Other expenses	194	173
Total expenses	521	497
Operating result	36	38
Net cash provided by (used in) operating activities	111	97
Net cash provided by (used in) investing activities	(55)	(36)
Assets		
Current assets	237	158
Non-current assets	910	889
Total assets	1,147	1,047
Liabilities		
Current liabilities	139	123
Non-current liabilities	112	102
Total liabilities	251	225
Total equity	896	822

Income Statement

Income

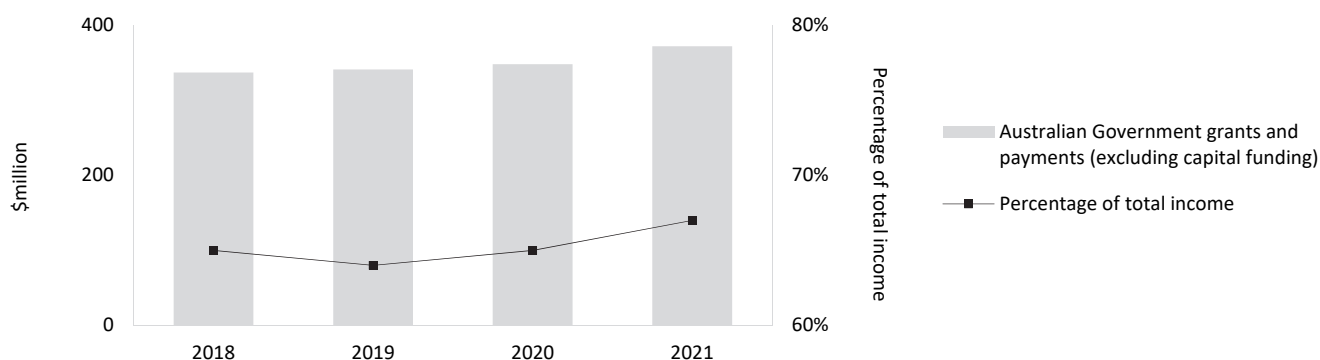
2021 income totalled \$557 million, an increase of \$22 million (4.1%).

Australian Government grants and payments

The total Australian Government financial assistance Flinders received in 2021 increased by \$25 million to \$373 million.

The chart below shows Australian Government grants and payments, excluding capital funding as this is not necessarily comparable from year to year. It shows that the proportion of non-capital Australian Government grants and payments to total income increased in 2020 and 2021.

The increase in 2021 reflects the 13.1% growth in Australian Government grants, mainly due to an increase in research grants.

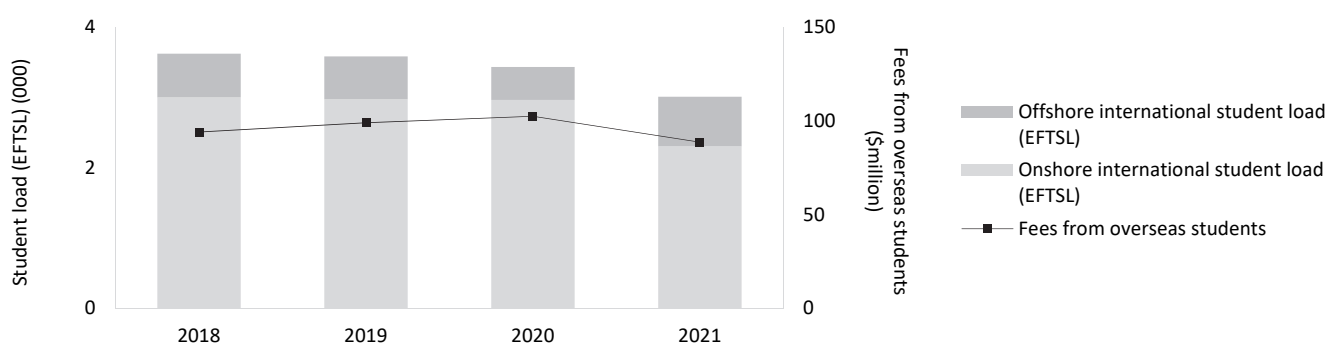


Australian Government grants and payments include the following major items:

- \$105.7 million in Higher Education Loan Program (HELP) funding including HECS-HELP. In 2021 HECS-HELP funding decreased by \$5.6 million (5.9%) to \$89.5 million, primarily due to the introduction of the Job Ready program in 2020. As a result, fees for some courses fell and due to the mix of Flinders' students the HECS-HELP received from government was lower
- \$76.6 million in Australian Government funding for research activities, including competitive research grant programs and research infrastructure grants. Funding for 2021 increased by \$19.7 million mainly due to an increase in Education Research Grants of \$12.1 million, National Health and Medical Research Council Grants of \$3.3 million and other research grants of \$4.8 million. This reflects an additional \$11.8 million of Block Fund Grant Funding awarded by the Australian Government as COVID-19 pandemic relief
- \$161 million in Commonwealth Grants Scheme funding for Commonwealth supported student places, an increase of \$7.8 million in 2021.

Fees and charges

The following chart shows fees from overseas 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 overseas students decreased by \$13.75 million (13.4%) to \$88.6 million primarily due to a decrease in the number of onshore overseas students because of the Australian border closure in 2021. This was offset by an increase in offshore overseas student numbers and their fees.

The following table shows that total student loads decreased by 2.8% over the last four years, with a 1.2% increase in domestic students offset by a 17.9% decrease in overseas students during that time. There was a drop in overseas student numbers in 2020 and 2021 due to the impact of COVID-19.

	2018 Number	2019 Number	2020 Number	2021 Number
Domestic students	14,022	13,877	14,121	14,188
Overseas students	3,661	3,581	3,432	3,007
Total students (EFTSL)	17,683	17,458	17,553	17,195

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

Investment income

Net investment income increased by \$6.7 million to \$19.9 million mainly due to:

- dividends from equity investment, up \$1.4 million
- managed fund distribution, up \$3.3 million
- net gains arising on financial assets designated at fair value through profit and loss, up \$2.6 million.

This reflects the rebounding of the equity market in 2021, in particular the international equity market. Investment returns can be volatile, with the varying impact affecting the overall operating result.

Expenses

Total expenses increased by \$24 million (4.8%) to \$521 million. This was primarily due to:

- impairment of assets, up \$13 million due to the \$12.827 million write-off of intangible assets including software in 2021
- other expenses, up \$4.6 million due to administration and management fees up \$5.6 million, consumables up \$2.5 million, advertising, marketing and promotional expenses up \$1.4 million and software expenses up \$1.3 million. These increases were offset by decreases in scholarships, grants and prizes, down \$3.7 million
- depreciation and amortisation, up \$3 million due to an increase in the amortisation of computer software of \$2.1 million as a result of additions and capitalisations.

Employee related expenses

Employee related expenses increased by \$3 million and totalled \$327 million in 2021. The increase is mainly due to redundancy expenses for academic staff, up \$3.6 million, and for non-academic staff, up \$2.5 million. This increase was offset by a decrease in the long service leave expense for academic staff, down \$1.5 million, and for non-academic staff down, \$1.3 million.

	2018 \$million	2019 \$million	2020 \$million	2021 \$million
Employee related expenses	322	322	324	327

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 2018 levels in 2021. The table also shows the percentage of academic staff over the four years, which has fluctuated slightly but returned to a similar level to 2018.

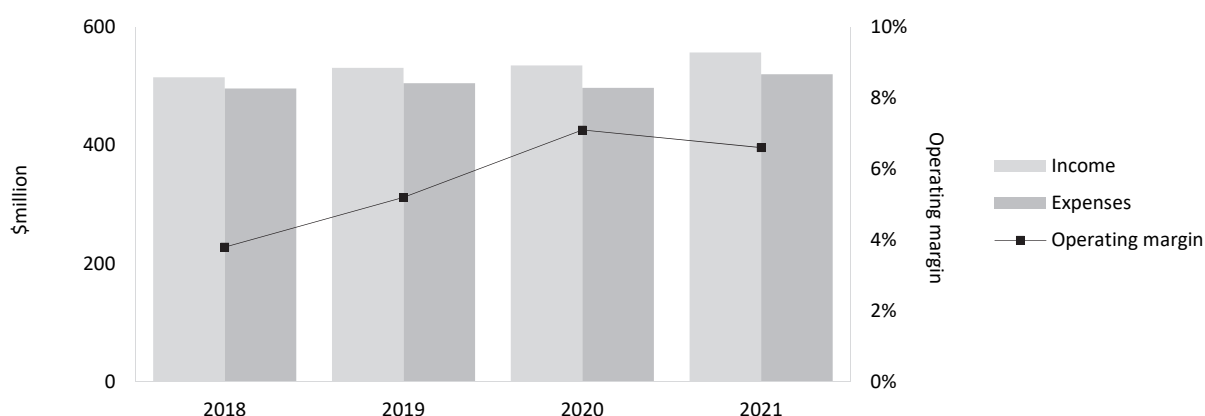
	2018	2019	2020	2021
	FTEs	FTEs	FTEs	FTEs
Academic	880	832	868	886
Non-academic	1,115	1,173	1,161	1,107
Total FTEs	1,995	2,005	2,029	1,993
Percentage of academic staff	44%	42%	43%	44%

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

Operating result

The operating surplus was \$36 million, \$2 million lower than 2020. This decrease reflects the net impact of the \$22 million increase in revenue explained above, combined with the \$24 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 2021.



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

Statement of Financial Position

Flinders' consolidated net assets as at 31 December 2021 totalled \$896 million (\$822 million), an increase of \$74 million.

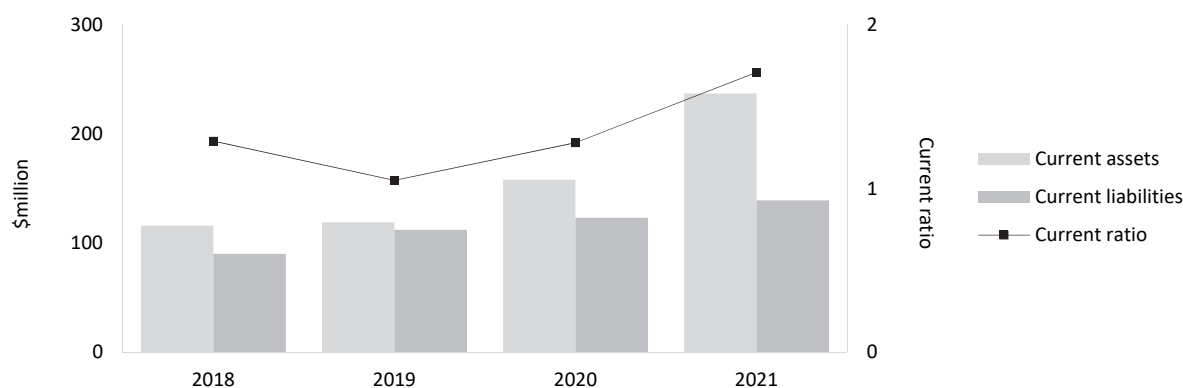
Assets

Current assets

Flinders' cash and current financial assets (term deposits) increased by \$54.6 million to \$179.6 million, primarily due to lower salary expenditure and a deferral of strategic investment expenditure. There was also a management strategy to maintain a healthy short-term liquidity position.

Receivables increased by \$23.4 million as a result of the \$25 million franking credit refund to be received in 2022 from the in specie fully franked distribution of IDP shares.

The following chart shows Flinders' current assets and liabilities. The current ratio remains positive, with Flinders' current assets exceeding current liabilities by \$98.6 million. The improved ratio for 2021 is due to management's desire to maintain a healthy short-term liquidity position and the deferral of strategic investment expenditure. The chart shows a slight decline in the current ratio between 2018 and 2019 due to the first-time recognition of contract liabilities in 2019 as a result of new revenue accounting requirements.



Property, plant and equipment

The main item of Flinders' Statement of Financial Position is property, plant and equipment, representing 58% of total assets. The carrying value of property, plant and equipment increased by \$14 million to \$663 million, mainly due to asset additions of \$48 million offset by \$33 million in depreciation charges.

Liabilities

Flinders' liabilities increased by \$26 million to \$251 million. The major item contributing to this were contract liabilities, up \$22.9 million due to the increase in grants received in 2021 and unspent as at 31 December 2021.

This was offset by:

- borrowings, down \$2.9 million due to the repayment of leases
- provisions, down \$8.4 million mainly due to defined benefit obligations for superannuation being down by \$5.6 million and the annual leave provision being down by \$2.1 million.

Statement of Cash Flows

Cash flows from operating activities increased by \$13.7 million to \$110.8 million as cash flows from:

- Australian Government grants were up \$25.3 million
- receipts from student fees and other customers were up \$13.5 million
- other investment income were up \$3.2 million.

These increases were offset by an increase in payments to suppliers and employees of \$19.9 million.

Cash used in investing activities increased by \$18.5 million mainly due to:

- proceeds from the sale of investment, down \$19.9 million
- payments for financial assets, up \$7.9 million.

This was offset by a decrease in the purchase of property, plant and equipment, intangibles and other long-term assets of \$8.1 million.

Further commentary on operations

Impact of COVID-19

Flinders, in common with the university sector around Australia, continues to be impacted by COVID-19.

Flinders' financial report includes a note explaining that there were some steps taken to contain costs in 2021, but that the overall operating result remained positive. Flinders also made payments to affected students to support their wellbeing in 2021.

The impact of COVID-19 on Flinders' future earnings remains unclear, however as its operations and more broadly the community continue to adapt to living with the virus, the impact is expected to progressively diminish.

Restructuring of 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.

Under this proposal, Education Australia Ltd divested its 40% shareholding in IDP, resulting in a distribution of Education Australia Ltd shares in IDP to each of the 38 university shareholders. The distribution was undertaken through a liquidity transaction involving an in specie distribution of 1.8 million IDP shares valued at \$53.1 million, \$25 million franking credits and cash proceeds of \$5.3 million.

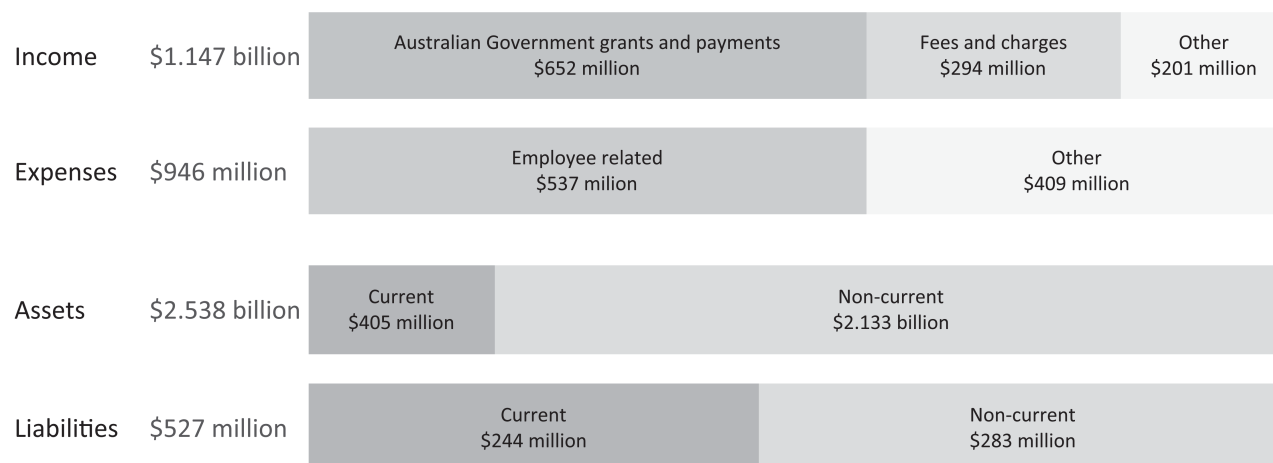
50% of the IDP shares received are subject to a six-month escrow period, while the remaining 50% are subject to a 12-month escrow period.


As at 31 December 2021 Flinders shares were worth \$63.4 million and it was also eligible to receive a \$25 million franking credit refund in 2022.


On 4 March 2022, Flinders sold 600,000 IDP shares for \$17.4 million, following the expiry of the escrow period attached to them.


University of Adelaide (Uni Adelaide)

Financial statistics



 **3,564**
Total employees

 **23,906**
Students (EFTSL)

 **\$1.2 billion**
Buildings

Significant events and transactions

- The financial and operational effect of the COVID-19 pandemic continued in 2021 for Uni Adelaide. Organisational sustainability measures were adopted as considered necessary.
- Faculty and services restructuring occurred, including the shift towards a three-faculty structure.
- In 2021, Education Australia Ltd shares in IDP Education Limited (IDP) were returned to the 38 university shareholders. Uni Adelaide received 1.8 million IDP shares valued at \$53.1 million, \$25 million franking credits and cash proceeds of \$5.3 million. As at 31 December 2021, the value of the IDP shares was \$63.4 million.
- Implementing the arrangements for the South Australian Immunogenomics Cancer Institute continued.
- Uni Adelaide undertook work to ensure it manages its obligations under the *Australia's Foreign Relations (State and Territory Arrangements) Act 2020*.

Financial report opinion

Unmodified

Controls opinion findings

- Employees working in prescribed positions without working with children checks.
- The central record of prescribed positions was incomplete and inaccurate.
- Weaknesses in processes to ensure employee leave balances and payments made to employees are accurate.
- A large number of employees did not complete all stages of the staff planning, development and review process.
- Uni Adelaide’s asset management guideline and strategy were unfinalised.
- Confirmation of contract performance for some building and maintenance contracts could be improved.

Other audit findings

Some purchasing processes could be improved.

Functional responsibility

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 2021 included:

- corporate governance
- ICT
- Commonwealth financial assistance
- cash, investments and borrowings
- property, plant and equipment
- payroll and workforce management
- expenditure and accounts payable
- student fee and contract research revenue
- financial accounting.

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

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 3,500 FTEs in 2021, and incurred over \$535 million in employee expenses – 57% of its costs. Given the significance of these expenses, we review payroll processes and controls annually.

Employees working in prescribed positions without working with children checks

Child protection legislation and Uni Adelaide procedures require any employee working in a prescribed position to possess a Department of Human Services working with children check as a condition of appointment, and while they operate in that role.

We found that three Uni Adelaide employees worked in positions that required a current working with children check when they did not have one. In two instances, employees worked in positions that were prescribed by child protection legislation. In the other instance, the employee was required by their local area to have a current check in place.

Employees working in prescribed positions without a current check in place breach the requirements of the *Child Safety (Prohibited Persons) Act 2016*.

Uni Adelaide responded that it will improve its working with children check reporting to only focus on critical information. It will also remind faculties and divisions of the importance of ensuring only employees with valid and current working with children checks are working in prescribed positions.

The central record of prescribed positions was incomplete and inaccurate

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

- positions identified as prescribed that were not included in the central record
- inaccurate data recorded in the central record, including incorrect working with children check numbers, employee names and issue and expiry dates.

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 would improve its recording processes by working with local areas to promote the importance of using a single source for recording these checks.

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

For the last two years we have noted 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 2021 audit confirmed that the same risks remained around confirming the accuracy of employee leave balances and key payments made to employees.

Uni Adelaide responded that it will consider the costs and benefits of introducing more rigorous confirmation of leave taken, including the entitlement to take leave. For the other areas, it considered its current processes were appropriate given its assessment of the risk.

A large number of employees did not complete 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, with less than 40% recorded as having completed the mid-term review in 2021.

Low planning, development and review participation rates negatively impact affected Uni Adelaide employees. For example, they may be unaware of their expected performance standards, as they are not being evaluated to determine how they are performing.

Uni Adelaide responded that it will work with areas to emphasise the importance of the planning, development and review process to ensure greater participation rates.

Buildings and improvements

Uni Adelaide owns land and buildings valued at more than \$1.4 billion. Our audit considered the controls in place to manage these assets.

Uni Adelaide’s asset management guideline and strategy were unfinalised

Since 2019 we have found that Uni Adelaide had not finalised key documents to support its asset management system, including its asset management strategy and guideline. Our 2021 audit found that these documents remained unfinalised.

Uni Adelaide responded that it would look to finalise these documents by the second quarter of 2022.

Confirmation of contract performance for some building and maintenance contracts could be improved

Last year we found that monitoring and confirming the work performed by maintenance service providers could be strengthened. Specifically, it would be appropriate to independently confirm the accuracy of service provider performance data by having a process to independently validate work performed.

In 2021 we found that validating certain maintenance work tasks still relies on data provided from service providers, and therefore is not an independent assessment of service provider performance.

Relying on data from the service provider without having an independent process to confirm its accuracy limits the effectiveness of Uni Adelaide's work performance monitoring.

Uni Adelaide responded that it considers this to be low risk as, while their validation will often rely on service provider data to confirm performance, visual inspections and engaging external consultants where feasible are used to confirm some of the work performed.

However, Uni Adelaide also stated that it would update its procedure for confirming certain works performed that are less than \$5,000.

Other audit findings

Some purchasing processes could be improved

Uni Adelaide has established purchasing processes to manage the risks associated with incurring expenditure.

We found that between January and August 2021, \$41.9 million of expenditure was incurred using purchase orders that were raised after the invoice date.

Effective purchase order use establishes and confirms purchase arrangements with suppliers before the goods or services are received. Raising purchase orders after goods or services are received removes the benefit of having agreed terms in place.

Uni Adelaide responded that it has commenced a strategy with suppliers to ensure they request a purchase order as part of any expenditure engagements with Uni Adelaide.

Interpretation and analysis of the financial report

Highlights of the financial report – consolidated

	2021 \$million	2020 \$million
Revenue		
Australian Government grants	504	401
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	139	135
HECS-HELP (student payments)	9	9
Fees and charges (course and non-course)	294	292
Other	201	156
Total revenue	1,147	993

	2021 \$million	2020 \$million
Expenses		
Employee related expenses	537	562
Other expenses	409	391
Total expenses	946	953
Operating result	201	40
Other comprehensive income	66	14
Total comprehensive income	267	54
Net cash provided by (used in) operating activities	292	145
Net cash provided by (used in) investing activities	(41)	(17)
Net cash provided by (used in) financing activities	(62)	(40)
Assets		
Current assets	405	200
Non-current assets	2,133	2,090
Total assets	2,538	2,290
Liabilities		
Current liabilities	244	224
Non-current liabilities	283	322
Total liabilities	527	546
Total equity	2,011	1,744

Statement of Comprehensive Income

Revenue

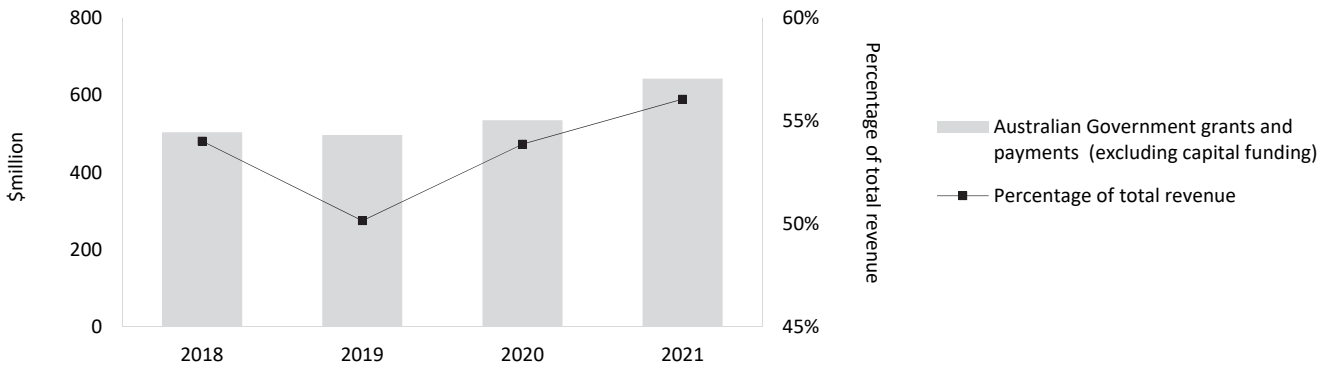
2021 revenue totalled \$1.147 billion, an increase of \$154 million (16%).

Australian Government grants and payments

Total Australian Government financial assistance received by Uni Adelaide in 2021 increased by \$107 million (20%) to \$643 million.

The following chart shows Australian Government grants and payments, excluding capital funding as this is not necessarily comparable from year-to-year.

It shows that there was an increase in the proportion of non-capital Australian Government grants and payments to total income in 2021, up from 54% in 2020 to 56%. The increase is mainly a result of material one-off revenue transfers, such as the second component of South Australian Immunogenomics Cancer Institute funding (\$59 million) received in 2021. In addition, \$43 million was received from the Commonwealth Research Support Program.



In 2021, Australian Government grants and payments included the following major items:

- \$183 million in Commonwealth Grants Scheme funding for Commonwealth supported student places, a marginal increase compared to 2020
- \$139 million in Higher Education Loan Program (HELP) funding, which included funding for HECS-HELP, also a marginal increase compared to 2020.

Fees and charges

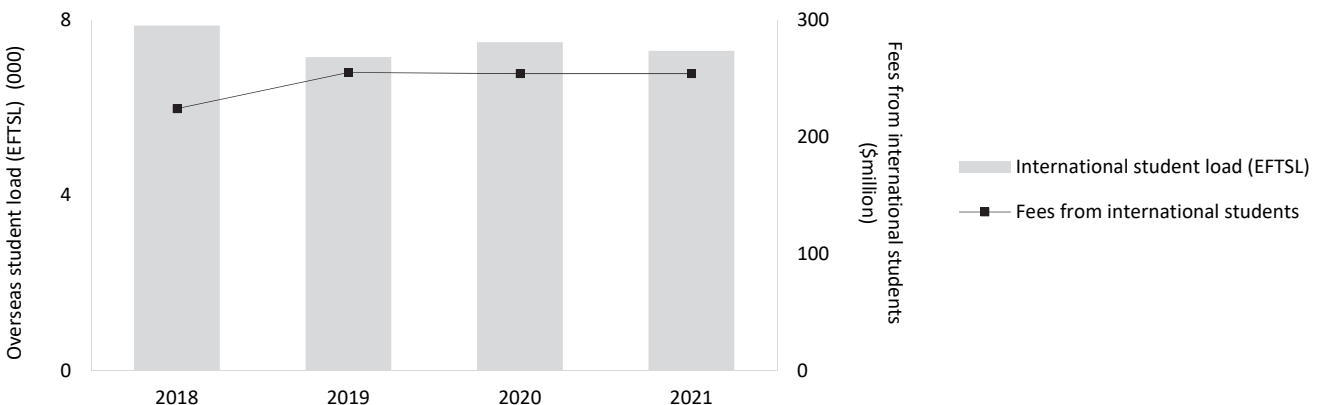
Fees and charges (course and non-course) increased marginally by \$2 million to \$294 million in 2021. The slight movement occurred despite an increase in student numbers, reflecting fee reductions due to the impact of COVID-19 travel bans on overseas students.

The following table shows that the 2021 student load rose by 3.7% in 2021. The composition of students has changed over the four years shown, with the proportion of international student numbers decreasing by 6.8%.

	2018 Number	2019 Number	2020 Number	2021 Number
Domestic students	13,274	15,033	15,534	16,617
International students	7,868	7,148	7,487	7,289
Total students (EFTSL)	21,142	22,181	23,021	23,906

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 revenue received from international fee paying students has been consistent over the last three years.



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

Fees from international students remained steady at \$254 million in 2021. This stability reflects Uni Adelaide’s ability to retain its international student fee base in 2021.

Other revenue

Other revenue increased by \$45 million (29%) to \$201 million. The major item causing this change was an increase of \$35 million in unrealised gains on Uni Adelaide’s endowment investments, mainly due to a general recovery in investment markets in 2021.

Expenses

2021 expenditure totalled \$946 million, a modest decrease of \$7 million compared to 2020. The decrease in expenditure mainly reflects reductions in salaries and wages costs that were offset by operating expenditure increases.

Employee related expenses

The \$25 million decrease in employee related expenses is mainly attributable to reductions in redundancy expenses of \$8 million and salaries of \$9 million, as well as declines in annual leave, long service leave and payroll tax expenditure. These reductions broadly reflect savings measures Uni Adelaide introduced in response to managing the financial impact of COVID-19.

The following table shows total staff numbers. As predicted last year, it shows a decrease in total FTEs in 2021 as a result of staff turnover and the effect of the redundancy programs undertaken by Uni Adelaide. Total FTEs are predicted to fall further in 2022 as further funded redundancies take effect.

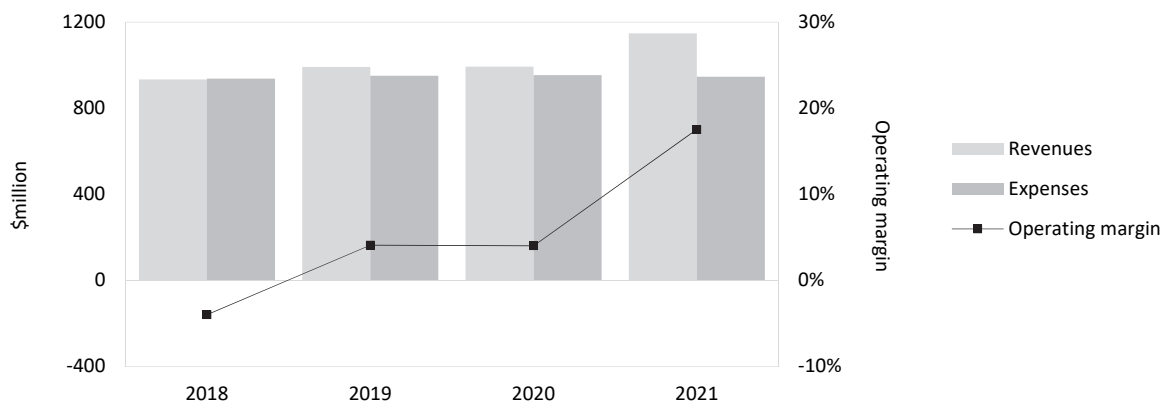
	2018 FTEs	2019 FTEs	2020 FTEs	2021 FTEs
Academic	1,710	1,717	1,757	1,649
Non-academic	2,170	2,116	2,176	1,915
Total FTEs	3,880	3,833	3,933	3,564
Percentage of academic staff	44%	45%	45%	46%

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

Operating result

The 2021 consolidated operating result was a surplus of \$201 million compared to a \$40 million surplus in 2020. The significant increase is explained by the movements in revenues and expenses outlined 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 2021.



Uni Adelaide’s operating margin rose significantly in 2021 to 18%, which reflects a sharp rise in its net operating result for the year relative to the growth in revenue and expenditure.

The operating margin declined sharply in 2018 due to unrealised negative returns on Endowment Fund investments. The reduced 2018 operating margin highlights the impact that fluctuations in financial investments can have on the operating result.

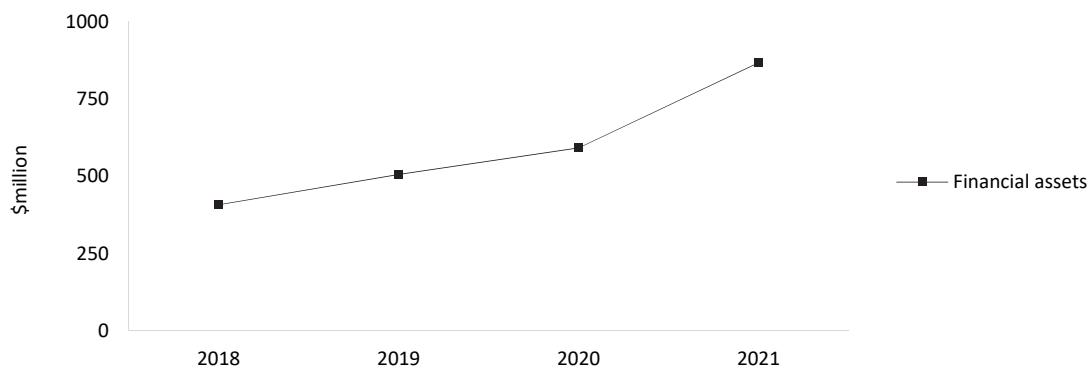
Statement of Financial Position

Uni Adelaide’s consolidated net assets increased by \$267 million to \$2.01 billion as at 31 December 2021 (\$1.744 billion) as at 31 December 2020.

Assets

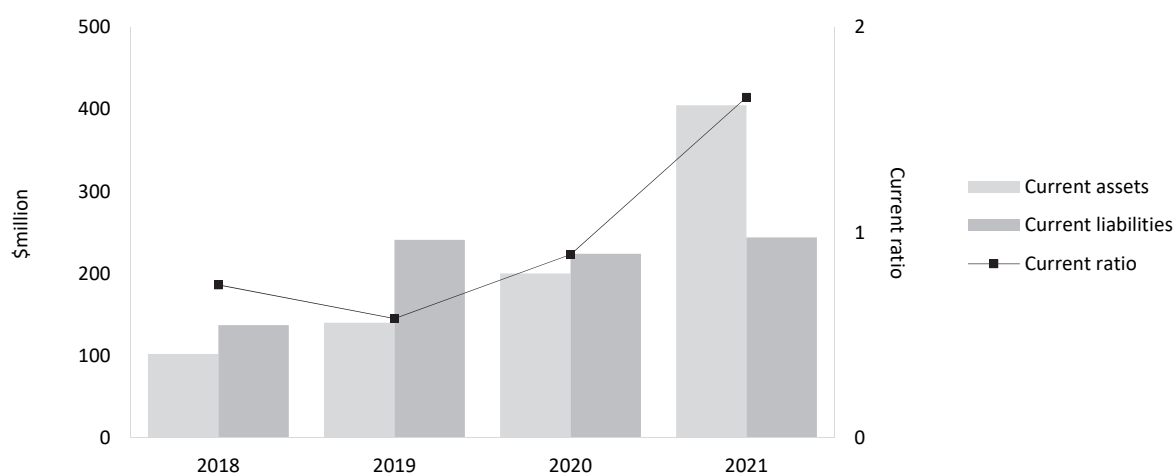
The value of Uni Adelaide’s assets increased by \$248 million (11%) in 2021. This was mainly the result of significant rises in cash and cash equivalents, current receivables and other financial assets that were offset by a slight decline in Uni Adelaide’s property, plant and equipment holdings.

Uni Adelaide has significant financial asset holdings, being cash and cash equivalents, receivables, contract assets and other financial assets totalling \$868 million. The chart below shows the value of cash and other financial assets for the last four years.



Uni Adelaide’s 2021 financial asset holdings growth was mainly driven by a \$190 million rise in cash and cash equivalents and a \$66 million increase in non-current other financial assets. This was mainly attributable to reductions in operational and capital works expenditure and the recognition of \$59 million from the Commonwealth Department of Health to establish the South Australian Immunogenomics Cancer Institute. This funding was recognised on receipt in line with accounting rules and will be spent in future years.

As at 31 December 2021, current assets exceed current liabilities by \$161 million. The following chart shows Uni Adelaide’s current assets, current liabilities and current ratio for the four years to 2021.



Liabilities

Uni Adelaide’s liabilities decreased by \$19 million (3.5%). The main factor impacting this decrease was a decline in borrowings (repaid in full in 2021) and defined superannuation benefit obligations. These decreases were offset by increases in contract liabilities and accounts payable items.

Statement of Cash Flows

Cash and cash equivalents at 31 December 2021 totalled \$316.3 million (\$126.2 million). Net cash flows provided by operating activities increased by \$147 million, mainly due to:

- increases in Australian Government financial assistance of \$60 million
- decreases in students services expenditure of \$9 million
- decreases in goods and services expenditure of \$37 million
- decreases in salaries and related expenditure of \$6 million.

Further commentary on operations

Impact of COVID-19

The Australian university sector continued to be adversely impacted by COVID-19 in 2021.

In 2021 Uni Adelaide took steps to mitigate the pandemic’s financial impact, including capital and operational spending reductions and the targeted redundancy of non-academic employees. International student revenue remained stable in 2021, with the slight reduction in international students offset by higher course prices.

Uni Adelaide is projecting further cost pressures from an expected decrease in the international student load over the next three years.

Restructuring of investment in Education Australia Ltd

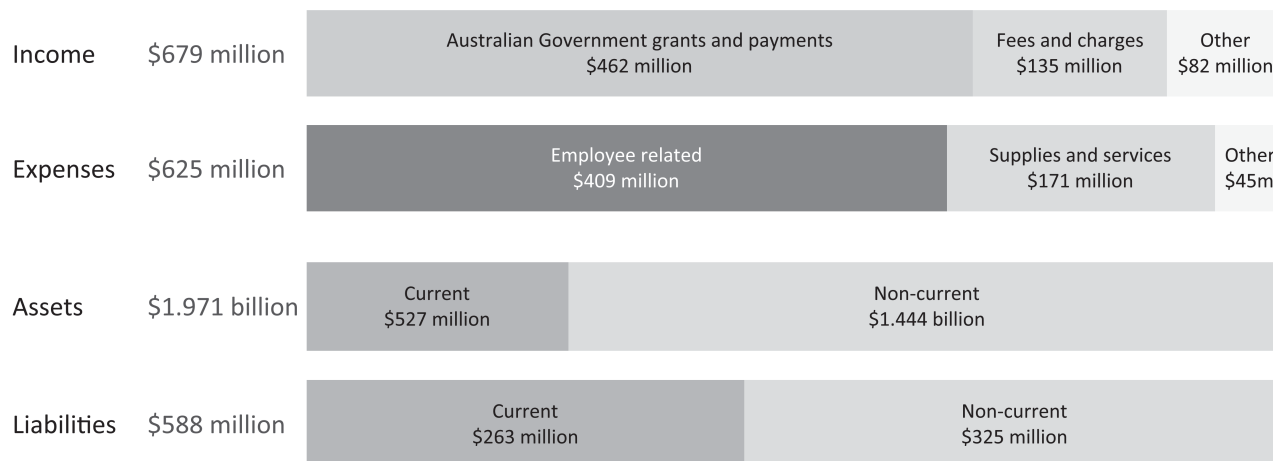
In April 2021 at an extraordinary general meeting, all 38 Australian universities agreed to a proposal by Education Australia Ltd and IDP Education Australia (IDP) to restructure Education Australia Ltd's 40% shareholding in IDP. Education Australia Ltd is wholly owned by all 38 Australian universities.


Under this proposal, Education Australia Ltd divested its 40% shareholding in IDP, resulting in a distribution of Education Australia Ltd shares in IDP to each of the 38 university shareholders. The distribution was undertaken through a liquidity transaction involving an in specie distribution of 1.8 million IDP shares valued at \$53.1 million, \$25 million franking credits and cash proceeds of \$5.3 million. 50% of the IDP shares received are subject to a six-month escrow period, while the remaining 50% are subject to a 12-month escrow period.


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.


University of South Australia (UniSA)

Financial statistics



 **2,598**
Total FTEs

 **24,850**
Students (EFTSL)

 **\$793 million**
Buildings

Significant events and transactions

- In 2021, Education Australia Ltd shares in IDP Education Limited (IDP) were returned to the 38 university shareholders. UniSA received 1.8 million IDP shares valued at \$53.1 million, \$25 million franking credits and cash proceeds of \$5.3 million. As at 31 December 2021, the value of the IDP shares was \$63.4 million.
- UniSA, as with other universities, was again affected by COVID-19. In 2021 international student numbers decreased. UniSA made offsetting expense reductions.

Financial report opinion

Unmodified

Controls opinion findings

No significant findings.

Other audit findings

- No review of some casual employee timesheets.
- Inconsistencies between system delegations for managing casual staff and UniSA's delegations of authority.
- Several instances of non-compliance with UniSA's delegations of authority.

Functional responsibility

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

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 2021 included:

- payroll
- expenditure
- Commonwealth 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 2021 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

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

Payroll

UniSA employed more than 2,800 staff in 2021, with employee expenses of more than \$409 million – 65% of its costs. Employee benefit liabilities are around \$101 million. As a result, we review payroll processes each year.

No review of some casual employee timesheets

UniSA paid around \$49 million in 2021 for about 3,195 casual staff. Some of them have timesheets that are pre-filled with information about work hours already recorded in the Casual Administration System. We previously reported that these pre-filled timesheets for casuals were not reviewed before payment.

In 2018, UniSA completed an internal audit of the casual employee payroll process and made several recommendations to improve processes and controls, including those for monitoring and reporting. No changes were implemented in 2019 and 2020.

In 2021, UniSA requested its IT team to enhance the Casual Administration System to ensure pre-filled timesheets are forwarded to approvers for checking and endorsing before being submitted for payroll processing. At the time of our audit, these enhancements were not yet in place. We also found that UniSA did not have an alternative control in place where pre-filled timesheets were not reviewed. Therefore, there remains a risk that payments to casual employees could include payments for time not actually worked because they are based on contracted hours.

UniSA responded that the process update and system enhancement was completed and activated in February 2022.

Inconsistencies between system delegations for managing casual staff and UniSA's delegations of authority

UniSA uses a software system, APPIAN, to manage casual employees, including approving contracts and changes in hours and allowances.

UniSA's Vice Chancellor authorisations provide some staff with the authority to perform employment related tasks, including those listed above.

In previous years, we reported that no reviews of APPIAN delegations against Vice Chancellor authorisations were undertaken.

In July 2021, UniSA's risk and assurance team found inconsistencies between APPIAN and the Vice Chancellor authorisations, including several instances where staff with delegation in APPIAN did not have Vice Chancellor authorisation and vice-versa. At the time of our audit in November 2021, we again found instances of this happening.

If delegations in APPIAN do not match Vice Chancellor authorisations there is a risk that inappropriate or unauthorised changes could be made, and an increased risk of incorrect payments to casual staff.

UniSA responded that its risk and assurance and IT teams were working to build a solution where APPIAN authorities are directly updated from the Vice Chancellor authorisations register in an automated process. This was expected to be implemented by March 2022.

Instances of non-compliance with UniSA's delegations of authority

UniSA's Vice Chancellor authorisations provide individuals with the authority to perform employment related tasks, including the approval of contracts and allowance payments. The authority granted depends on the individual's position.

Our testing in 2021 identified several instances where the authority exercised was inconsistent with the Vice Chancellor authorisations, including instances where:

- contracts and payments from consultancies were approved by staff without appropriate authorisation
- the Vice Chancellor authorisation was exercised before the date the authorisation was formally put in place.

UniSA responded that:

- a more defined process with tighter controls is currently being implemented to ensure that the notifications and changes to the Vice Chancellor's authorisations are promptly reported to the Council
- its risk and assurance and IT teams were working to address process gaps by having APPIAN update current authorities nightly directly from the Vice Chancellor's authorisations register. This work was expected to be implemented by March 2022.

Interpretation and analysis of the financial report

Highlights of the financial report

	2021 \$million	2020 \$million
Income		
Australian Government grants	307	276
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	155	161
HECS-HELP (student payments)	12	11
Fees and charges	135	171
Other	70	77
Total income	679	696
Expenses		
Employee related expenses	409	435
Other expenses	216	240
Total expenses	625	675
Operating result before income tax	54	21

	2021 \$million	2020 \$million
Net cash provided by (used in) operating activities	101	95
Net cash provided by (used in) investing activities	(6)	(16)
Assets		
Current assets	527	384
Non-current assets	1,444	1,540
Total assets	1,971	1,924
Liabilities		
Current liabilities	263	261
Non-current liabilities	325	380
Total liabilities	588	641
Total equity	1,383	1,283

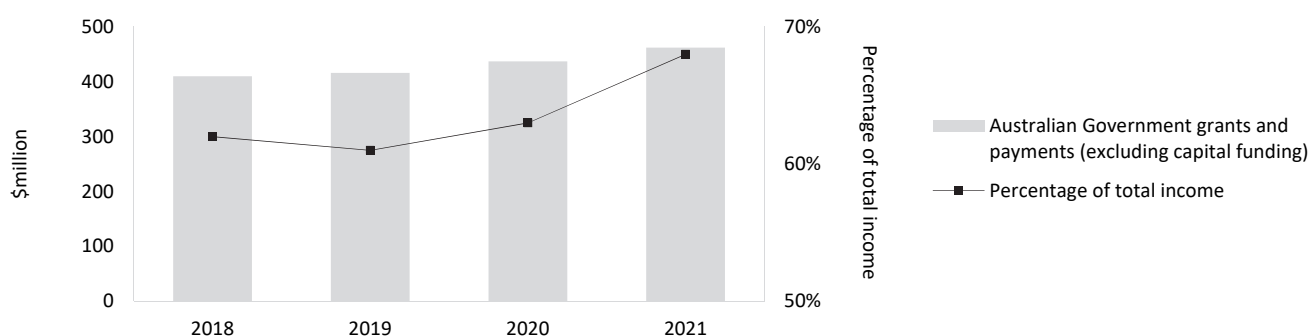
Statement of Comprehensive Income

Income

2021 income totalled \$679 million, a decrease of \$17 million (2.4%).

Australian Government grants and payments

Total Australian Government financial assistance provided to UniSA (excluding capital funding as this is not necessarily comparable from year to year) is shown in the chart below. The chart shows that it continues to account for more than 60% of total income.



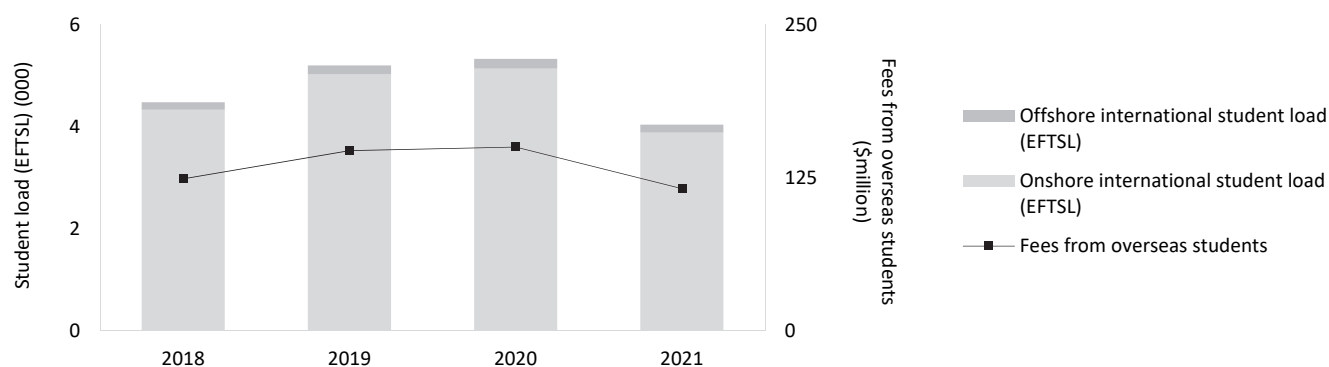
Australian Government grants increased by \$31 million in 2021 to \$307 million, mainly due to:

- a \$10 million increase in the Commonwealth Grants Scheme funding based on the new Job Ready Graduates Package and the new one-off funding for Innovative Places and Short Courses
- a \$7 million increase in new funding for the National Priorities and Industry Linkage fund
- an \$18 million increase in Research Support Program funding
- offset by a \$4 million decrease in other Australian Government assistance – non-capital funding.

Fees and charges

Fees and charges decreased by \$36 million in 2021 to \$135 million. This was mainly due to a \$34 million decrease in the overall number of fee-paying onshore overseas students.

The following chart shows that the fee-paying overseas student load decreased by 24.2% in 2021 due to COVID-19 travel bans continuing to impact on the ability of overseas students to travel to Australia to study. There is further commentary on this under the heading ‘Impact of COVID-19’. The \$34 million decrease in fee revenue from international students reflects decreases in both the number of international students and their corresponding student load (EFTSL).



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 24.2% decrease in overseas student load (EFTSL) in 2021.

	2018 Number	2019 Number	2020 Number	2021 Number
Domestic students	18,500	19,208	20,440	20,813
Overseas students	4,476	5,198	5,328	4,037
Total students (EFTSL)	22,976	24,406	25,768	24,850

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

Other revenue

Other revenue decreased by \$7 million to \$70 million in 2021 largely from:

- a \$2 million decrease in state and local government financial assistance, mainly as a result of reduced research funding
- a \$5 million decrease in investment income, as the dividends received from Education Australia Ltd in 2021 were not recognised as revenue in the year. As part of the Education Australia Ltd liquidity transaction, the dividends received were classified as a return of capital and recorded in other comprehensive income, with no impact on profit and loss. There is further commentary on this under the heading ‘Restructuring of investment in Education Australia Ltd’.

Expenses

2021 expenses totalled \$625 million, a decrease of \$50 million (7.4%).

Employee expenses

UniSA’s main expense is employee related expenses, which decreased by \$26 million (6%) to \$409 million in 2021. This was mainly due to separation and Early Retirement Scheme costs incurred in 2020.

The following table shows the breakdown of total staff numbers between academic and non-academic staff since 2018. 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.

	2018	2019	2020	2021
	FTEs	FTEs	FTEs	FTEs
Academic	1,131	1,143	1,161	1,174
Non-academic	1,511	1,532	1,579	1,424
Total FTEs	2,642	2,675	2,740	2,598
Percentage of academic staff	43%	43%	42%	45%

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

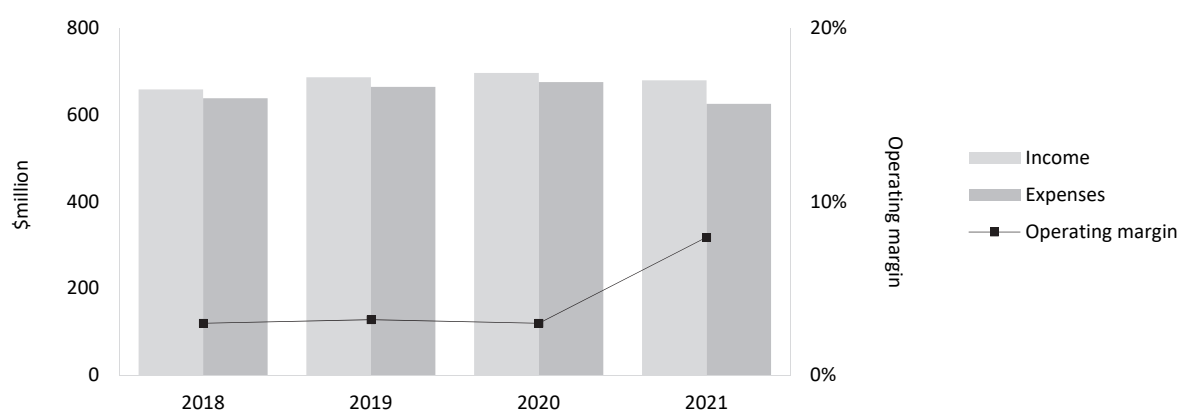
Other expenses

Other expenses decreased by \$24 million to \$216 million in 2021. The main components of this change were a \$10 million once-off hardship payment in 2020 and a \$6 million decrease in agent fees (fee paying overseas students) in 2021.

Operating result

The consolidated operating result before income tax for the year was a surplus of \$54 million (\$21 million). As mentioned in the analysis above, the increase is mainly due to a decrease in total revenue of \$17 million offset by a larger decrease in total expenditure of \$50 million.

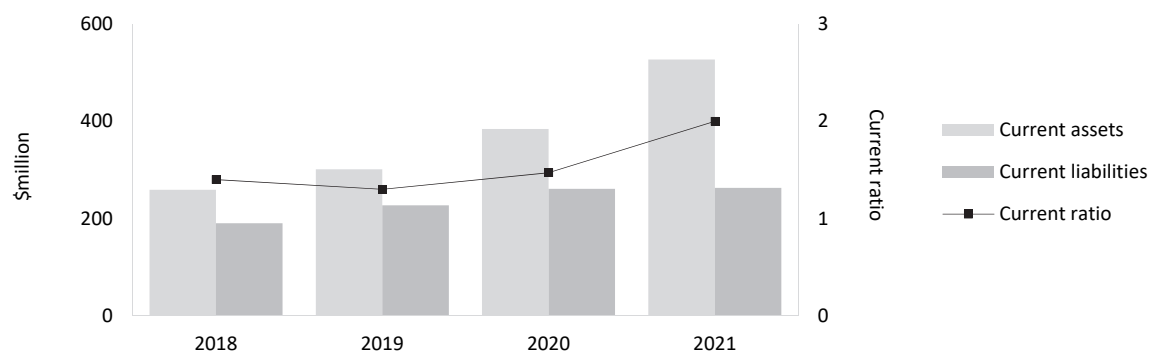
The following chart shows the movement in income, expenses and the operating margin (the operating result for the year divided by total income) for the last four years. The operating margin increased in 2021.



Statement of Financial Position

UniSA’s net assets at 31 December 2021 were \$1.38 billion (\$1.28 billion).

The following chart shows that UniSA’s current ratio has remained relatively stable since 2018. As at 31 December 2021 the current ratio increased, with current assets exceeding current liabilities by \$264 million.



Assets

Cash and cash equivalents

As at 31 December 2021 UniSA's cash and cash equivalents totalled \$395 million compared to \$303 million in 2020. The \$92 million increase in cash holdings is largely due to:

- a \$65 million increase in Australian Government grants received
- a \$4 million increase in consultancy and contract research revenue received
- a \$3 million decrease in spending on property, plant and equipment, as there were no significant capital works projects in 2021
- a \$5 million increase in proceeds from return of capital, reflecting the dividends received from the Education Australia Ltd liquidity transaction that were classified as a return of capital proceeds
- a \$15 million decrease in net payments for investments, reflecting the Education Australia Ltd liquidity transaction which is considered to be a recovery of the cost of investment linked to the wind down of Education Australia Ltd. There is further commentary on this under the heading 'Restructuring of investment in Education Australia Ltd'.

Property, plant and equipment

The main component of UniSA's Statement of Financial Position is property, plant and equipment, representing 56% of total assets. The carrying value of property, plant and equipment decreased by \$29 million to \$1.079 billion due mainly to:

- depreciation charges of \$42 million
- offset by asset additions of \$13 million.

Liabilities

UniSA's liabilities decreased by \$53 million to \$588 million in 2021. The significant movements were:

- defined benefit superannuation obligations, which decreased by \$52 million to \$328 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 \$16 million decrease in provisions, mainly reflecting the amounts paid for the Early Retirement Scheme in 2021
- offset by a \$17 million increase in contract liabilities, mainly reflecting research grants funding received where no services had been delivered.

Statement of Cash Flows

Net cash flows provided by operating activities increased by \$6 million to \$101 million, mainly due to a \$65 million increase in Australian Government grants received, offset by a \$25 million increase in payments to suppliers and employees and by overall reductions in other receipts.

Net cash used in investing activities increased by \$10 million, mainly due to an overall decrease in payments for property, plant and equipment, and net investments.

Further commentary on operations

Impact of COVID-19

UniSA, in common with the university sector around Australia, continues to be impacted by COVID-19.

In 2021, UniSA continued to take steps to contain costs, including decreases in capital and operational spending, and completing the separation and Early Retirement Scheme.

In 2021, COVID-19 travel bans and travel restrictions continued to impact the ability of overseas students to travel to Australia to study. International student revenue decreased in 2021 due to a reduction in international student numbers, which was partially offset by higher course prices.

Should travel restrictions continue to restrict new international students travelling to Australia to study onshore, there will potentially be ongoing impacts on UniSA's revenue.

Restructuring of 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 divested its 40% shareholding in IDP, resulting in a distribution of Education Australia Ltd shares in IDP to each of the 38 university shareholders. The distribution was undertaken through a liquidity transaction involving an in specie distribution of 1.8 million IDP shares valued at \$53.1 million, \$25 million franking credits and cash proceeds of \$5.3 million. 50% of the IDP shares received are subject to a six-month escrow period, while the remaining 50% are subject to a 12-month escrow period.

As at 31 December 2021, the value of the IDP shares was \$63.4 million. On 1 March 2022, UniSA sold 50% of its shareholdings in IDP, resulting in net cash proceeds of \$25.8 million.

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 on a website the audited financial statements of all public authorities. 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.

On 28 July 2022 under section 36(1)(4) of the PFAA, I will publish the financial statements of the following agencies:

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

on the Auditor-General’s Department website (www.audit.sa.gov.au).

