

**Report 7 of 2024**

Agency audit reports





# **Report of the Auditor-General**

## **Report 7 of 2024**

### **Agency audit reports**

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Tabled in the House of Assembly and ordered to be published, 27 June 2024

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First Session, Fifty-Fifth Parliament

By authority: T. Foresto, 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**

[www.audit.sa.gov.au](http://www.audit.sa.gov.au)

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26 June 2024

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 7 of 2024 Agency audit reports**

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

**Content of the report**

In September 2024 I will issue my annual report for the year ended 30 June 2024. Some agencies I audit have a financial year that ended before 30 June 2024. 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 on our website – [www.audit.sa.gov.au](http://www.audit.sa.gov.au).

## **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 'Andrew Blaskett', written in a cursive style.

Andrew Blaskett  
**Auditor-General**

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# Adelaide Oval SMA Limited (AOSMA)

## Financial statistics

Income \$98.1 million	Revenue from sales attributable to AOSMA \$58.7 million	Revenue from fees and charges \$24.9 million	Other \$14.5 million	
Expenses \$102.2 million	Employee benefits \$41.3 million	Raw material and consumables \$19.4 million	Supplies and services \$26.9 million	Other \$14.6 million
Assets \$122.2 million	Loan receivable \$40.5 million	Right-of-use asset \$27.5 million	Other \$54.2 million	
Liabilities \$100.1 million	Loans and borrowings \$49.8 million	Lease liabilities \$29.1 million	Other \$21.2 million	

**\$ \$4.1 million**  
Loss from trading activities

**\$ \$5.1 million**  
Net contributions from the SANFL and SACA

**\$ \$20.5 million**  
Money collected as agent on behalf of the SANFL and SACA

## Significant events and transactions

In 2022-23 revenues exceeded pre-COVID-19 levels, reflecting improved attendance at AFL and cricket games and an increase in the number of major events held, including the AFL Gather Round.

## Financial report opinion

**Unmodified**

## Audit findings

No significant findings.

## Functional responsibility

AOSMA was established in December 2009 as a not-for-profit public company limited by guarantee. Its 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 2023 included:

- governance
- revenue
- expenditure
- payroll
- cash management
- loans and borrowings
- leases
- fixed assets
- related party transactions
- general ledger.

## Audit findings

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### Communicating our audit findings

We communicated a small number of audit findings to the Chief Executive. AOSMA accepted the findings and has taken action to resolve them.

## Interpretation and analysis of the financial report

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### Highlights of the financial report\*

	Year ended 31.10.23 \$million	Year ended 31.10.22 \$million
<b>Trading activities</b>		
Income	98	71
Expenses	102	77
<b>Profit (Loss) from trading activities</b>	<b>(4)</b>	<b>(6)</b>

	Year ended 31.10.23 \$million	Year ended 31.10.22 \$million
<b>Stakeholder contributions</b>		
Contributions from the SANFL and SACA	15	14
Contributions to the SANFL and SACA	(10)	(7)
<b>Net contributions</b>	5	8
<b>Trading result after net contributions from stakeholders</b>	1	2
Gains/losses from lease receivable re-measurement	1	1
<b>Total comprehensive result</b>	2	3
Net cash provided by (used in) operating activities	5	5
<b>Assets</b>		
Current assets	21	20
Non-current assets	101	98
<b>Total assets</b>	122	118
<b>Liabilities</b>		
Current liabilities	21	19
Non-current liabilities	79	79
<b>Total liabilities</b>	100	98
<b>Total equity</b>	22	20

\* 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 \$4.1 million, a \$1.7 million improvement from the \$5.8 million trading loss before stakeholder contributions in 2022.

Trading income increased by \$27.3 million to \$98.1 million due mainly to:

- an increase in revenue from sales attributable to AOSMA of \$20.6 million, comprising an \$11.5 million increase in beverage sales and an \$8.5 million increase in food sales. Sales increased in response to higher crowd numbers for sporting and other events, an increase in average spend per head and price increases for food and beverages
- an increase in revenues from fees and charges of \$7.6 million, largely comprising a \$3.5 million increase in major events income, a \$4 million increase in match day recharges, a \$533,000 increase in stadium operations revenue and a \$428,000 increase in car parking income. These results were driven by an increase in the number of major events and private events held at the oval during the year.

Trading expenses increased by \$25.6 million to \$102.2 million due mainly to:

- an increase in employee benefits expense of \$8 million, reflecting increases in casual wages to cover more shifts as patronage and number of events increased at the oval
- an increase in supplies and services expenses of \$8.9 million, largely comprising a \$3 million increase in major event expenses, a \$1.6 million increase in utilities expenses as LED lights were used for more sporting events and concerts, and a \$1.4 million increase in stadium management costs such as cleaning and security due to increased patronage
- an increase in raw materials and consumables of \$6.9 million, driven by an increase in food, beverage and hospitality sales as operating activity at the oval increased.

### Stakeholder contributions

Net contributions to AOSMA from the SANFL and SACA decreased by \$2.4 million to \$5.1 million and reflected the following:

- In 2023 the SANFL and SACA contributed \$15.1 million (\$14.1 million) to ensure AOSMA had sufficient working capital to support its operations.
- AOSMA pays a percentage of its match day food and beverage sales to the SANFL and SACA. For 2022-23 this totalled \$10 million (\$6.6 million).

### Money collected on behalf of other parties

AOSMA also 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 2023, AOSMA collected \$20.5 million (\$18.3 million) on behalf of the SANFL and SACA. This amount is disclosed as related party transactions in 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 2023 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

AOSMA's significant assets include:

- a loan receivable of \$40.5 million from the AOHT. The balance is due to be repaid by 2030
- a right-of-use asset of \$27.5 million, representing the remaining useful life of the lease that AOSMA has with the Minister for the Adelaide Oval Core Area.

Total assets increased by \$4 million to \$122.2 million as at 31 October 2023 due mainly to:

- a \$1.9 million increase in the right-of-use asset resulting from applying CPI to the measurement of the underlying leases
- a \$1.9 million increase in trade and other receivables due to increased activity at the oval
- a \$1.4 million increase in property, plant and equipment due to asset additions of \$4.6 million, partially offset by depreciation
- a \$755,000 decrease in the loan receivable from the AOHT, reflecting loan repayments.

## Liabilities

AOSMA's significant liabilities include:

- loans and borrowings of \$49.8 million. This includes \$40.5 million borrowed from the Treasurer (see 'Adelaide Oval Hotel' below) and \$9.3 million of bank loans and overdraft
- lease liabilities of \$29.1 million for the lease with the Minister for the Adelaide Oval Core Area (see 'Leasing and licensing arrangements' below).

Total liabilities increased by \$2.1 million to \$100.1 million as at 31 October 2023 due mainly to:

- an increase in payables of \$1.2 million due to increased activity at the oval
- lease liabilities rising by \$2.2 million, reflecting an annual CPI adjustment
- an increase in employee benefits liability of \$1.1 million, reflecting increases in salary rates and accrued entitlements for annual and long service leave.

These increases were partially offset by a \$1.9 million decrease in loans and borrowings as repayments were made.

## 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 2023 was \$10.3 million. AOSMA contributed \$3.5 million to the sinking fund in 2022-23, offset by \$4.6 million of capital replacement expenditure paid out of the sinking fund. Interest income of \$306,000 was earned during the year.

At the time of this report the audit of the sinking fund for 2022-23 was not complete.

## **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. It 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 like concerts at the oval at any time as long as enough 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 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 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 2023 these finance lease receivables were valued at \$16.6 million. This asset will reduce as lease payments are received.

To finance the hotel build, AOSMA entered into a facility agreement with the Treasurer in August 2019 for \$42.6 million, with AOSMA on-lending these funds to the AOHT. As at 31 October 2023, \$40.5 million remains outstanding. The loan is receivable in quarterly instalments, with the last instalment receivable on 30 September 2030 to include 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 of providing these services without mark-up, which will be determined by AOSMA. This includes the provision of staffing services to the AOHT.

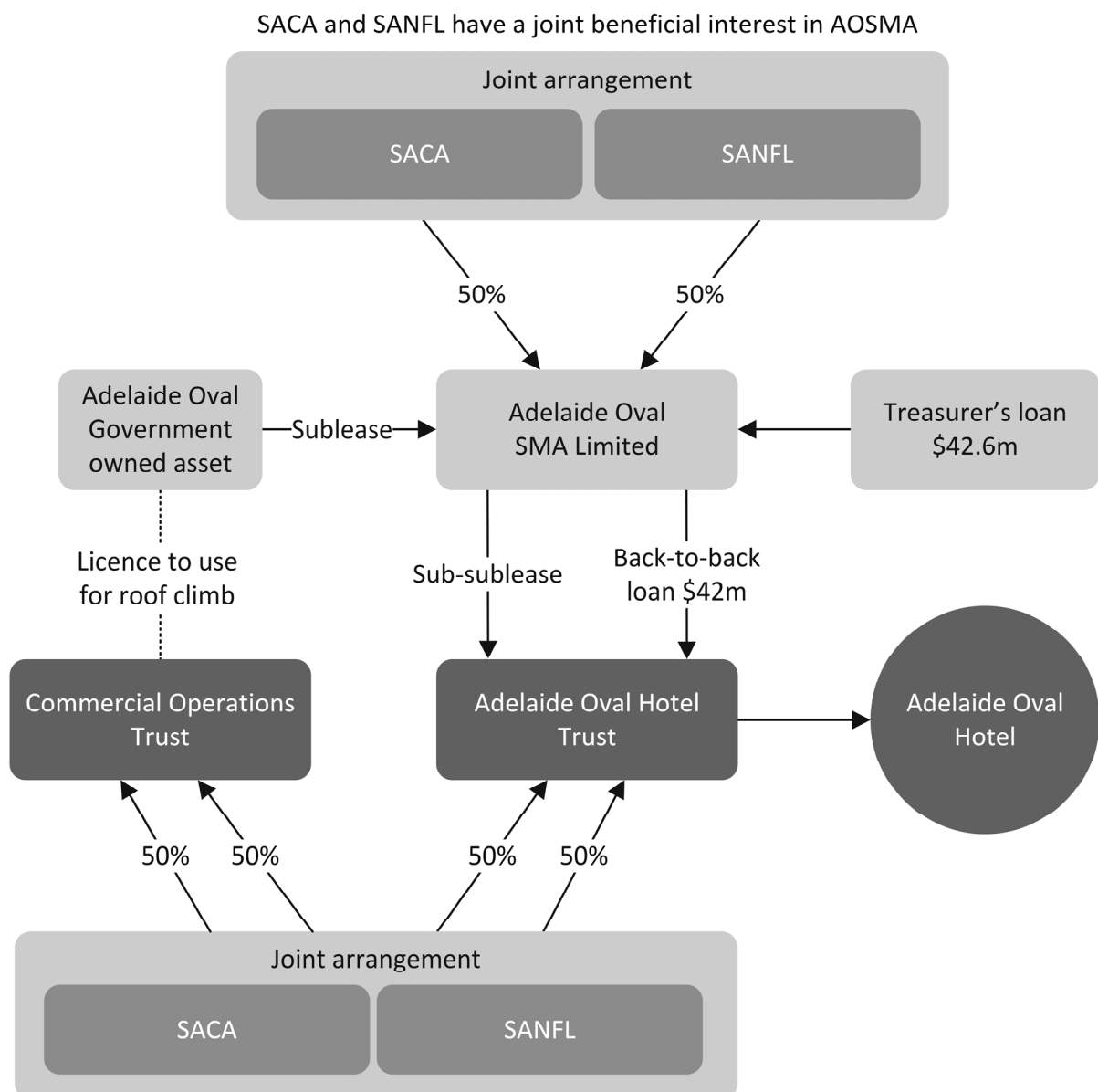
## Commercial Operations Trust

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 July 2016 to November 2031, as 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 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.

AOSMA recognises the licence and management fees outlined in the agreements under other revenue in its financial report. All AOSMA costs for providing services, including costs 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

Income \$26.9 million	SA Government grants \$20.1 million	Other \$6.8 million	
Expenses \$24.5 million	Employee benefits \$15.1 million	Supplies and services \$7.8 million	Other \$1.6m
Assets \$27.3 million	Current \$20.5 million	Non-current \$6.8 million	
Liabilities \$4.9 million	Current \$3.2 million	Non-current \$1.7 million	

## Significant events and transactions

15,699 students completed their South Australian Certificate of Education in 2023, an increase of 1,023 students from 2022.

## Financial report opinion

### Unmodified

## Audit findings

- There was no evidence that payment authority was provided to the SACE Board by the Minister for Education, Training and Skills.
- Financial authorisations for entering into contracts were inconsistent with Treasurer's Instructions.

## Functional responsibility

The SACE Board is established by the *SACE Board of South Australia Act 1983*. Its 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 2023 included:

- revenue
- supplies and services expenditure
- payroll expenditure
- employee benefits liabilities
- cash
- intangible assets.

## Audit findings

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### **Communicating our audit findings**

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

**No evidence that payment authority was provided to the SACE Board by the Minister**

The SACE Board could not provide us with evidence that payment authority was provided by the Minister for Education, Training and Skills to the SACE Board, as required by Treasurer's Instruction 8 *Financial Authorisations* (TI 8). As a result, payments made in 2023 were not authorised in line with TI 8.

The SACE Board accepted this finding and advised us that it would obtain payment authorisation from the Minister before making any further payment authorisations to its employees.

**Financial authorisations for entering into contracts were inconsistent with Treasurer's Instructions**

The SACE Board's financial authorisations state that it has authority to approve all contracts over \$1 million. This is inconsistent with TI 8, which states that only Cabinet or the Minister can approve contracts over \$15 million.

The SACE Board accepted this finding and advised us that it will update its financial authorisations to require contracts over \$15 million to be authorised by Cabinet or the Minister.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2023 \$million	2022 \$million
<b>Expenses</b>		
Employee benefits expenses	15.1	14.2
Supplies and services	7.8	7.3
Other expenses	1.6	1.5
<b>Total expenses</b>	24.5	23.0
<b>Income</b>		
Income from SA Government	20.1	17.1
Sale of goods and services	5.5	4.7
Other income	1.3	0.7
<b>Total income</b>	26.9	22.5
<b>Net result</b>	2.4	(0.5)
<b>Total comprehensive income</b>	2.4	(0.5)
Net cash provided by (used in) operating activities	3.1	1.1
<b>Assets</b>		
Current assets	20.5	17.6
Non-current assets	6.8	7.3
<b>Total assets</b>	27.3	24.9
<b>Liabilities</b>		
Current liabilities	3.2	3.2
Non-current liabilities	1.7	1.7
<b>Total liabilities</b>	4.9	4.9
<b>Total equity</b>	22.4	20.0

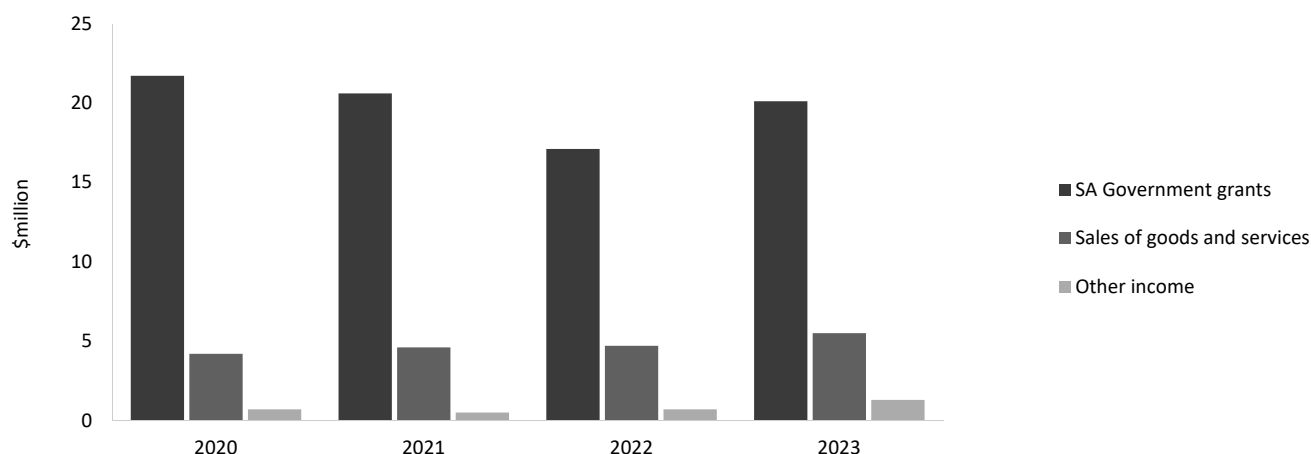
### Statement of Comprehensive Income

#### Income

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

In 2023 the SACE Board received \$20.1 million in SA Government grants, \$3 million more than in 2022. The increase was largely due to a change in the timing of SA Government grants to better match the SACE Board's income and expense profile across the year.

The following chart shows the SACE Board's main sources of income for the four years to 2023 and its dependency on SA Government funding.



## Expenses

Expenses largely comprise supplies and services (\$7.8 million) and employee benefits expenses (\$15.1 million).

Supplies and services increased by \$579,000 in 2023, due mainly to:

- a \$249,000 increase in computing and communication expenses due to higher cloud service costs
- a \$180,000 increase in contractor costs, with contractors used for cloud migration, online examinations, developing the SACE International strategy, developing an internal audit plan and other corporate initiatives in 2023, offset by a decrease in agency staff
- a \$121,000 increase in software costs due to the implementation of new software.

Employee benefits expenses increased by \$911,000 in 2023 due to general salary increases, a targeted voluntary separation package payment (\$138,000) and an increase in the long service leave provision that resulted in a \$318,000 increase in long service leave expenses.

## Statement of Cash Flows

The following table summarises the SACE Board's net cash flows for the four years to 2023.

	2020 \$million	2021 \$million	2022 \$million	2023 \$million
<b>Net cash flows</b>				
Operating activities	3.0	3.2	1.1	3.1
Investing activities	(1.9)	(2.9)	(0.8)	(0.7)
Change in cash	1.1	0.3	0.3	2.4
Cash at 30 June	15.9	16.2	16.5	18.9

# 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 combined.

	2023 \$million	2022 \$million
Australian Government financial assistance	1,585	1,513
Fees and charges revenue	646	537
Employee related expenses	1,445	1,315
Assets	6,393	6,073
Liabilities	1,765	1,451
Staff (FTEs)	8,765	8,320
Students (EFTSLs)	62,773	62,396

## 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 my Annual Report to Parliament to identify areas of review, and then 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 2023-24 controls opinion findings will be discussed in Part B of my upcoming Annual Report to Parliament.

## Other matters

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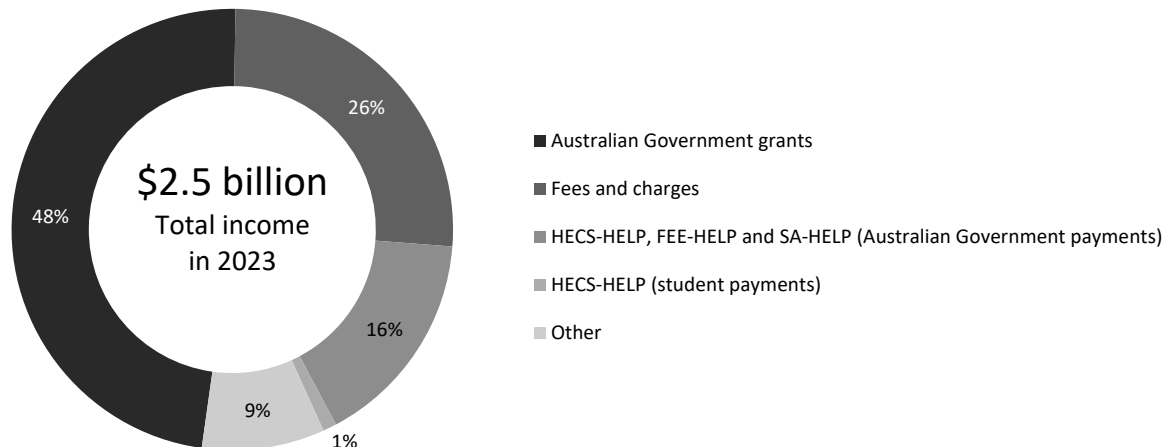
Our financial statement audits reviewed the control environments for all significant university sector balances. Our findings from these reviews are discussed in each university’s commentary under ‘Communicating our audit findings’.

## Key financial statistics

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### Income

Total income for the three universities was \$2.5 billion in 2023. The sources are shown in the following chart.



In 2023 income increased by 11% for the university sector as a whole.

### Australian Government grants and payments

The universities are operationally dependent on Australian Government financial assistance, which was 64% of their total income in 2023. 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

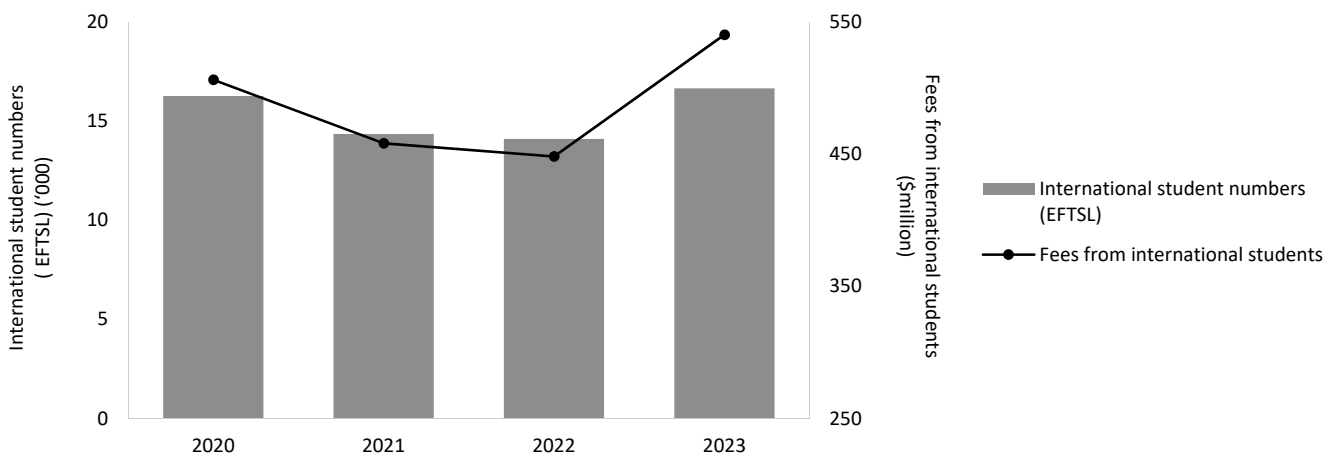
University sector fees and charges decreased by 8.7% from \$588 million in 2020 to \$537 million in 2022, before increasing by 20% to \$646 million in 2023. The disruption to international student travel caused by the COVID-19 pandemic was the main driver of this decrease, with international student numbers returning to pre-COVID levels in 2023.

The table below shows total student numbers falling by 6% between 2020 and 2022, before increasing slightly in 2023. The sources of students changed to 74% domestic (77%) and 26% international (23%) in 2023.

	2020 Number	2021 Number	2022 Number	2023 Number
Domestic students	50,095	51,618	48,317	46,241
International students	16,247	14,333	14,079	16,532
<b>Total students</b>	<b>66,342</b>	<b>65,951</b>	<b>62,396</b>	<b>62,773</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% to \$448 million from 2020 to 2022 and then increased by 20% to \$540 million in 2023. This is in line with the decrease in international student numbers of 13% from 2020 to 2022, before a 17% increase in 2023.

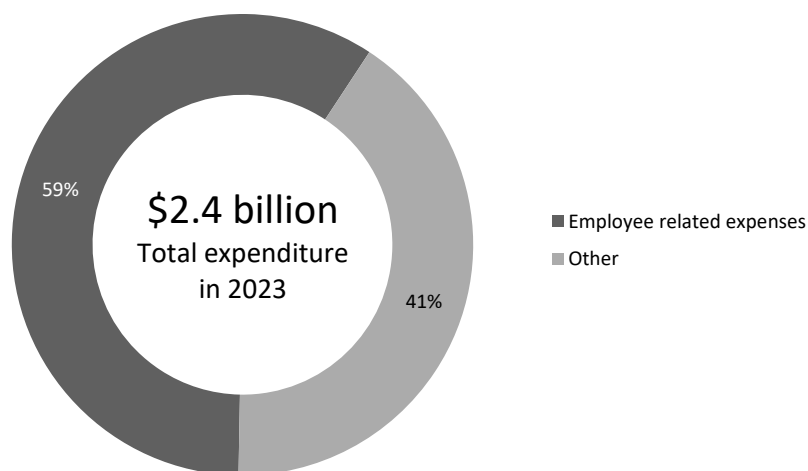


Source: Student numbers, which are based on EFTSL, were obtained from data provided by the three universities and are unaudited.

The decline in fees and charges from overseas students from 2020 to 2021 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. 2023 fees and charges reflect the return of international students to study in South Australia. These students come from a range 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 \$2.4 billion in 2023. The sources are shown in the following chart.



### Employee related expenses

In the last four years, employee related expenses across the universities increased by 9.4%, from \$1.32 billion in 2020 to \$1.44 billion in 2023. This reflects a small increase in FTEs over that period, together with salary increases.

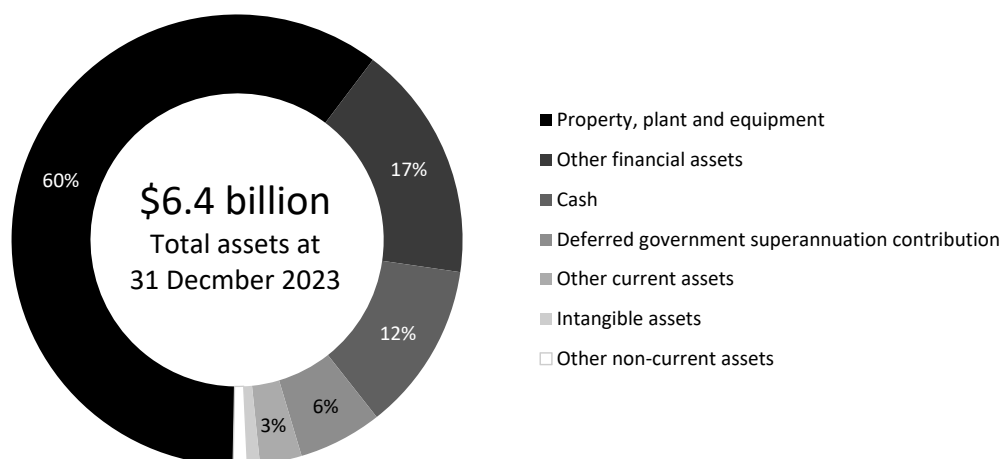
The table below shows total staff numbers for all three universities.

	2020 FTEs	2021 FTEs	2022 FTEs	2023 FTEs
Academic	3,786	3,709	3,838	3,986
Non-academic	4,916	4,446	4,482	4,779
Total FTEs	8,702	8,155	8,320	8,765
Percentage of academic staff	44%	45%	46%	45%

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

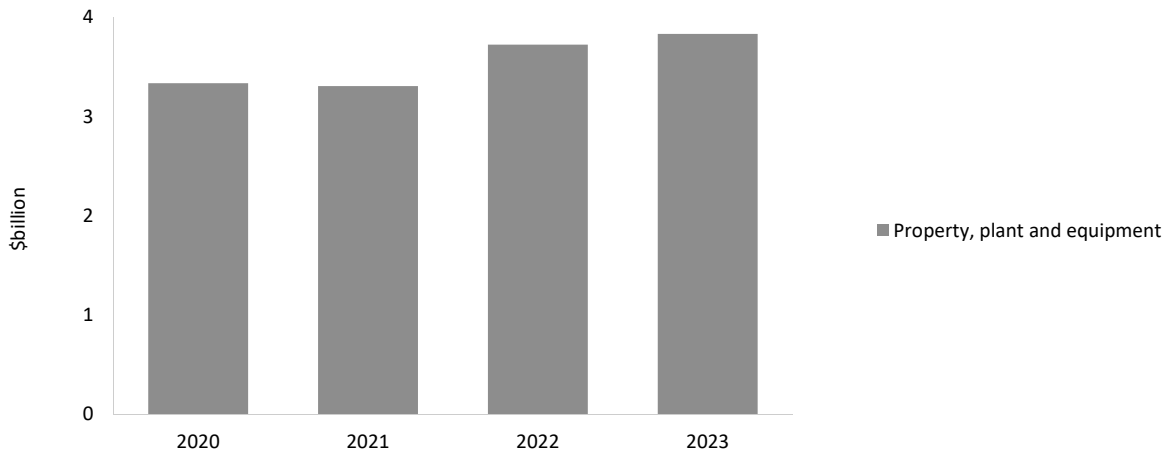
### Assets

Total assets for the three universities were \$6.4 billion at 31 December 2023. The categories of assets are shown in the following chart.



## Property, plant and equipment

Property, plant and equipment totals \$3.8 billion, which is 60% of the total value of university sector assets. It primarily consists of \$2.7 billion (71%) of buildings and infrastructure, and \$492 million of land (13%). 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 approach of revaluing them every three years. This resulted in a collective net revaluation gain across the universities of \$330 million.

In 2023 Flinders University and the University of Adelaide revalued their works of art. This resulted in a net revaluation gain of \$944,000.

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 are members of State-managed superannuation schemes. Under current arrangements the Australian Government funds the universities on an emerging cost basis.

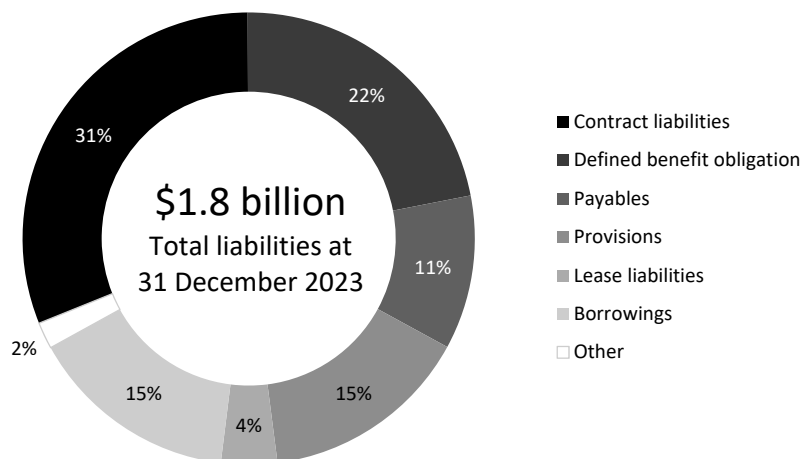
The defined benefit obligations of all three universities totalled \$384 million, with a corresponding receivable of the same value being recognised from the Australian Government. The receivables represent 6% of total assets held by the three universities.

Information on the individual schemes is provided in each university's 2023 financial report.

## Liabilities

Total liabilities for the three universities were \$1.8 billion at 31 December 2023. The categories of liabilities are shown in the following chart.





### Defined benefit obligations

Defined benefit obligations total \$384 million, 22% 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 \$539 million, 31% of the liabilities held by the three universities. They mainly represent unspent grant money.

### Provisions

Provisions total \$269 million, 15% of the liabilities held across the university sector. They primarily comprise annual and long service leave liabilities totalling \$257 million.

### Borrowings

Borrowings total \$259 million, 15% of total liabilities across the university sector. They mainly relate to borrowings by Flinders University to construct the Health and Medical Research Building.

## Emerging issues

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### Investment in Education Australia Limited

In 2022, the ATO advised the 38 university shareholders of Education Australia Limited that it was withholding the franking credits refundable on the in-specie distribution from Education Australia Limited while it considers their entitlement to the refund.

In 2023, the ATO issued all 38 university shareholders with formal assessment denying their entitlement to these franking credits. The universities involved in the transaction engaged an external law firm to provide advice about their entitlement to a franking credit refund and lodged formal objections to the ATO assessment. The universities continue to believe they have a strong case for the refund of the franking credit, but advised us that they do not expect a resolution in the next 12 months.

Therefore, in 2023 the three universities continue to recognise the franking credits refundable on the in-specie distribution from Education Australia Limited, but the receivable was reclassified from current to non-current as at 31 December 2023.

## **Establishing Adelaide University**

In July 2023 the Councils of the University of Adelaide and University of South Australia entered into a Heads of Agreement to record the terms and conditions on which both universities would support the creation of a future, combined university, Adelaide University.

In December 2023, the *Adelaide University Act 2023* (the Act) was proclaimed.

Under the Act, the new Adelaide University legal entity was established on 8 March 2024. The Adelaide University Transition Council was appointed on this date and is responsible for steering the Adelaide University's strategic objectives.

The Adelaide University has a target operational date of 1 January 2026 and, under the Act, on 31 March 2026 the *University of Adelaide Act 1971* and the *University of South Australia Act 1990* will be repealed and the University of Adelaide and University of South Australia will be disestablished as legal entities.


In 2023, the University of Adelaide and University of South Australia incurred \$30.3 million of integration costs. These costs included the feasibility and due diligence costs incurred before signing the Heads of Agreement and integration costs incurred after signing it.

# Flinders University (Flinders)

## Financial statistics



 **2,189**  
FTEs

 **17,422**  
Students (EFTSL)

 **\$467.9 million**  
Buildings

### Significant events and transactions

- Construction of the Health and Medical Research Building was nearing completion and borrowings of \$255.6 million had been drawn down as at 31 December 2023.
- The Festival Tower fitout was in progress as at 31 December 2023 with expenditure to that date of \$15.5 million.
- Flinders Academy Pty Ltd commenced operations in February 2023.

### Financial report opinion

**Unmodified**

### Audit findings

No significant findings.

## Functional responsibility

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Flinders is established by the *Flinders University Act 1966*. Its functions 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 2023 included:

- corporate governance
- research grants, student fees and other revenue
- cash and investments
- property plant and equipment, including processes 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 2023 were carried out by private accounting firms.

### **Controls opinion**

We reviewed controls over buildings and improvements as part of our overall controls opinion, which will be discussed in Part B of my upcoming 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. No significant matters were identified.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2023 \$million	2022 \$million
<b>Income</b>		
Australian Government grants	283	267
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	103	103
HECS-HELP (student payments)	8	6
Fees and charges	162	119
Other	82	65
<b>Total income</b>	<b>638</b>	<b>560</b>
<b>Expenses</b>		
Employee related expenses	375	338
Other expenses	239	206
<b>Total expenses</b>	<b>614</b>	<b>544</b>
<b>Operating result</b>	<b>24</b>	<b>16</b>
Net cash provided by (used in) operating activities	80	81
Net cash provided by (used in) investing activities	(253)	(143)
Net cash provided by (used in) financing activities	126	109
<b>Assets</b>		
Current assets	299	337
Non-current assets	1,223	1,006
<b>Total assets</b>	<b>1,522</b>	<b>1,343</b>
<b>Liabilities</b>		
Current liabilities	182	160
Non-current liabilities	369	227
<b>Total liabilities</b>	<b>551</b>	<b>387</b>
<b>Total equity</b>	<b>971</b>	<b>956</b>

### Income Statement

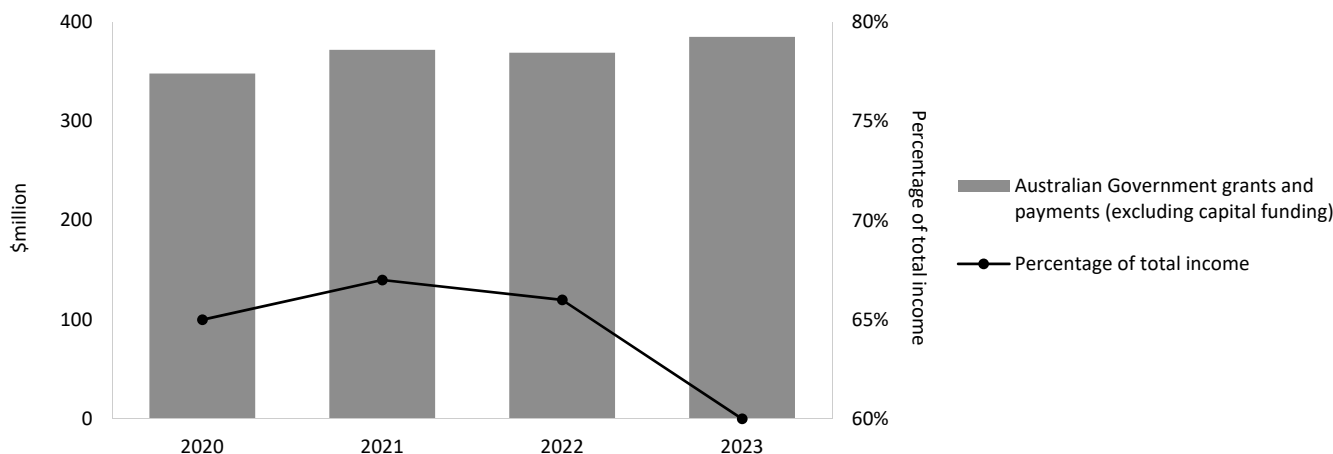
#### Income

Income totalled \$638 million in 2023, an increase of \$78 million (14%).

#### Australian Government grants and payments

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

University sector –  
Flinders University

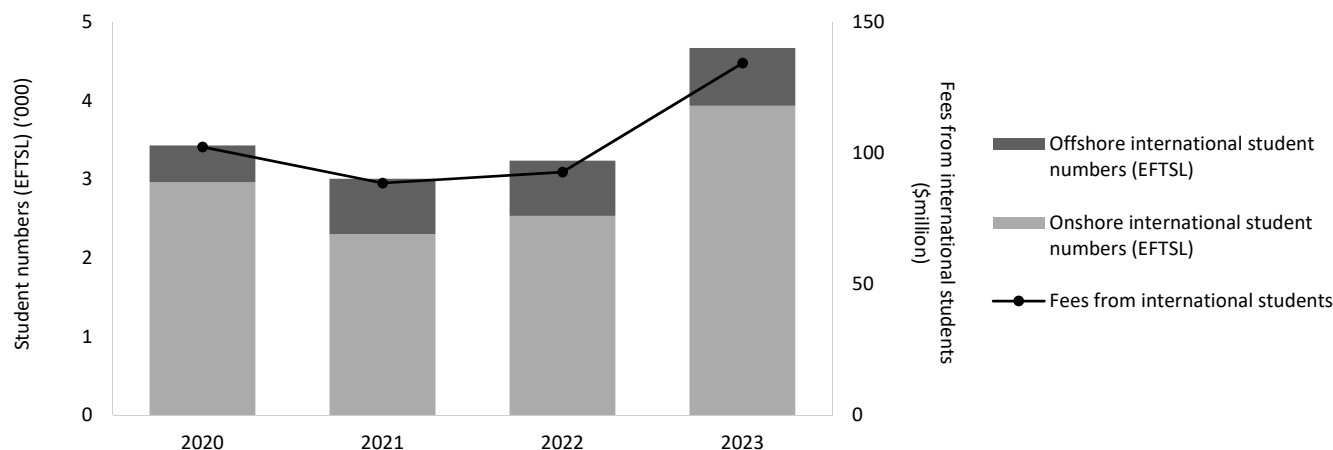


The Australian Government financial assistance Flinders received increased by \$16 million to \$386 million in 2023, mainly due to increases in:

- Commonwealth Grants Scheme and other grants of \$2.9 million
- Education Research grants of \$3.8 million
- Australian Research Council grants of \$3 million
- National Health and Medical Research grants of \$5.5 million.

### Fees and charges

The following chart shows fees from international students and 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 \$41.6 million (44.8%) to \$134.4 million mainly because the number of onshore international students returned to higher pre-COVID intake levels.

The following table shows that total student loads decreased by 0.7% over the last four years, with a 0.5% increase in domestic students between 2020 and 2021 offset by a 10% decrease in domestic students between 2021 and 2023. International students fell by 12.4% between 2020 and 2021 due to the impact of COVID-19. International student numbers are returning to pre-COVID levels, with an increase of 55% since 2021.

	2020 Number	2021 Number	2022 Number	2023 Number
Domestic students	14,121	14,188	13,231	12,761
International students	3,432	3,007	3,238	4,661
Total students (EFTSL)	17,553	17,195	16,469	17,422

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

## Investment income

Net investment income increased by \$19.8 million to \$22.8 million mainly due to:

- interest income, up \$9 million, as cash was invested in term deposits due to higher interest rates
- the net gain on financial assets designated at fair value through profit and loss of \$5.3 million, compared to a net loss of \$6.5 million in 2022.

Investment returns can be volatile, with the varying impact affecting the overall operating result.

## Expenses

Total expenses increased by \$70.7 million (13%) to \$614 million in 2023.

### Employee related expenses

Total employee related expenses increased by \$36.4 million to \$375 million mainly due to:

- salary expenses for academic staff, up \$8.9 million, and for non-academic staff, up \$14.1 million, mainly due to salary increases, as a new Enterprise Bargaining Agreement was finalised in 2023 and the tight labour market put upward pressure on salary costs
- superannuation contributions for academic staff, up \$2.1 million, and for non-academic staff, up \$2.6 million, reflecting increased salaries and wages costs
- long service leave expenses for academic staff, up \$1.8 million, and for non-academic staff, up \$486,000
- annual leave expenses for academic staff, up \$1.4 million, and for non-academic staff, up \$1.7 million
- redundancy expenses for academic staff, up \$1.7 million.

The table below shows the total number of FTEs was relatively constant from 2020 to 2022, before increasing by 6.5% in 2023. It also shows the percentage of academic staff over the four years.

	2020 FTEs	2021 FTEs	2022 FTEs	2023 FTEs
Academic	868	886	907	957
Non-academic	1,161	1,107	1,147	1,232
Total FTEs	2,029	1,993	2,054	2,189
Percentage of academic staff	43%	44%	44%	44%

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

## Other expenses

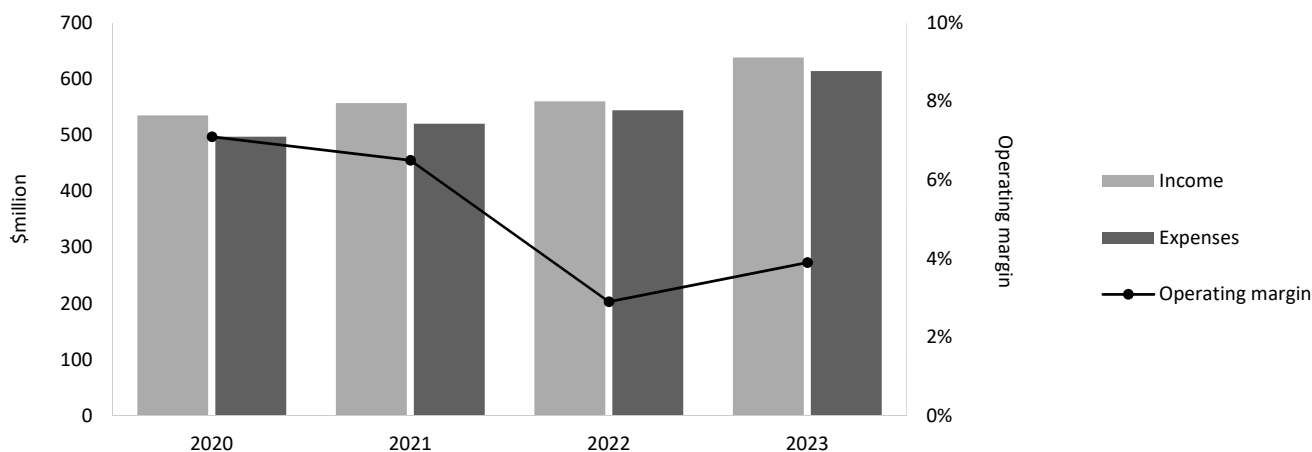
Non-employee related expenses increased by \$34.3 million mainly due to:

- other expenses, up \$30.7 million, due to increases in general activity across Flinders and in:
  - student placement and practicum expenses of \$6.7 million
  - travel, staff development and entertainment costs of \$6 million
  - advertising, marketing and promotional expenses of \$4.2 million
  - software expenses of \$3.5 million
  - administration and management fees of \$3.1 million
  - scholarships, grants and prizes of \$3.1 million
- a net gain on financial assets designated at fair value through profit and loss of \$5.3 million, compared to a net loss of \$6.5 million in 2022
- repairs and maintenance, up \$3.1 million, due to an increase in minor works expenditure of \$1.1 million, building and grounds works of \$1 million and repairs and maintenance of equipment and artwork of \$959,000
- depreciation and amortisation of \$4.8 million, mainly due to increases in building depreciation of \$2.5 million, as buildings were revalued in 2022, and amortisation of computer software of \$2.1 million due to the capitalisation of IT developments of \$13.4 million since 2022
- borrowing costs of \$1.1 million. Interest expense was \$9 million in 2023, with the increase of \$7 million due to the construction of the Health and Medical Research Building, of which \$7.7 million was capitalised, an increase of \$5.8 million.

## Operating result

The operating surplus was \$23.7 million, \$7.5 million higher than in 2022. This increase reflects the net impact of the \$78.2 million increase in revenue explained above, combined with the \$70.7 million increase in expenditure in 2023.

The following chart shows Flinders' operating income, operating expenses and operating margin (the operating result for the year divided by total income) for the four years to 2023.



The operating margin declined in 2021 and 2022, reflecting the lower operating surplus, and improved in 2023 with the higher operating surplus.



## Statement of Financial Position

Flinders' consolidated net assets as at 31 December 2023 totalled \$971 million (\$956 million), an increase of \$15.7 million.

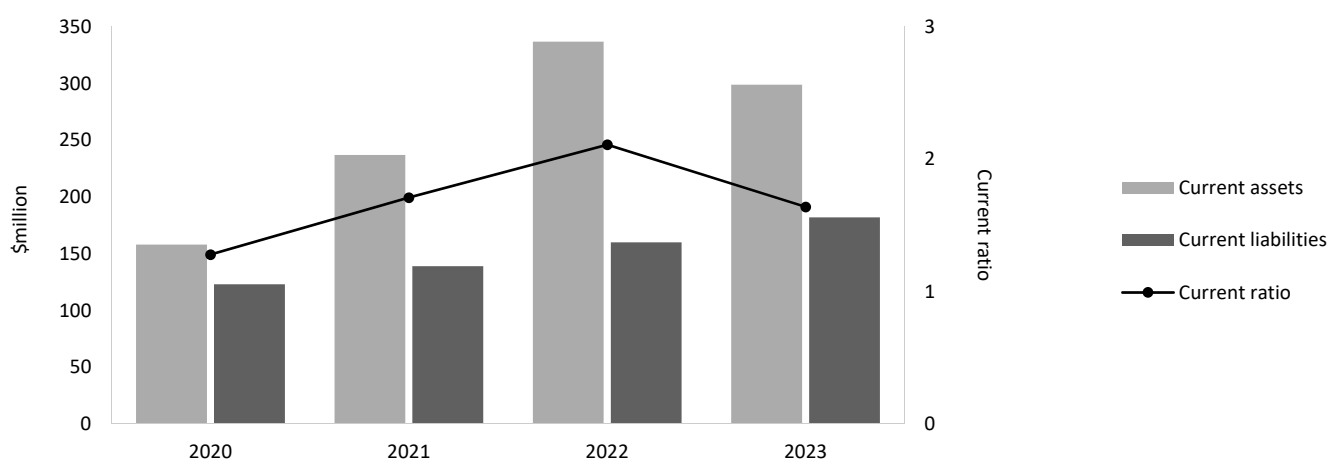
### Assets

#### Current assets

Cash and current financial assets (term deposits) decreased by \$26.3 million to \$250.5 million, primarily due to cash transferred into term deposits and investments and the funding drawn for the Health and Medical Research Building (HMRB) being paid to the builders as construction progressed in 2023.

Current receivables decreased by \$12.7 million, mainly due to the transfer of \$22.8 million of franking credit receivables associated with the in-specie distribution of IDP Education Ltd shares to non-current assets. This decrease was offset by an increase in trade receivables of \$7.8 million mainly due to an \$8.8 million outstanding invoice from the Commonwealth Department of Health for a milestone payment for the Aged Care Centre for Growth and Translational Research grant.

The following chart shows Flinders' current assets and liabilities. The current ratio remains positive, with current assets exceeding current liabilities by \$117.1 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 decrease in the current ratio for 2023 reflects lower cash holdings and receivables as at 31 December 2023.



#### Property, plant and equipment

The main component of Flinders' Statement of Financial Position is property, plant and equipment, representing 64% of total assets. The carrying value of property, plant and equipment increased by \$175.6 million to \$973.3 million, mainly due to:

- asset additions of \$210.6 million, mainly for capital work in progress additions of \$194.4 million as a result of the HMRB construction and the Festival Tower fitout
- works of art being revalued as at 31 December 2023, resulting in a rise in asset values of \$757,000
- offset by \$34.7 million in depreciation charges.

## Investments

Other financial assets increased by \$34.7 million mainly due to increases in:

- short-term deposits of \$20 million
- debt securities of \$17.7 million
- Australian equities of \$4.3 million and international equities of \$1.5 million
- offset by a decrease in the value of IDP Education Ltd shares of \$8.8 million.

## Liabilities

Liabilities increased by \$163.6 million to \$550.9 million. The major items contributing to this were:

- borrowings, up \$135.8 million, due to an increase of \$137.8 million for the HMRB, offset by a decrease in lease liabilities of \$2 million
- contract liabilities, up \$22.4 million, due to increases in grants received and unspent as at 31 December 2023 of \$19.4 million, student fees in advance of \$1.3 million and other contract liabilities of \$2 million
- provisions, up \$5.5 million, due to increases in annual leave of \$2.7 million and defined benefit obligation superannuation contributions of \$3 million.

## Statement of Cash Flows

Net cash flows from operating activities decreased by \$1.5 million to \$80.3 million, mainly due to the increase of \$72.1 million in payments to suppliers and employees. This was offset by increases in cash flows of:

- \$25.7 million from receipts from student fees and other customers
- \$16.5 million from Australian Government grants
- \$9 million from interest received
- \$8.9 million from GST recovered from the ATO
- \$5.2 million from OS-HELP
- \$3.8 million from SA Government grants.

Net cash used in investing activities increased by \$109.3 million mainly due to increases of:

- \$104.8 million in purchases of property, plant and equipment, intangible assets and other long-term assets
- \$2.3 million in payments for financial assets
- \$2 million in loans to related parties.

Cash provided by financing activities increased by \$17.3 million due to an increase in proceeds from borrowings of \$13 million and a decrease in repayment of lease liabilities of \$4.3 million.

## Further commentary on operations

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### **Investment in Education Australia Limited**

In 2022, the ATO advised the 38 university shareholders of Education Australia Limited that it was withholding the franking credits refundable on the in-specie distribution from Education Australia Limited while it considered their entitlement to the refund.

In 2023, the ATO issued all 38 university shareholders with formal assessments denying their entitlement to these franking credits. The universities involved in the transactions engaged an external law firm to provide advice about their entitlement to a franking credit refund and lodged formal objections to the ATO assessment. While Flinders continues to believe it has a strong case for the refund of the franking credit, it has advised us that it does not expect a resolution of this matter in the next 12 months.

Therefore, in 2023 Flinders continues to recognise the franking credits refundable on the in-specie distribution from Education Australia Limited. However, the receivable has been reclassified from current to non-current as at 31 December 2023.

### **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 students who do not meet the academic or English language entry requirements to study a Flinders degree.

Flinders Academy Pty Ltd commenced its first full year of operation in 2023. As part of establishing it, Flinders has advanced a loan of \$4.6 million to date.

# University of Adelaide (Uni Adelaide)

## Financial statistics (consolidated)



3,853  
FTEs



22,840  
Students (EFTSL)



\$1.3 billion  
Buildings

## Significant events and transactions

- In July 2023 the Councils of Uni Adelaide and the University of South Australia entered into a Heads of Agreement to record the terms and conditions on which both universities would support the creation of a future, combined university, Adelaide University, should the South Australian Parliament legislate it.
- In December 2023 the *Adelaide University Act 2023* (the Act) was proclaimed. It established the new Adelaide University legal entity, with the Adelaide University Transition Council appointed on 8 March 2024.
- Under the Act the Adelaide University has a target operational date of 1 January 2026, and on 31 March 2026 the *University of Adelaide Act 1971* will be repealed and Uni Adelaide disestablished as a legal entity.

Financial report  
opinion

Unmodified

## Controls opinion findings

### Payroll and workforce management:

- An instance of non-compliance with child safety legislation.
- Local data entry controls for the central record of prescribed positions need improving.
- Non-compliance with recruitment and credentialing procedure requirements.

### Buildings and improvements:

- Australian Building Standard non-compliance instances not promptly addressed.

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## Other audit findings

Foreign procurement engagement non-compliance.

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## Functional responsibility

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Uni Adelaide is established by the *University of Adelaide Act 1971*. Its primary objective is advancing learning and knowledge, which it achieves by providing higher education and conducting research activities.

## 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 and internal controls.

Specific areas of audit attention in 2023 included:

- governance
- research grants, student fees and other revenue
- cash and investments
- financial accounting
- 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 internal audit work performed over Uni Adelaide's ICT general control environment.

## Controls opinion

We reviewed controls over payroll and workforce management and buildings and improvements as part of our overall controls opinion, which will be discussed in Part B of my upcoming 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 and workforce management

In 2023 Uni Adelaide employed over 3,800 FTEs and incurred over \$600 million in employee expenses. Given the significance of these expenses, we review payroll and workforce management controls annually.

##### *Non-compliance with child safety legislation*

In a sample we tested, one staff member worked in a prescribed position requiring a current working with children check when they did not have one. This breaches the requirements of the *Child Safety (Prohibited Persons) Act 2016*.

Uni Adelaide responded that it will continue to monitor the effectiveness of its current controls and implement new control activities to reduce risk in this area.

##### *Local data entry controls for the central record of prescribed positions need improving*

Uni Adelaide's central record of prescribed positions, which records employees requiring a working with children check, contained incomplete and inaccurate data resulting from ineffective local area data entry controls.

Having 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 continue to monitor the effectiveness of its current controls and implement new control activities to reduce risk in this area.

##### *Non-compliance with recruitment and credentialing procedure requirements*

We reviewed Uni Adelaide's compliance with its recruitment and credentialing procedures and found multiple instances of non-compliance with mandated requirements.

Uni Adelaide responded that it will engage with faculty stakeholders to design and implement actions to improve procedural compliance.

### Buildings and improvements

#### *Australian Building Standard non-compliance instances were not promptly addressed*

Uni Adelaide engage consultants to perform whole-of-building condition assessments, which includes identifying non-compliance with current Australian Building Standards.

We reviewed the 2023 consultant reports and found instances of long standing non-compliance with Australian Building Standards. We found that the delays in actioning them were due to the consultant reports not being shared with Uni Adelaide’s facilities maintenance team.

Uni Adelaide responded that it will review and improve internal information sharing processes. It will also determine whether any work, health and safety laws were breached and what external reporting requirements may apply.

### Other audit findings

#### *Foreign procurement engagement non-compliance*

Uni Adelaide requires all international procurement engagements to undergo a Foreign Engagement Compliance Review (FECR) before proceeding. The FECR is the main mechanism for ensuring Uni Adelaide’s international collaborations comply with Australia’s foreign engagement compliance regime.

In a sample we tested, we found an instance where the services of a foreign company were procured without an FECR occurring.

Uni Adelaide responded that its procurement services staff will receive training to improve foreign engagement procurement compliance.

## Interpretation and analysis of the financial report

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### Highlights of the financial report – consolidated

	2023 \$million	2022 \$million
<b>Revenue</b>		
Australian Government grants	457	412
Higher Education Loan Program	151	145
HECS-HELP (student payments)	10	9
Fees and charges (course and non-course)	323	288
Other	192	154
<b>Total revenue</b>	<b>1,133</b>	<b>1,008</b>

	2023 \$million	2022 \$million
<b>Expenses</b>		
Employee expenses	609	548
Other expenses	485	447
<b>Total expenses</b>	1,094	995
<b>Operating result</b>	39	13
Other comprehensive income	1	138
<b>Total comprehensive income</b>	40	151
Net cash provided by (used in) operating activities	161	96
Net cash provided by (used in) investing activities	(139)	(340)
Net cash provided by (used in) financing activities	(12)	(19)
<b>Assets</b>		
Current assets	523	467
Non-current assets	2,294	2,209
<b>Total assets</b>	2,817	2,676
<b>Liabilities</b>		
Current liabilities	271	239
Non-current liabilities	350	285
<b>Total liabilities</b>	621	524
<b>Total equity</b>	2,196	2,152

## Statement of Comprehensive Income

### Revenue

Revenue totalled \$1.1 billion in 2023, an increase of \$125 million (12%).

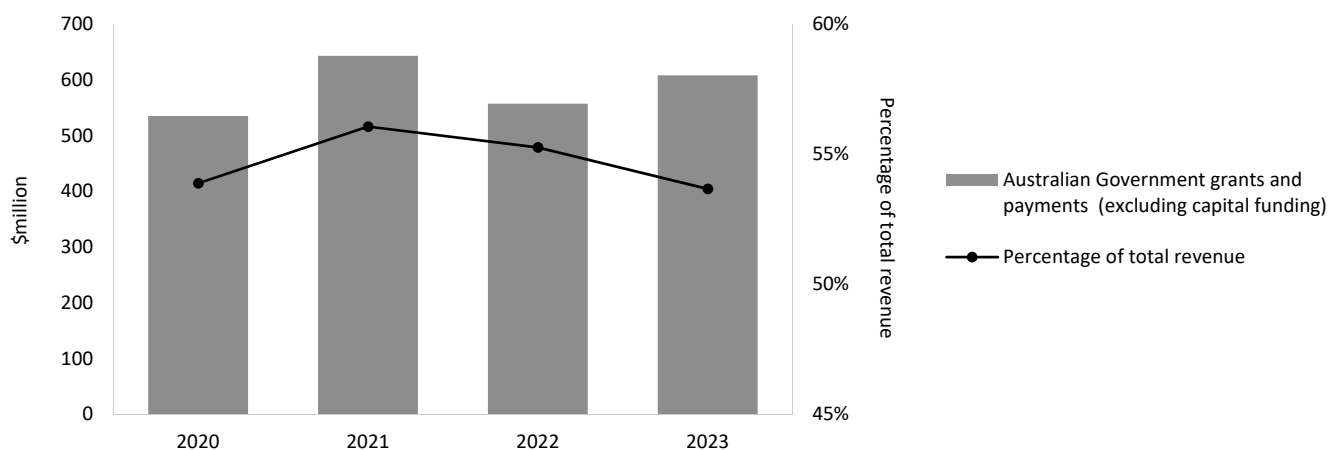
### Australian Government grants and payments

The Australian Government financial assistance received by Uni Adelaide increased by \$51 million (9%) to \$608 million in 2023. It included the following major items:

- \$180 million in Commonwealth Grants Scheme funding for Commonwealth supported student places, a marginal increase compared to 2022
- \$151 million in Higher Education Loan Program funding, including funding for HECS-HELP, also a marginal increase compared to 2022.

The chart below shows Australian Government financial assistance, excluding capital funding as this is not necessarily comparable from year to year. It shows a moderate decrease in the 2023 proportion of non-capital Australian Government financial assistance to total income. This decrease was partly offset by the 2023 net receipt of \$9.4 million in Commonwealth TrailBlazer funding to support research commercialisation.





## Fees and charges

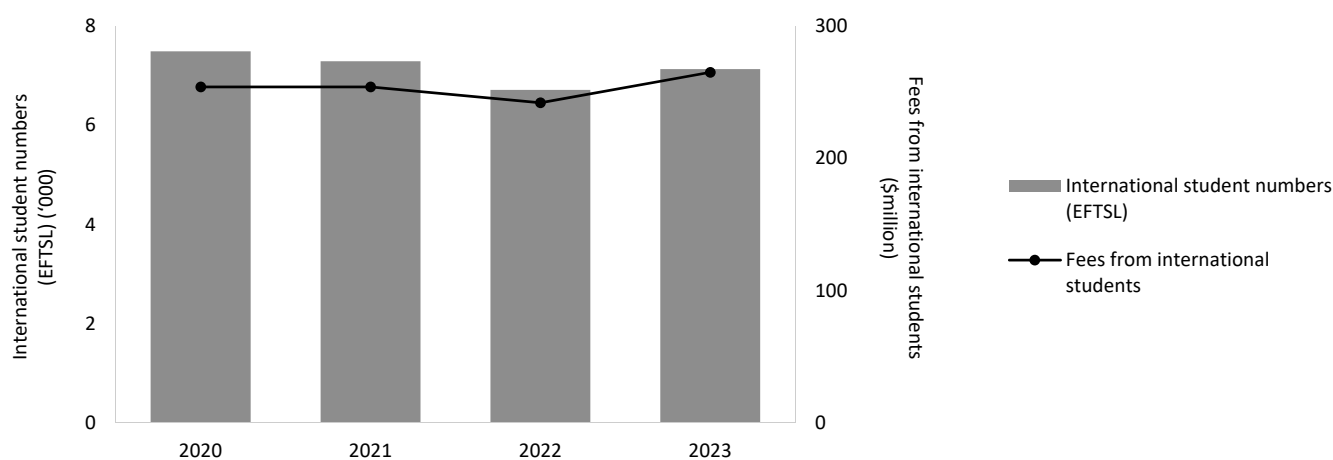
Fees and charges (course and non-course) increased by \$35 million (12%) to \$323 million in 2023. This increase was mainly due to a rise in international student numbers as well as course fees.

The table below shows the total student load increasing marginally in 2023. Student composition has changed over the last four years, with the proportion of international student numbers decreasing from 32.5% in 2020 to 31.2% in 2023.

	2020 Number	2021 Number	2022 Number	2023 Number
Domestic students	15,534	16,617	16,004	15,711
International students	7,487	7,289	6,712	7,129
Total students (EFTSL)	23,021	23,906	22,716	22,840

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 increased by \$23 million to \$265 million in 2023. This reflects the strong trend of returning and new international students over the last 12 months.



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

## Other revenue

Other revenue increased by \$38 million (25%) to \$192 million. This increase was supported by the recognition of a \$13.3 million net unrealised gain on endowment fund investments, in contrast with the \$25.4 million net unrealised loss in 2022. These fluctuations in gains and losses reflect the volatility in world markets in 2023. Donations supporting research activities also increased by \$6.2 million.

## Expenses

Expenditure totalled \$1.1 billion in 2023, an increase of \$99 million (10%) from 2022. The increase mainly reflects strong salaries growth and the continuing rise in operating expenditure as Uni Adelaide’s business activities normalise to pre-COVID-19 pandemic levels.

## Employee related expenses

The \$61 million increase in employee related expenses to \$609 million was mainly due to a rise in fixed-term and ongoing FTEs of 6%, as well as salary increases.

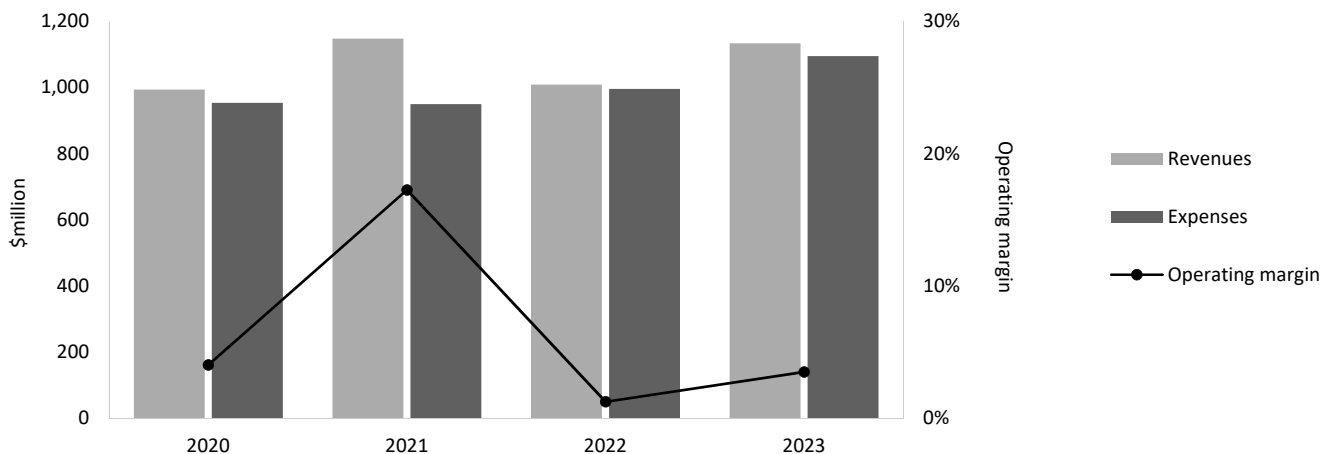
The table below shows the number of fixed-term and ongoing employees.

	2020 FTEs	2021 FTEs	2022 FTEs	2023 FTEs
Academic	1,757	1,649	1,745	1,826
Non-academic	2,176	1,915	1,871	2,027
Total FTEs	3,933	3,564	3,616	3,853
Percentage of academic staff	45%	46%	48%	47%

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

## Operating result

The 2023 consolidated operating surplus of \$39 million was a \$26 million improvement from 2022. Material movements in revenue and expense items are 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 2023.



Uni Adelaide’s operating margin improved moderately from 2022.

## Statement of Financial Position

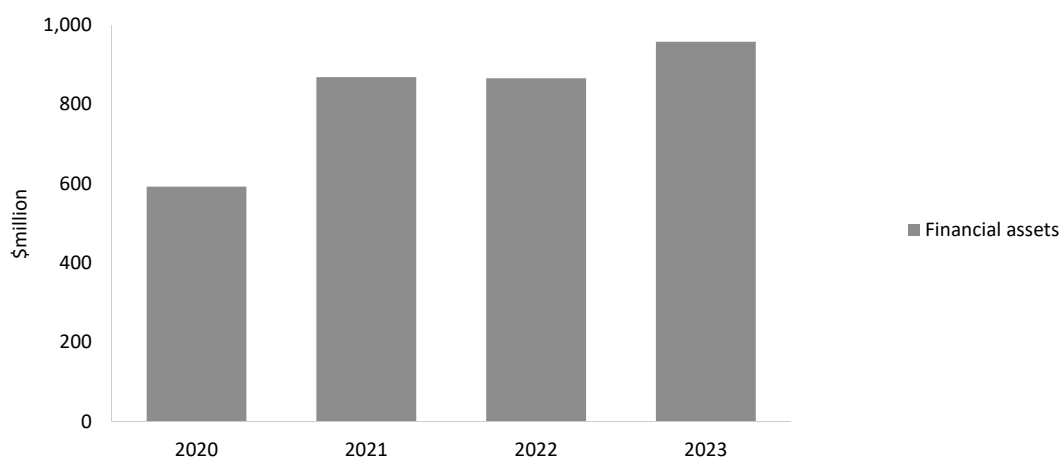
Uni Adelaide’s consolidated net assets increased by \$43 million to \$2.2 billion as at 31 December 2023.

### Assets

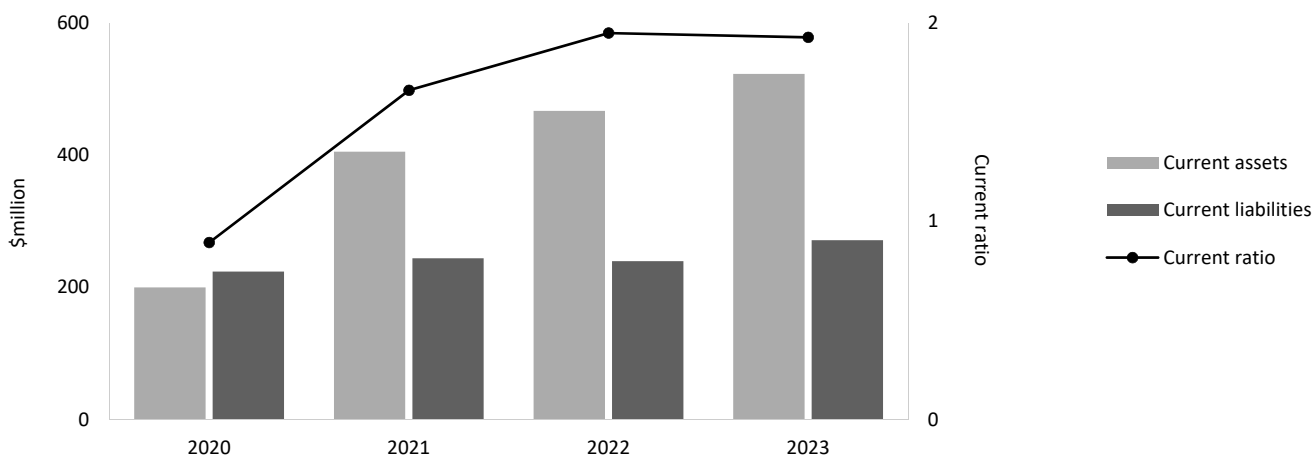
The value of Uni Adelaide’s assets increased by \$140 million (5%) in 2023. This was driven by an increase in other financial assets of \$92 million (13%) comprising mainly endowment fund holdings and term deposits.

Uni Adelaide holds diverse financial asset holdings, being cash and cash equivalents, receivables, contract assets and other financial assets totalling \$957 million.

Financial assets increased by \$104 million (12%) in 2023. The chart below shows the value of these financial assets over the last four years.



As at 31 December 2023, current assets exceeded current liabilities by \$252 million, an improvement of \$25 million since 2022. Despite the increase, there was a small decline in the current ratio. The following chart shows Uni Adelaide’s current assets, current liabilities and current ratio for the four years to 2023.



## Liabilities

In 2023 total liabilities rose by \$97 million to \$621 million, driven mainly by increases in contract liabilities and deferred superannuation benefit obligations.

## Statement of Cash Flows

Cash and cash equivalents at 31 December 2023 totalled \$63.6 million (\$54 million). Net cash flows provided by operating activities increased by \$65 million to \$161 million (\$96 million), mainly due to:

- increases in Australian Government financial assistance of \$73 million
- increases in fee-paying student revenue of \$31 million
- decreases in state government financial assistance revenue of \$6 million
- increases in salaries and related expenses of \$29 million.

## Further commentary on operations

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### Investment in Education Australia Ltd

In 2022, the ATO advised the 38 university shareholders of Education Australia Limited that it was withholding the franking credits refundable on the in-specie distribution from Education Australia Limited while it considered their entitlement to the refund.

In 2023, the ATO issued all 38 university shareholders with formal assessments denying their entitlement to these franking credits. The universities involved in the transactions engaged an external law firm to provide advice about their entitlement to a franking credit refund and lodged formal objections to the ATO assessment. While Uni Adelaide continues to believe it has a strong case for the refund of the franking credit, it advised us that it does not expect a resolution of this matter in the next 12 months.

Therefore, in 2023 Uni Adelaide continues to recognise the franking credits refundable on the in-specie distribution from Education Australia Limited. However, the receivable has been reclassified from current to non-current as at 31 December 2023.

# University of South Australia (UniSA)

## Financial statistics


Income \$715 million	Australian Government grants and payments \$441 million	Fees and charges \$161 million	Other \$113 million
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Expenses \$732 million	Employee related \$461 million	Other \$271 million
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Assets \$2 billion	Current \$639 million	Non-current \$1.4 billion
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Liabilities \$592 million	Current \$268 million	Non-current \$324 million
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 **2,723**  
FTEs

 **22,511**  
Students (EFTSL)

 **\$822 million**  
Buildings

### Significant events and transactions

- In July 2023 the Councils of UniSA and the University of Adelaide entered into a Heads of Agreement to record the terms and conditions on which both universities would support the creation of a future, combined university, Adelaide University, should the South Australian Parliament legislate it.
- In December 2023, the *Adelaide University Act 2023* (the Act) was proclaimed. It established the new Adelaide University legal entity, with the Adelaide University Transition Council appointed on 8 March 2024.
- Under the Act the Adelaide University has a target operational date of 1 January 2026, and on 31 March 2026 the *University of South Australia Act 1990* will be repealed and UniSA disestablished as a legal entity.
- The sale and leaseback arrangements for the Magill Campus between UniSA and the Urban Renewal Authority settled in December 2023.

**Financial report opinion**

**Unmodified**

**Audit findings**

No significant findings.

## Functional responsibility

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UniSA is established under the *University of South Australia Act 1990*. Its 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 2023 included:

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

The audits of UniSA's controlled entities for the year ended 31 December 2023 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 will be discussed in Part B of my upcoming 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. There were no significant findings.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2023 \$million	2022 \$million
<b>Income</b>		
Australian Government grants	296	294
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	145	147
HECS-HELP (student payments)	13	13
Fees and charges	161	130
Other	100	83
<b>Total income</b>	<b>715</b>	<b>667</b>
<b>Expenses</b>		
Employee related expenses	461	429
Other expenses	271	246
<b>Total expenses</b>	<b>732</b>	<b>675</b>
<b>Operating result before income tax</b>	<b>(17)</b>	<b>(8)</b>
Net cash provided by (used in) operating activities	38	43
Net cash provided by (used in) investing activities	39	16
<b>Assets</b>		
Current assets	639	551
Non-current assets	1,415	1,466
<b>Total assets</b>	<b>2,054</b>	<b>2,017</b>
<b>Liabilities</b>		
Current liabilities	268	246
Non-current liabilities	324	294
<b>Total liabilities</b>	<b>592</b>	<b>540</b>
<b>Total equity</b>	<b>1,462</b>	<b>1,477</b>

### Statement of Comprehensive Income

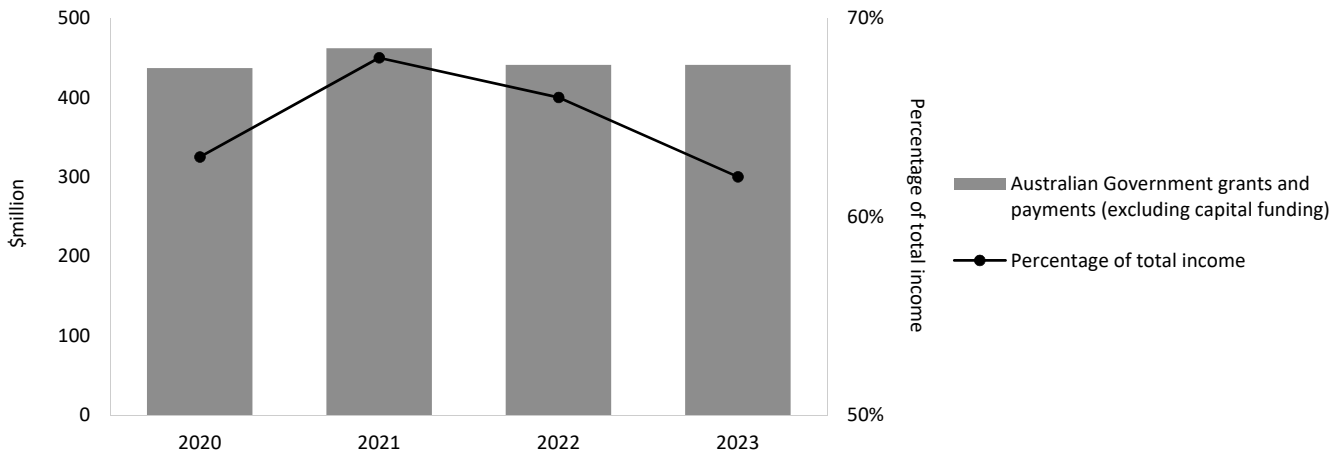
#### Income

Income totalled \$715 million in 2023, an increase of \$48 million (7.2%).

#### Australian Government grants and payments

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

University sector –  
University of SA



Australian Government grants to UniSA increased by \$2 million to \$296 million in 2023, mainly due to:

- a \$2.6 million increase in Commonwealth Grants Scheme funding
- a \$2.7 million increase in education research funding, which included \$1.4 million from the new Trailblazer program
- offset by a \$3 million decrease in research funding.

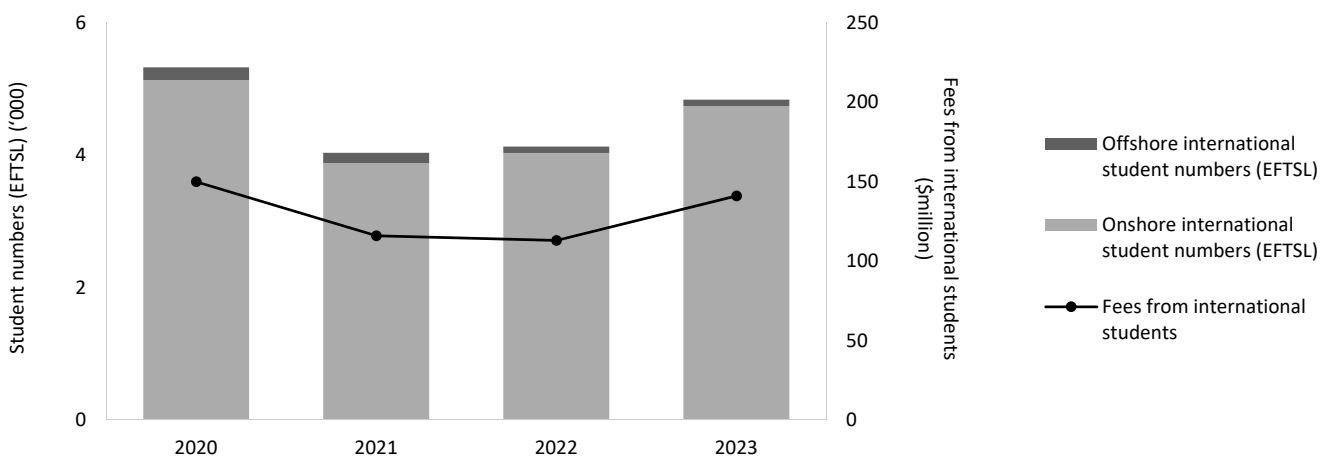
Australian Government payments fell by \$2 million to \$145 million in 2023, mainly due to a decrease in HECS-HELP funding.

Fees and charges

Fees and charges increased by \$31 million to \$161 million in 2023. This was mainly due to:

- a \$28 million increase in fee-paying onshore and offshore overseas students
- a \$684,000 increase in continuing education and fee-paying domestic students
- a \$2.1 million increase in miscellaneous enrolment fees.

The following chart shows that fee-paying international student numbers increased by 14.8% in 2023 due to the lifting of all the COVID-19 travel bans.



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 6.9% decrease in domestic student numbers offset by a 14.8% increase in international student numbers (EFTSL) in 2023.

	2020 Number	2021 Number	2022 Number	2023 Number
Domestic students	20,440	20,813	19,082	17,769
International students	5,328	4,037	4,129	4,742
Total students (EFTSL)	25,768	24,850	23,211	22,511

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

## Other revenue

Other revenue rose by \$17 million to \$100 million in 2023, mainly due to a \$14.1 million increase in interest income due to significant increases in term deposit balances and interest rates.

## Expenses

Expenses totalled \$732 million in 2023, an increase of \$57 million (8.5%).

### Employee expenses

UniSA's main expenses are employee related expenses, which rose by \$32 million (7.5%) to \$461 million in 2023. This increase was mainly due to:

- a \$13.7 million increase in salaries from increased FTEs in 2023
- a \$1.6 million net increase in salaries from an Enterprise Agreement increase
- a \$3.4 million increase in superannuation costs
- a \$9.7 million increase from long service leave movements
- a \$2 million increase in casual salaries
- a \$1.1 million increase in payroll tax.

The following table shows the breakdown of total staff numbers between academic and non-academic staff since 2020.

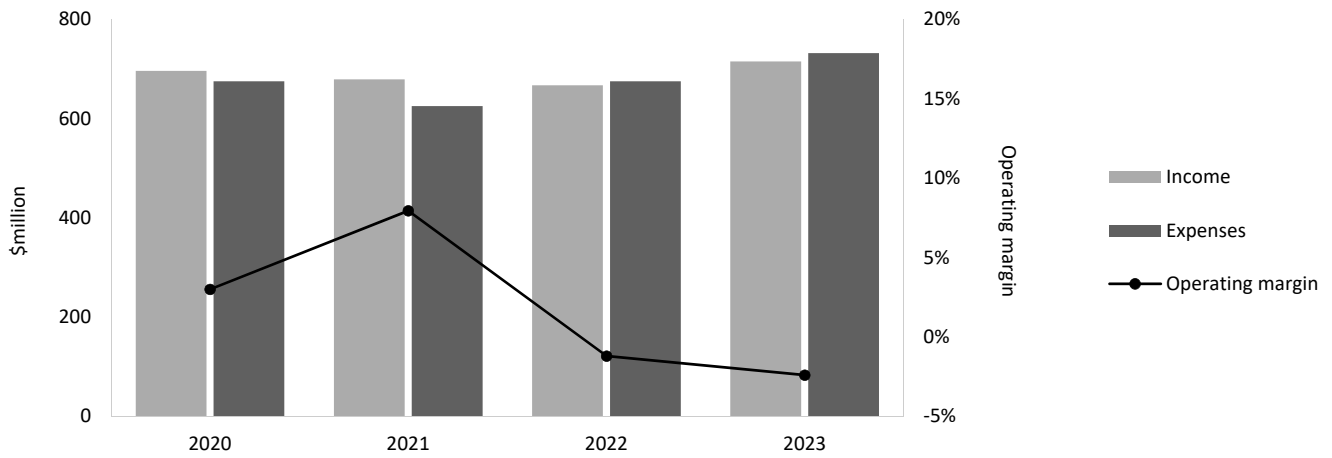
	2020 FTEs	2021 FTEs	2022 FTEs	2023 FTEs
Academic	1,161	1,174	1,186	1,203
Non-academic	1,579	1,424	1,464	1,520
Total FTEs	2,740	2,598	2,650	2,723
Percentage of academic staff	42%	45%	45%	44%

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

## Operating result

The consolidated operating result before income tax for the year was a deficit of \$17 million compared to a deficit of \$8 million in 2022. As mentioned above, the decrease is mainly due to a large increase in total expenditure of \$57 million offset by a smaller increase in total revenue of \$48 million.

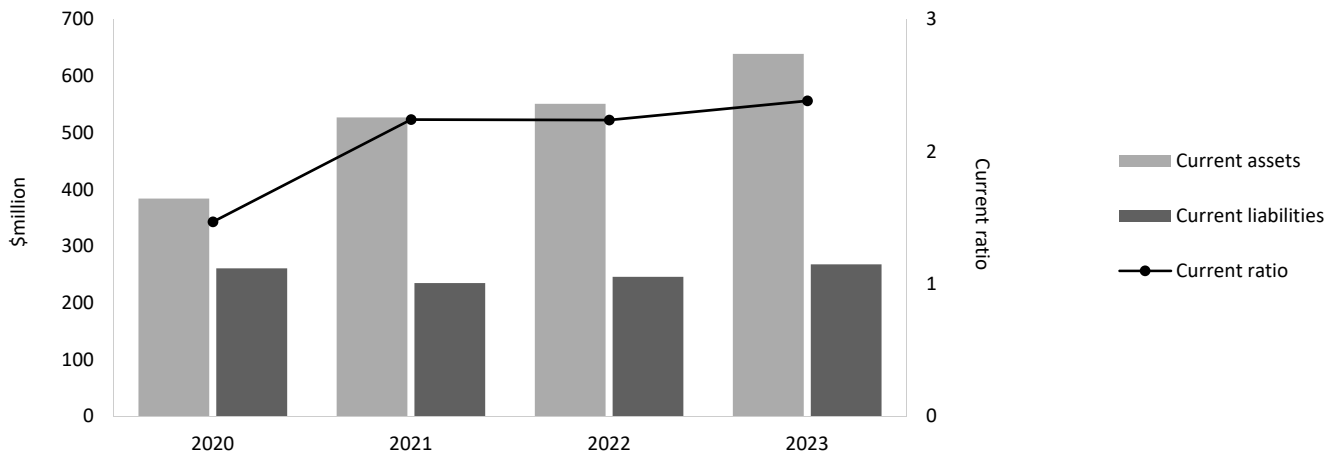
The following chart shows the movement in income, expenses and the operating margin (the operating result for the year divided by total income) for the last four years. The operating margin fell to -2.4% in 2023.



### Statement of Financial Position

UniSA’s net assets at 31 December 2023 were \$1.46 billion (\$1.48 billion).

The following chart shows UniSA’s current ratio gradually increasing since 2020. At 31 December 2023 there was a minor increase in the current ratio from 2022, with current assets exceeding current liabilities by \$371 million.



## Assets

### Cash and cash equivalents

UniSA's cash and cash equivalents totalled \$527 million as at 31 December 2023 compared to \$452 million in 2022. The \$75 million increase in cash holdings is largely due to the proceeds received from selling the Magill Campus.

### Property, plant and equipment

The main component of UniSA's Statement of Financial Position is property, plant and equipment, representing 53% of total assets. The carrying value of property, plant and equipment fell by \$100 million to \$1.09 billion due mainly to:

- the disposal of Magill Campus
- the transfer of specific Mawson Lakes assets to assets held for sale
- \$43 million in annual depreciation/amortisation charges
- offset by \$31.6 million in additions.

## Liabilities

UniSA's liabilities increased by \$52 million to \$592 million in 2023. The significant movements were:

- defined benefit superannuation obligations, which increased by \$25 million to \$295 million as a result of 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 \$13.5 million increase in trade and other payables, mainly due to increases of \$11.8 million in creditors
- a \$7.8 million increase in provisions for long service leave.

This was offset mainly by a \$4.5 million decrease in contract liabilities, reflecting research grants funding received where no services were delivered.

## Statement of Cash Flows

Net cash flows provided by operating activities fell by \$4.8 million to \$38 million, mainly due to:

- a \$32 million net increase in receipts from operating activities, including increases in Australian Government grants and payments received of \$11.5 million, receipts from student fees and other customers of \$11.7 million and interest received of \$13 million
- offset by a \$37 million increase in payments to suppliers and employees.

Net cash provided by investing activities rose by \$23 million, mainly due to:

- a \$63.5 million increase in proceeds from the sale of property, plant and equipment
- an \$8.3 million decrease in payments for property, plant and equipment
- offset by a net decrease of \$48.4 million in proceeds from the sales and payments for investments.

## Further commentary on operations

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

In 2022, the ATO advised the 38 university shareholders of Education Australia Limited that it was withholding the franking credits refundable on the in-specie distribution from Education Australia Limited while it considered their entitlement to the refund.

In 2023, the ATO issued all 38 university shareholders with formal assessments denying their entitlement to these franking credits. The universities involved in the transaction engaged an external law firm to provide advice about their entitlement to a franking credit refund and lodged formal objections to the ATO assessment. While UniSA continues to believe it has a strong case for the refund of the franking credit, it has advised us that it does not expect a resolution of this matter in the next 12 months.

Therefore, in 2023 UniSA continues to recognise the franking credits refundable on the in-specie distribution from Education Australia Limited. However, the receivable has been reclassified from current to non-current as at 31 December 2023.



