

Charles Sturt University

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NSW Auditor-General's Report
Volume Two 2012

CHARLES STURT UNIVERSITY

The quality of the financial statements submitted for audit improved in 2011. However, some adjustments were still required

Audit Opinion

The audits of the University and its controlled entities' financial statements for the year ended 31 December 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports for four entities (including the parent) and a qualified audit opinion within the Independent Auditor's Report for Charles Sturt University Foundation Trust (Trust).

I was unable to express an opinion as to whether the Trust had recorded all revenues received from donations and fundraising sources in its financial statements. This is common for entities with these sources of revenue, as it is impracticable for them to maintain effective systems of internal control over the receipt of such revenues until their initial entry in the financial records. My audit report for 2010 was similarly qualified.

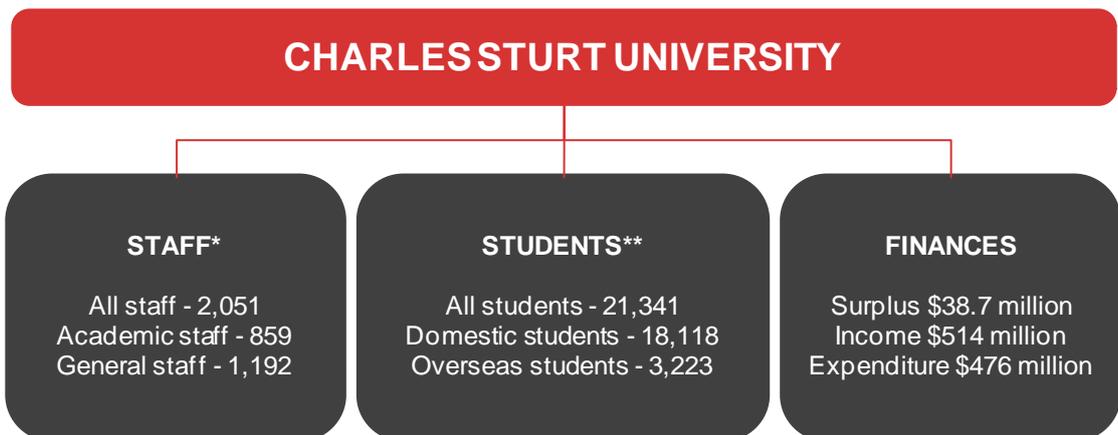
Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The University is the largest regional university in Australia and has a large number of students in its distance education programs.

The My University website indicates 85 per cent of the University graduates were in full-time employment at the end of their studies.

Below is a snapshot of the University's operations.



Source: Charles Sturt University.

* Full-Time Equivalent (unaudited).

** Equivalent Full-Time Student Load (unaudited).

Other Information

I identified opportunities for improvements to accounting and internal control procedures and will report them to management.

Overseas Operations

The University's Canadian Ontario campus reported revenue of \$4.4 million (\$4.7 million in 2010).

The University is reviewing the Ontario campus' operations for financial and operational viability.

Fair Value of Investments

Following my recommendation last year, the University obtained expert advice for determining fair values for its investments that are not publicly traded. At 31 December 2011, the University held such investments representing collateralised debt obligations of \$15.0 million and floating rate notes of \$13.7 million.

There has been a significant recovery in the market values of the University's investments following the global financial crisis.

Financial Statements

Last year, I recommended the University improve its quality control procedures over the preparation of its financial statements and supporting documentation. The University implemented quality control procedures and improved the quality of the financial statements. However, a number of adjustments were still required to ensure they complied with the requirements of Australian Accounting Standards.

Major Projects

The University is half way through its \$270 million, five-year capital development plan, funded through surpluses and borrowings. Capital expenditure totalled \$76.9 million with \$65.0 million budgeted for 2012.

During the year, the University completed construction of a childcare centre at Thurgoona. It has a number of projects in progress including a \$45.0 million National Life Sciences building at Wagga Wagga campus. The project is expected to be completed in July 2012, consistent with the original target completion date and budgeted cost.

Financial Information

The consolidated financial information includes the financial statements of the University and its controlled entities.

Abridged Statements of Comprehensive Income

Year ended 31 December	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Australian Government grants	191,434	155,906	191,434	155,906
Higher Education Contribution Scheme	90,841	77,702	90,841	77,702
Fees and charges	75,135	72,521	75,135	72,521
Other	74,436	67,490	72,445	65,838
Deferred income – superannuation	82,400	18,777	82,400	18,777
Total Revenue	514,246	392,396	512,255	390,744
Employee benefits and on-costs	234,306	203,042	229,382	202,724
Depreciation	27,928	26,394	27,928	26,389
Other	130,924	128,197	134,422	126,496
Deferred expense – superannuation	82,400	18,777	82,400	18,777
Total Expenses	475,558	376,410	474,132	374,386
Surplus	38,688	15,986	38,123	16,358
Other Comprehensive Income				
Gain/(loss) on revaluation of land and buildings	6,039	(22,341)	6,039	(22,341)
Fair value losses on available for sale financial assets	(2,654)	(753)	(2,110)	(617)
Exchange losses on translation of foreign operations	(94)	(394)	(94)	(394)
Total Other Comprehensive Income/(Expense)	3,291	(23,488)	3,835	(23,352)
Total Comprehensive Income/(Expense)	41,979	(7,502)	41,958	(6,994)

Australian Government grants revenue increased by \$35.5 million mainly due to receipt of \$31.0 million in Education Investment Funding for construction of the National Life Sciences buildings.

The increase in Higher Education Contribution Scheme (HECS) revenue was largely due to an increase in HECS students by 2.9 per cent. Full-time equivalent domestic students have increased from 18,077 to 18,118 and overseas students have decreased slightly from 3,246 to 3,222.

Deferred income and deferred expense reflect movements in the actuarially assessed employee superannuation liability and fund assets for employees who are members of the State Government's defined benefit superannuation plans.

Employee benefits and on costs increased due to a rise in full-time equivalent staff by 133 and salary award increase of two per cent. The increase in full-time equivalent staff is a result of efforts to further enhance the ratio of students to teaching staff at the University.

Abridged Statements of Financial Position

At 31 December	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	80,930	63,632	79,233	61,901
Non-current assets	978,546	864,260	973,022	858,204
Total Assets	1,059,476	927,892	1,052,255	920,105
Current liabilities	69,384	62,867	69,604	62,512
Non-current liabilities	292,675	209,587	292,435	209,337
Total Liabilities	362,059	272,454	362,039	271,849
Net Assets	697,417	655,438	690,216	648,256

Current assets increased due to additional receipts of Education Investment Funds.

Non-current assets increased due to:

- capital expenditure of \$76.9 million
- the increase of \$81.5 million in the receivable from the Australian Government for deferred superannuation benefits.

The increase in current liabilities reflects an increase in long service leave liabilities resulting from a decrease in the discount factor used to estimate liabilities.

The movement in non-current liabilities is due to the increase in the superannuation liability. The liability is largely funded by the Australian Government.

University Activities

The University is constituted under the *Charles Sturt University Act 1989*. It mainly:

- provides educational and research facilities of university standard
- disseminates and increases knowledge and promotes scholarship
- provides distance education for students within New South Wales and elsewhere
- confers degrees of Bachelor, Master and Doctor and awards diplomas and other certificates
- develops governance, admission policies, financial arrangements and quality assurance processes that are significant to ensure the integrity of the University's academic programs
- exercises commercial functions for the University's benefit.

For further information on the University, refer to www.csu.edu.au.

Controlled Entities

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Website
Charles Sturt Campus Services Limited	*
Charles Sturt Foundation Limited**	www.csu.edu.au/special/foundation
Charles Sturt Services Limited	*
Charles Sturt University Foundation Trust	www.csu.edu.au/special/foundation

* This entity does not have a website.

** This entity was deregistered on 4 January 2012.