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**New South Wales Auditor-General's Report**  
Financial Audit

**Volume Two 2016**  
focusing on Universities

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## The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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The Legislative Council  
Parliament House  
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*,  
I present Volume Two of my 2016 report.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

**Margaret Crawford**  
Auditor-General  
2 June 2016

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# Section One

Universities



# Executive Summary

This report analyses the results of the financial statement audits of the ten NSW universities and their controlled entities for the year ended 31 December 2015. The table below summarises key observations.

## Financial performance and reporting

### Financial reporting

No qualified audit opinions were issued on the 10 NSW universities' financial statements. One controlled entity's financial statements was qualified.

### Early close procedures

Universities are encouraged to adopt early close procedures to improve the efficiency and timeliness of year-end financial reporting.

### Expenditure growth exceeds revenue

Universities must have robust strategies to ensure negative expenditure and revenue trends are closely monitored and addressed to ensure sustainability.

### Controlled entities' financial viability

Universities should focus on strategies to improve the financial viability of controlled entities.

## Financial controls

### Internal controls

No high risk financial control deficiencies identified, but the number of repeat recommendations to address financial control issues increased.

### Information technology

Universities continue to face significant challenges in managing information security.

## Governance

### Risk maturity and management

Risk maturity and management is evolving at NSW universities and improved marginally compared to 2014.

### Consistently designed level of risk maturity

A consistently applied ethical framework with a risk aware culture will improve the risk maturity of NSW universities.

## Teaching and research

### Students and academic statistics

The total number of full time students increased by 3,351 to 267,472 during 2015, compared to 264,121 in 2014.

### Research income, research impact and research quality

Based on evaluation metrics, 91 per cent of discrete fields of research performed by NSW universities was at or above the world standard.

## Financial performance and reporting

### Quality of financial reporting remains high

No qualified audit opinions were issued on the 10 universities' financial statements. One controlled foundation trust received a qualified audit opinion because it was impractical to establish effective controls over the collection of donations prior to their entry in the financial records.

### Early close procedures may enhance year-end financial processes

Universities produce high quality financial reports. The introduction of early close procedures will help improve the process, allowing earlier resolution of key issues and more timely reporting.

#### Recommendation

Universities are encouraged to adopt early close procedures to improve the efficiency and timeliness of year-end financial reporting.

### Favourable sustainability

Universities' combined operating expenditures increased more than combined revenues in 2015. All sustainability indicators for all NSW universities are favourable. Some benchmarks for these indicators are dated and may no longer be relevant for the NSW university sector.

#### Recommendations

Universities must have robust strategies to ensure negative expenditure and revenue trends are closely monitored and addressed to ensure sustainability.

NSW universities need to liaise with the Australian Government Department of Education and Training (the Department) to review and design appropriate metrics that will help universities maximise the resources allocated to teaching and research.

### Strong financial performance

Generally NSW universities are in a good financial position, but financial sustainability pressures are emerging and uncertainty remains over the Australian Government reforms.

- Average combined operating margin increased from 4.8 per cent in 2014 to 5.2 per cent in 2015.
- Average combined interest rate coverage fell from 19 in 2014 to 17 in 2015.
- Combined debt decreased from 10.1 per cent of equity in 2014 to 9.4 per cent of equity in 2015.
- Combined current ratio increased from 1.7 in 2014 to 1.9 in 2015; within the Australian Government Department of Education and Training's benchmark of between 1.5 and 3.

In 2015, 23 (33 per cent) of the 69 NSW universities' controlled entities are not financially viable without the support of the parent university.

#### Recommendation

Universities should focus on strategies to improve the financial viability of controlled entities.

## Financial controls

### Appropriate internal controls

Generally, the universities' internal controls are appropriately designed and operate effectively to produce reliable and timely financial reports. The audits did, however, identify areas where internal controls can be improved and these were reported to management.

The audits continue to identify information security issues, which if not addressed, expose universities to security attacks and can result in data integrity issues, fraud and identity theft. The main areas of audit concern are the weak processes at some universities over user access reviews and the timely termination of user access to systems. It is disappointing that over a third of the issues identified in the 2015 audits had been reported to management in 2014 and not addressed.

### Recommendations

Recommendations should be addressed in a timely manner, especially those required to resolve repeat issues.

The management of user administration processes should be strengthened to prevent inappropriate access to financial information.

### Management of leave remains a challenge for universities

Significant efforts have been successful in reducing annual leave balances in some universities, but managing excess leave continues to be problematic.

Long service leave balances are becoming a significant liability for the universities.

### Recommendations

Universities should continue efforts to reduce employee excess leave balances to manageable levels.

Universities should continue to ensure they have plans to fund increasing employee long service leave liabilities.

### Capturing backlog maintenance

NSW universities' backlog maintenance has decreased in 2015 by \$81.0 million to \$533 million. Maintenance expenditure has increased by only \$31.0 million while property plant and equipment assets increased by \$1.5 billion.

### Recommendation (Repeat)

To help universities effectively manage assets, the asset management systems should capture reliable backlog maintenance data.

## Governance

### Risk Maturity is evolving

The risk maturity of NSW universities did not change significantly compared to 2014. Risk management is evolving in NSW Universities.

### Moving to consistently implemented risk maturity

Focusing on culture and ethics will enhance the risk maturity across the universities. A consistent ethical framework with a risk aware culture will drive risk maturity.

### Common risks across NSW universities

Strategic risks at universities' controlled entities are not consistently elevated to the respective university's strategic risk register.

#### Recommendation

Universities' controlled entities should design and implement 'fit-for-purpose' risk management processes under the university's overall risk management framework. High risks should be elevated to the respective university's strategic risk register.

### Project risk governance does not appear on all university risk registers

NSW universities manage property, plant and equipment assets worth \$13.0 billion and capital expenditure of more than \$1.0 billion each year. Many universities' risk registers did not include project risks within their strategic risk registers.

#### Recommendations

Universities should include project risk management in their project management frameworks.

Project risks that may prevent a university from meeting its strategic objectives should be included in its strategic risk register.

### Teaching and Research

For the year ended 31 December 2015, the number of full time students increased by 3,351 to 267,472 in NSW universities.

### High quality

The Australian Research Council (ARC) has completed its latest evaluation of Excellence in Research for Australia (ERA). Its report provides an overview of research quality undertaken by higher education institutions across Australia.

Based on the evaluation metrics used, 91 per cent of discrete fields of research performed by NSW universities was at or above the world standard, an increase of seven per cent over the 2012 evaluation.

### Improved research outcomes

NSW universities are considered amongst world class research institutions as evidenced by the attraction of more than \$1.0 billion in research income. To maintain and continue growing the teaching and research reputation, universities need to focus on collaborative partnerships that deliver the greatest impact. Measuring such impact is challenging but necessary to prove the worth of world class innovation and discovery.

#### Recommendation

NSW Universities in conjunction with the Australian Bureau of Statistics should develop metrics to assess the impact of research and the benefits to the Economy.



# Introduction

This report sets out the results of the financial statement audits of the ten NSW universities and their controlled entities for the year ended 31 December 2015. The universities are listed in Appendix Three.

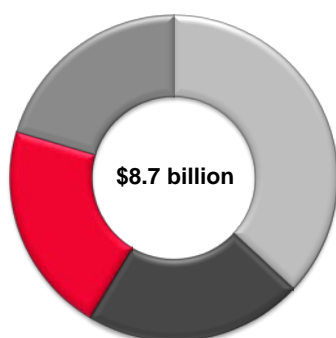
The report provides Parliament and other users of university financial statements with an analysis of the universities' results and key observations in the following areas:

- Financial Performance and Reporting
- Financial Controls
- Governance
- Teaching and Research.

## Snapshot of NSW Universities

A snapshot of NSW Universities for the year ended 31 December 2015 is shown below.

### Sources of Revenue

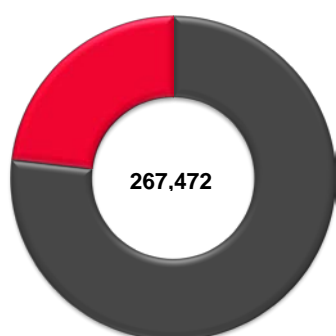


- Australian Government grants (37%)
- Domestic students (22%)
- Overseas students (21%)
- Other (20.0%)

**16.3:1**  
**STUDENT TO ACADEMIC**  
**RATIO**

**91%**  
**RESEARCH AT OR ABOVE**  
**WORLD STANDARD**

### Equivalent Full Time Students\*



- Domestic students (77%)
- Overseas students (23%)










**2 in top 100**  
**NSW UNIVERSITIES**

**1 regional university ranked**  
**within the top 500**  
**for the very first time**

\* An equivalent full time student load is a measure, for a year, of a student undertaking a course of study on a full time basis.

## Status of 2014 Recommendations

Last year's Auditor-General's Report to Parliament on NSW universities included nine recommendations.

Recommendation	Current status
 Universities must have strategies to monitor and address negative earnings gaps, where expenses are growing faster than revenues. These are not sustainable in the medium to long term.	All universities have indicated strategies are in place to ensure sustainability in the medium to long term. For the year ended 31 December 2015, earnings gaps for some universities improved whilst for others they deteriorated.
 Universities need to develop and implement strategies to effectively manage defined benefit superannuation liabilities arising from excess pre-retirement salary increases.	This was addressed by all universities. The financial impact in 2015 was minimal.
 Universities' total asset management systems should capture backlog maintenance data.	Backlog maintenance expenditure decreased \$81.0 million from 2014. Issues in measuring and addressing backlog maintenance still exist.
 Universities should develop and communicate a risk appetite statement and set risk tolerance limits to ensure they operate within these parameters.	Universities risk management is continuing to mature.
 Universities should improve processes for tracking, monitoring and reporting emerging risks.	Universities have improved their tracking, monitoring and reporting of emerging risks.
 Universities should design and implement consistent risk management initiatives across faculties and business units. The initiatives should link key performance measures to key risk indicators.	Universities are continuing to improve the design and implementation of consistent risk management initiatives across faculties and business units. This recommendation related specifically to the 'Culture' aspect of risk management processes. In 2015, six of the ten universities' risk management processes improved in cultural aspects.
 Universities should ensure their policies prohibit political donations.	This recommendation only related to selected universities and those universities' have indicated this has been appropriately addressed.
 Universities' governance frameworks should require an approved business case with a cost/benefit analysis and risk assessment before a controlled entity is established or a business arrangement is entered into.	The universities have indicated this is being addressed. Only one new controlled entity was established in 2015.
 To attract more industry research funding, universities should develop long term sustainable research investment plans focussing on research collaboration and partnerships.	Universities continue to develop strategies to attract more research funding.

### 2014 recommendation status

 Fully addressed
  Partially addressed
  Not addressed

# Financial Performance and Reporting

Financial reporting is an important dimension of good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate, timely and clear.

This chapter outlines audit findings on financial performance and reporting of NSW universities for 2015.

Financial reporting	
Observation	Conclusion or Recommendation
No significant financial reporting issues were identified in the 10 universities' financial statement audits.	No qualified audit opinions were issued on the 10 universities' financial statements. One controlled entity's financial statements were qualified.
Early close procedures are designed to bring forward traditional year-end activities, such as asset valuations and the resolution of financial reporting issues. They are also designed to reduce reporting timeframes and improve quality.	<b>Recommendation:</b> Universities are encouraged to adopt early close procedures to improve the efficiency and timeliness of year-end financial reporting.
Total operating expenditure of NSW universities increased 1.3 per cent more than total revenue in 2015.	<b>Recommendation:</b> Universities must have robust strategies to ensure negative expenditure and revenue trends are closely monitored and addressed to ensure sustainability.
The Department's Manual considers it good practice when a university's overall administrative expenses do not exceed 18-20 per cent of total expenses. NSW universities do not achieve this measure. Either overall administrative expenses are too high or the Department's metric is not an appropriate measure.	<b>Recommendation:</b> NSW universities need to liaise with the Department to review and design appropriate metrics that will help universities maximise the resources allocated to teaching and research.

Financial performance	
Observation	Conclusion or Recommendation
Universities manage their finances so they can meet current and future spending commitments to provide high quality education, invest in future growth, adapt quickly to emerging threats and remain financially sustainable.	2015 sustainability indicators for most of the ten NSW universities are favourable.
The ten NSW universities have 69 controlled entities, 23 (33 per cent) of which are not financially viable and require support from the parent university.	<b>Recommendation:</b> Universities should focus on strategies to improve the financial viability of controlled entities.

## Financial Reporting

### Audit Results

No modified audit opinions were issued on the 10 NSW universities' 2015 financial statements. All audit opinions were issued within statutory deadlines. One controlled entity's audit opinion was modified in 2015 (one in 2014).

### Early Close procedures

#### Recommendation

**Universities are encouraged to adopt early close procedures to improve the efficiency and timeliness of year-end financial reporting.**

Timely and accurate financial reporting is one aspect of sound financial management that is essential for effective decision making and improving public accountability.

In 2012, the NSW Commission of Audit, in its Interim Report on Public Sector Management, expressed surprise at the low importance attached to financial management across the New South Wales public sector. The need for improvement in financial management was also highlighted by the Public Accounts Committee.

Since then, NSW Treasury has successfully implemented early close procedures across the NSW public sector. These procedures have contributed to significant improvements in the quality and timeliness of financial reporting. While universities were not within the scope of the NSW Commission of Audit or NSW Treasury's early close initiative, the move towards more timely financial reporting is relevant to the university sector.

Early close procedures are considered best practice and designed to bring forward traditional year-end financial reporting activities. The aim is to enable management and those charged with corporate governance to resolve financial reporting issues early to improve quality and to reduce reporting timeframes. Early close procedures can include, but are not limited to:

- preparing pro-forma financial statements
- resolving key accounting matters
- reviewing and clearing key account reconciliations
- revaluing assets and preparing supporting work papers
- engaging and liaising with external experts early to give management time to review and respond to the experts' work.

## Annual Revenue and Net Assets

### Net assets position of all universities improved during 2015

The table below shows the consolidated annual revenues and net asset positions of all NSW universities.

University	Annual revenue* year ended 31 December			Net assets as at 31 December		
	2015 \$m	2014 \$m	Increase/ (decrease) %	2015 \$m	2014 \$m	Increase/ (decrease) %
<b>Sydney metropolitan</b>						
Macquarie	930	899	3.4	1,730	1,597	8.3
New South Wales	1,761	1,747	0.8	2,396	2,282	5.0
Sydney	2,041	1,903	7.3	4,208	4,002	5.1
Technology Sydney	827	767	7.8	1,518	1,438	5.6
Western Sydney	756	730	3.6	1,607	1,455	10.4
<b>Major regional</b>						
Newcastle	718	694	3.5	1,253	1,193	5.0
Wollongong	671	617	8.8	1,033	816	26.6
<b>Country</b>						
Charles Sturt	510	500	2.0	931	868	7.3
New England	325	309	5.2	400	372	7.5
Southern Cross	199	212	(6.1)	222	217	2.3
<b>Total</b>	<b>8,738</b>	<b>8,378</b>	<b>4.3</b>	<b>15,298</b>	<b>14,240</b>	<b>7.4</b>

\* Annual revenue is consolidated total income from university audited financial statements, and includes capital grants.

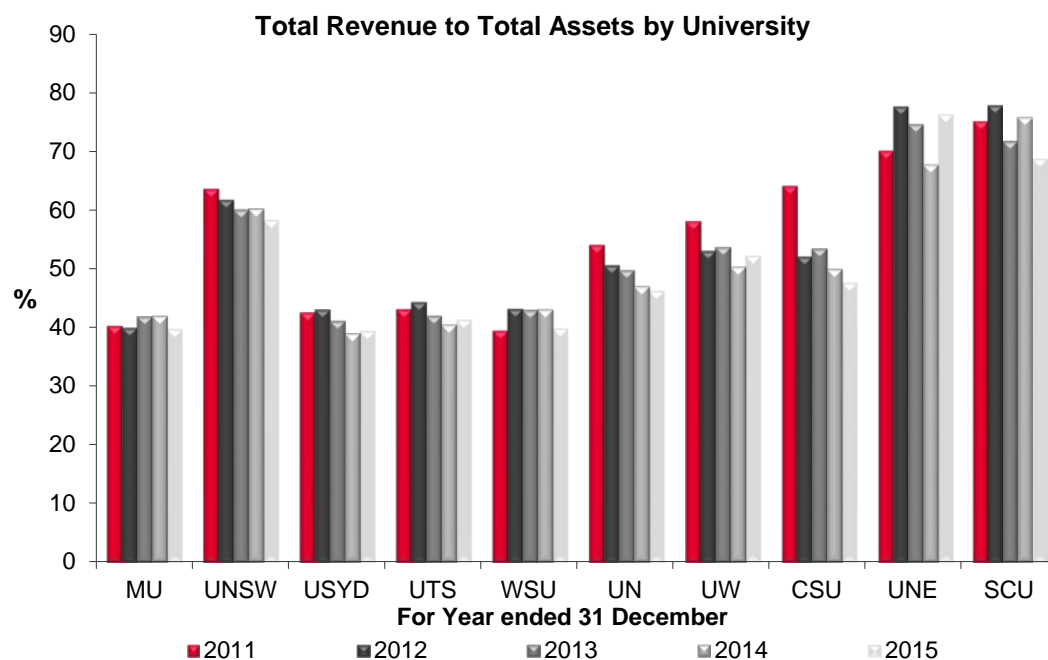
Source: University financial statements (audited).

The University of Wollongong and University of Technology Sydney recorded the larger annual revenue growth in 2015 of 8.8 per cent and 7.8 per cent respectively.

Southern Cross University was the only university where total revenues fell in 2015 compared to 2014, mainly due to lower Australian Government grants in 2015 related to funding major capital projects completed in 2014.

The overall net asset position of all NSW universities increased in 2015. The percentage rates of increase are not comparable because some universities (University of Wollongong, Southern Cross University and the University of Sydney) record most of their assets at cost while the other universities record them at fair value.

A measure of how efficiently universities use assets is the amount of revenue the assets generate.



Note: Total assets excludes Defined Benefits Superannuation Receivable.

Source: University financial statements (audited).

In 2015, University of New England and Southern Cross University generated the higher revenue from their asset bases, with approximately 77 per cent and 69 per cent respectively.

Of the Sydney Metropolitan universities, the University of New South Wales generated the most revenue from its asset base, with a ratio of over 59 per cent. The University of Sydney and Macquarie University generated the least revenue, with ratios of approximately 40 per cent.

The fact that some universities record assets at cost and others at fair value, as noted above, must be taken into account when considering the comparability of these ratios.

### Rate of increase in Operating Expenditure compared to Operating Revenue

#### Universities' operating expenditures grew faster than revenue

#### Recommendation

**Universities must have robust strategies to ensure negative expenditure and revenue trends are closely monitored and addressed to ensure sustainability.**

The 'earnings gap' compares the growth in revenue, excluding capital grants, i.e. operating revenue, to the growth in operating expenses. A negative earnings gap implies operating revenues may not be sufficient to fund normal operations and maintain existing assets over the medium to longer term.

The table below shows NSW universities' total operating expenditure increased 1.3 per cent more than total revenues in 2015. Total operating revenue increased by 4.2 per cent or \$356 million, mainly due to student fee increases of 10 per cent (\$251 million), HELP Australian Government payments increasing by 5 per cent (\$73.0 million) and other income increasing by 4 per cent (\$53.0 million) offset by a 5 per cent (\$16.0 million) decrease in other Australian Government grants.

Operating expenses increased 5.5 per cent (\$429 million). This was primarily due to employee benefit expenses increasing by an average of 5 per cent and other expenses, including depreciation and amortisation, increasing by 6 per cent.

Year ended 31 December University	Operating revenues*			Operating expenses			Earnings gap
	2015 \$m	2014 \$m	Revenue growth rate (%)	2015 \$m	2014 \$m	Expenses growth rate (%)	Positive/ (negative)
MU	930	899	3.4	909	864	5.2	(1.8)
UNSW	1,761	1,747	0.8	1,683	1,617	4.1	(3.3)
USYD	2,041	1,903	7.3	1,881	1,741	8.0	(0.7)
UTS	827	767	7.8	790	720	9.7	(1.9)
WSU	756	730	3.6	714	663	7.7	(4.1)
UN	718	694	3.5	657	650	1.1	2.4
UW	671	617	8.8	620	590	5.1	3.7
CSU	510	500	2.0	472	460	2.6	(0.6)
UNE	325	309	5.2	308	304	1.3	3.9
SCU	199	212	(6.1)	203	199	2.0	(8.1)
<b>Total</b>	<b>8,738</b>	<b>8,378</b>	<b>4.2</b>	<b>8,237</b>	<b>7,808</b>	<b>5.5</b>	<b>(1.3)</b>

\* Operating revenue is total revenue less capital grants.

Source: University financial statements (audited).

The University of New England and University of Wollongong had the higher positive gaps of 3.9 per cent and 3.7 per cent respectively.

The University of New England's growth in operating revenue of 5.2 per cent is largely due to Australian Government grants increasing by \$9.0 million and Other Income increasing by \$5.0 million or 12 per cent.

The University of Wollongong's growth in operating revenue of 8.8 per cent is due to increases in student fees and charges.

Seven of the ten universities had negative earnings gaps for 2015. Southern Cross University's revenue decreased by 6.1 per cent due to Australian Government grants decreasing by \$8.0 million. Over the same period, expenses increased by 2 per cent.

The University of Technology, Sydney had the highest expense growth rate of 9.7 per cent, with employee benefit expenses increasing by 6 per cent and other expenses increasing by 13 per cent.

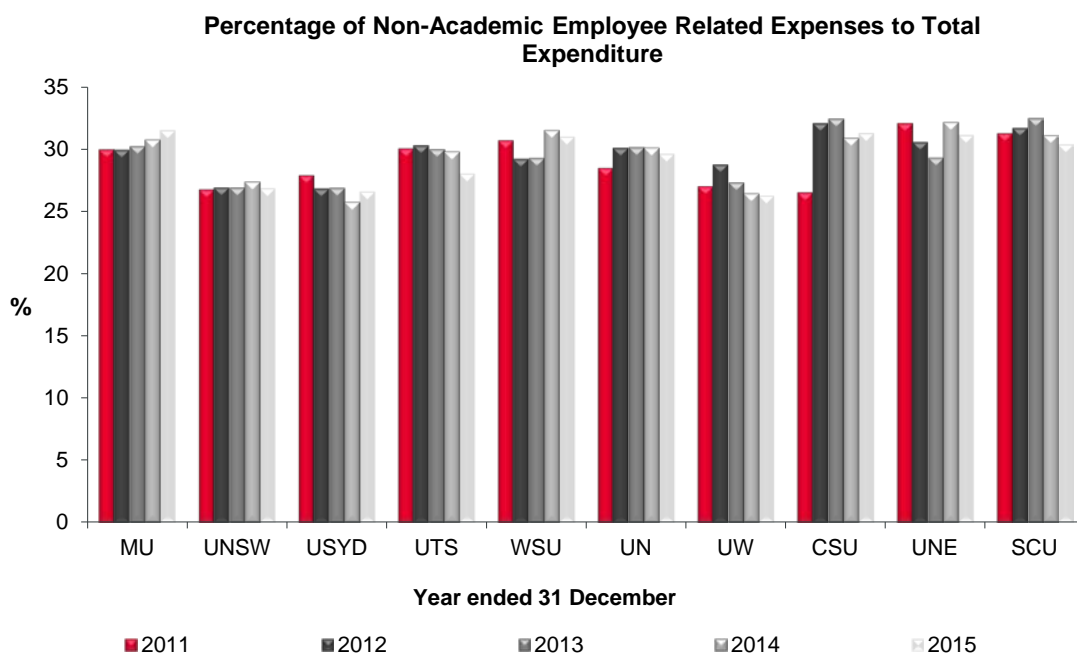
## Non-Academic Employee Related Expenses

### Recommendation

**NSW universities need to liaise with the Department to review and design appropriate metrics that will help universities maximise the resources allocated to teaching and research.**

The Department's 'Benchmarking: A Manual for Australian Universities' (Department's Manual) considers it good practice if a university's overall administrative expenses do not exceed 18-20 per cent of total expenses. It defines overall administrative expenses to include central administration, the costs of outsourced functions (e.g. payroll) and administrative costs within units with devolved responsibilities. Overall administrative expenses includes non-academic employee related expenses. The percentage of non-academic employee expenses for all NSW universities exceeds this benchmark. Either non-academic related expenses are too high or the Department's metric is not an appropriate measure.

The graph below shows the percentage of non-academic employee related expenses to total annual expenditure. The lower the percentage is the better.



Source: University financial statements (audited).

The University of Wollongong's percentage is the lowest in 2015 at 26.3 per cent and has fallen consistently over the last three years. The University of Sydney has achieved the lowest average over the past four years of approximately 27.0 per cent.

Of the ten universities, the University of Technology, Sydney's ratio fell most significantly in 2015 to 28.1 per cent from 29.8 per cent in 2014.

Macquarie University recorded the highest percentage of 31.6 per cent in 2015, closely followed by Charles Sturt University at 31.3 per cent, University of New England at 31.2 per cent and Western Sydney University at 31.1 per cent. Southern Cross University had a ratio of 30.4 per cent and the University of Newcastle 29.7 per cent.

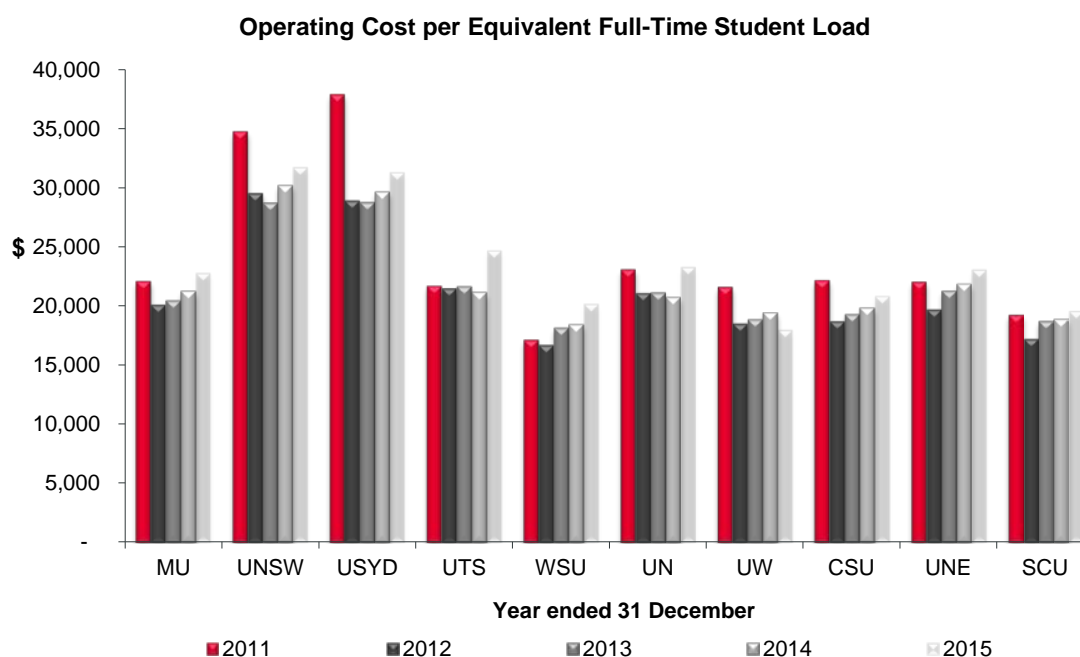
### Operating Cost per Student

#### Operating costs per equivalent full-time student load increased in 2015

Managing costs effectively is extremely important for universities in a competitive environment as they drive fees. In 2015, based on university parent entity figures only, universities incurred average operating expenses (excluding research expenditure) of \$23,764 (\$22,152 in 2014) for every equivalent full-time student load.



The graph below compares the operating cost per equivalent full-time student load for each NSW university.



Note: 2011 operating costs include research expenditure. The impact of this can be clearly seen in the graph for the University of New South Wales and University of Sydney in those years.

Source: Universities' audited financial statements; research data provided by the respective universities (unaudited) and student numbers from Department publications.

The University of New South Wales and the University of Sydney had the higher operating costs per equivalent full-time student load at \$31,747 and \$31,331 respectively in 2015. The University of Wollongong had the lowest at \$18,015.

The average operating cost per equivalent full-time student load increased 6.4 per cent in 2015.

## Diversity of Revenue

### Non-government revenues continue to increase

A key indicator of a financially healthy university is its ability to generate non-government income. Universities can reduce exposure to financial risk by diversifying revenue sources to different degrees depending on factors such as location, size, perceived standing, facilities and staff profiles.

NSW universities' total revenues by source are shown below.

Year ended 31 December		2015	2014	2013	2012	2011
	Five year trend	\$m	\$m	\$m	\$m	\$m
<b>Student course fees</b>						
Domestic students	↑	1,914	1,851	1,753	1,562	1,420
Overseas students	↑	1,838	1,600	1,445	1,340	1,348
<b>Total student course fees</b>	<b>↑</b>	<b>3,752</b>	<b>3,451</b>	<b>3,198</b>	<b>2,902</b>	<b>2,768</b>
Australian Government grants	↑	3,230	3,248	3,199	3,222	2,853
Other	↑	1,756	1,680	1,651	1,483	1,458
<b>Total revenue</b>	<b>↑</b>	<b>8,738</b>	<b>8,379</b>	<b>8,048</b>	<b>7,607</b>	<b>7,079</b>

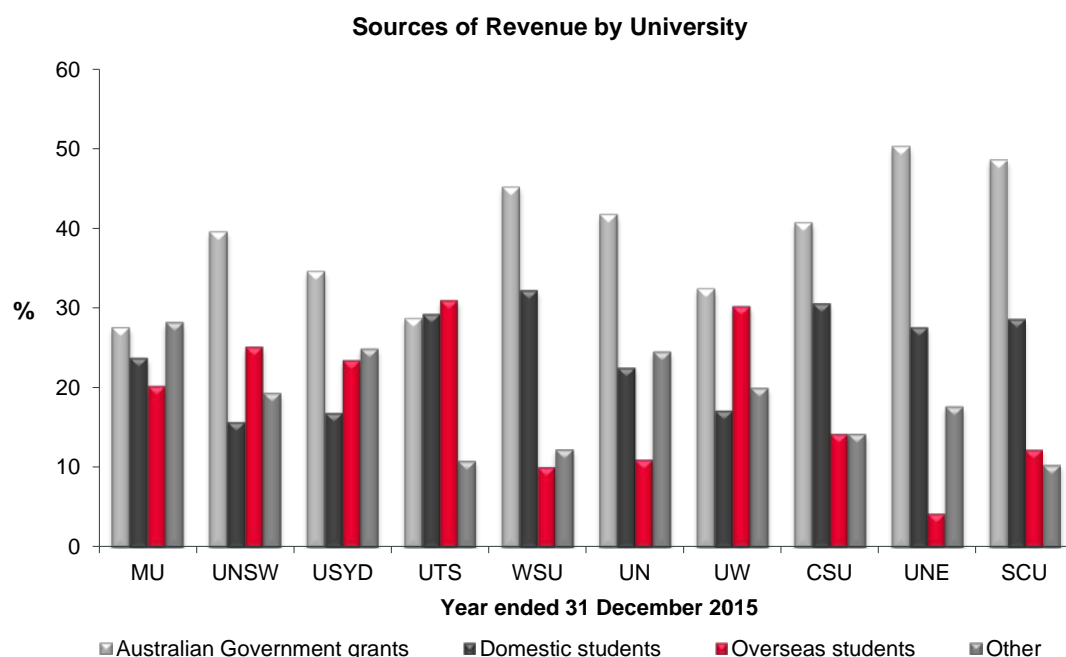
Note: Australian Government grants (operating and capital) do not include Higher Education Loan Programs, such as the Higher Education Contribution Scheme (HECS). These amounts are included in student course fees.

↑ Trend upwards.

Source: University financial statements (audited).

NSW universities' total revenues have increased by 23.5 per cent since 2011, with total student course fees increasing by \$984 million (35.6 per cent). Australian Government grants decreased \$16.0 million in 2015, but have grown by \$379 million (13.3 per cent) since 2011.

The source and percentage of revenue for each NSW university in 2015 is shown below.



Source: University financial statements (audited).

In general, major regional and country universities are more dependent on Australian Government grants compared to Sydney metropolitan universities. As funding pressures increase, universities need to supplement Australian Government grant income through other revenue streams and constrain expenditure growth.

### Australian Government Grants

#### Australian Government grants decreased in 2015

Australian Government grants (operating and capital) are a significant source of revenue for NSW universities. They accounted for 37 per cent (38.7 per cent) of total revenue in 2015. These grants fell \$16.0 million or 0.5 per cent in 2015 (an increase of \$49.0 million in 2014).

Macquarie University and the University of Technology Sydney had the most balanced and diverse revenue sources. Macquarie University received 27.7 per cent (26.9 per cent) of its total revenue from Australian Government grants and a similar percentage from other non-core revenue sources. The University of Technology, Sydney received 28.8 per cent (29.3 per cent) of its total revenue from Australian Government grants and a similar percentage from overseas students' revenue.

The University of New England and the Southern Cross University were most reliant on Australian Government grants in 2015, which accounted for 50.3 per cent and 48.7 per cent of their total revenues respectively.

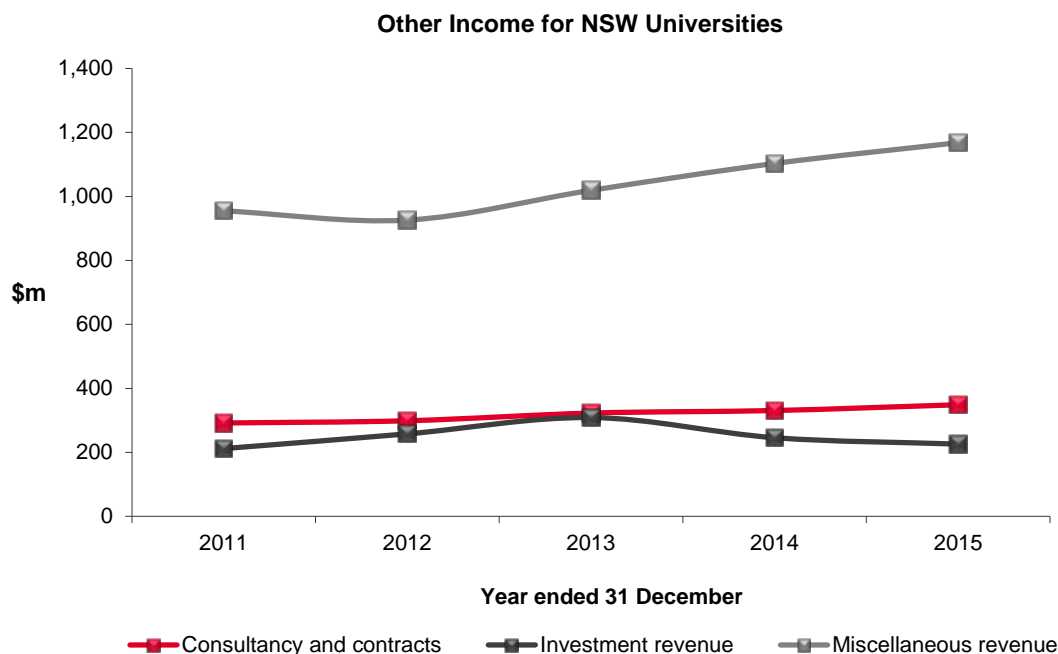
### Other Income

#### Other Incomes are increasing

NSW universities earned other income of \$1.8 billion in 2015 (\$1.7 billion in 2014), representing 20 per cent of total revenues. This comprised miscellaneous revenue of \$1.2 billion (\$1.1 billion), consultancy and contract fees of \$349 million (\$331 million), and investment earnings of \$226 million (\$246 million).

Macquarie University and The University of Sydney earned the most other income as a percentage of total income in 2015.

Other income was least significant at Southern Cross University and the University of Technology Sydney, where it represented 10.3 per cent (\$21.0 million) and 9.3 per cent (\$77.0 million) of their total revenues respectively.



Source: University financial statements (audited).

Miscellaneous revenue is the most significant component of other income. It includes income earned by controlled entities, donations, royalties, trademarks and licences. Across all NSW universities it increased 9.9 per cent (\$109 million) in 2015 and 22.5 per cent (\$257 million) since 2011. In 2015, miscellaneous revenue was especially significant at Macquarie University, primarily due to earnings from the Macquarie University Hospital of \$101.6 million (\$99.3 million).

Total investment revenue for NSW universities fell 8.1 per cent to \$226 million in 2015 (\$246 million). The University of Sydney recorded the most investment income of \$97.0 million (\$117 million), representing 4.7 per cent (6.1 per cent) of its total revenues.

Consultancy and contracts revenue increased 5.4 per cent to \$349 million in 2015 (\$331 million). This revenue source has increased steadily since 2011 when the universities earned \$292 million.

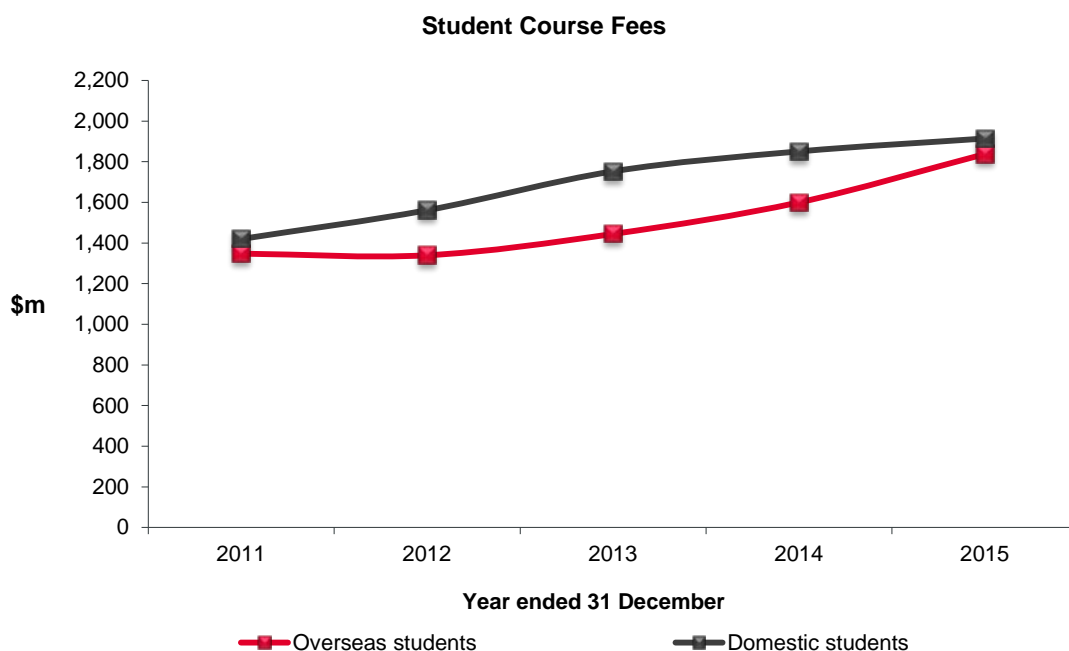
## Student Course Fees

### Student course fees are increasing

Student course fees were a significant source of revenue in 2015, representing 40.0 per cent (41.2 per cent in 2014) of NSW universities' total revenues. Total student course fees have increased 34.4 per cent since 2011.

In 2015, the University of Technology, Sydney and Charles Sturt University recorded the higher percentage of total revenues from student course fees at 52.1 per cent (51.6 per cent) and 45.6 per cent (45.7 per cent) respectively. The University of New England had the lowest percentage at 31.1 per cent (33.6 per cent).

Student course fees are received directly from students or through Higher Education Loan Programs, such as the Higher Education Contribution Scheme (HECS). Total student course fees for NSW universities over the period 2011 to 2015 are shown below.



Source: University financial statements, as adjusted (audited) except for 2015, which was sourced from Universities.

In 2015, total revenue from domestic students increased \$64.0 million (3.3 per cent) compared to 2014 and \$495 million (26 per cent) since 2011. In 2015, domestic student course fees represented 21.9 per cent of total university revenues, which has remained relatively consistent over the last four years.

Revenue from overseas fee-paying students increased \$238 million (13 per cent) in 2015 and has increased 27 per cent since 2011. This continued to be a significant revenue stream for universities, representing 20.9 per cent (19.1 per cent) of total revenues.

Fees from overseas students as a percentage of total revenue ranged from 4.3 per cent (4.2 per cent) for the University of New England to 24 per cent (22.5 per cent) for the University of Technology, Sydney.

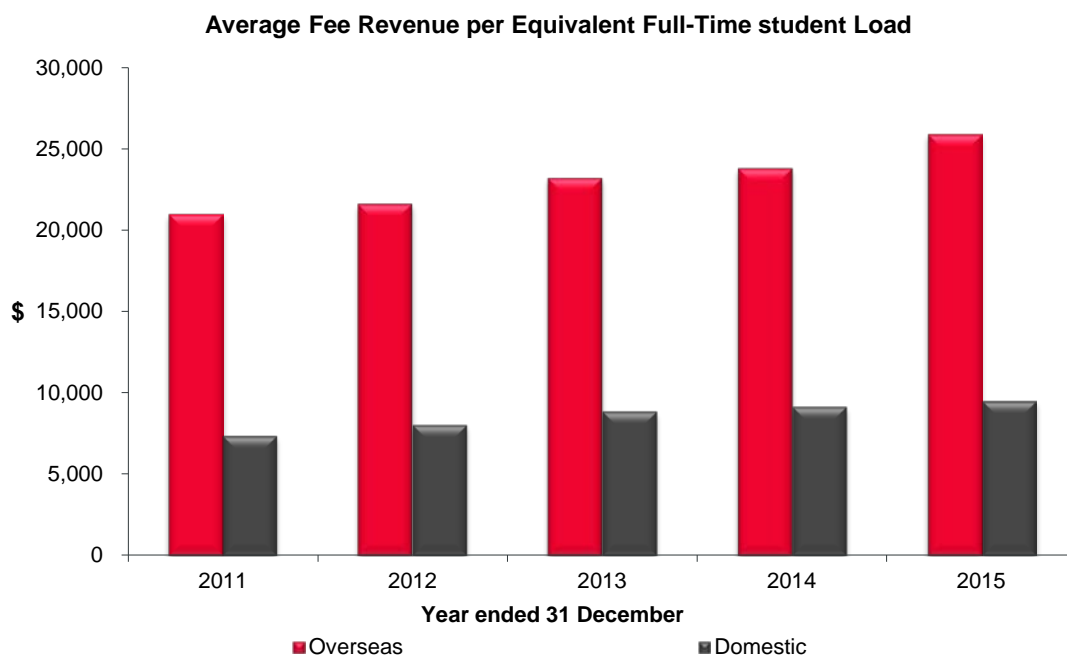
### Fees Received per Student

In 2015, universities, excluding controlled entities, received average fees of \$25,926 for each overseas student and \$9,469 for each domestic student. Student numbers from the Department for 2015 were unavailable at the time of preparing this report. The latest data was sourced from the universities and used for this analysis.

Fees received per student were calculated as follows - overseas student fees divided by equivalent full-time overseas student load.

Fees per domestic student were calculated as follows - total revenue from undergraduate, postgraduate and non-award domestic student fees, continuing education, Higher Education Student Loan Programs (e.g. Higher Education Contribution Scheme) divided by equivalent full-time domestic student load.

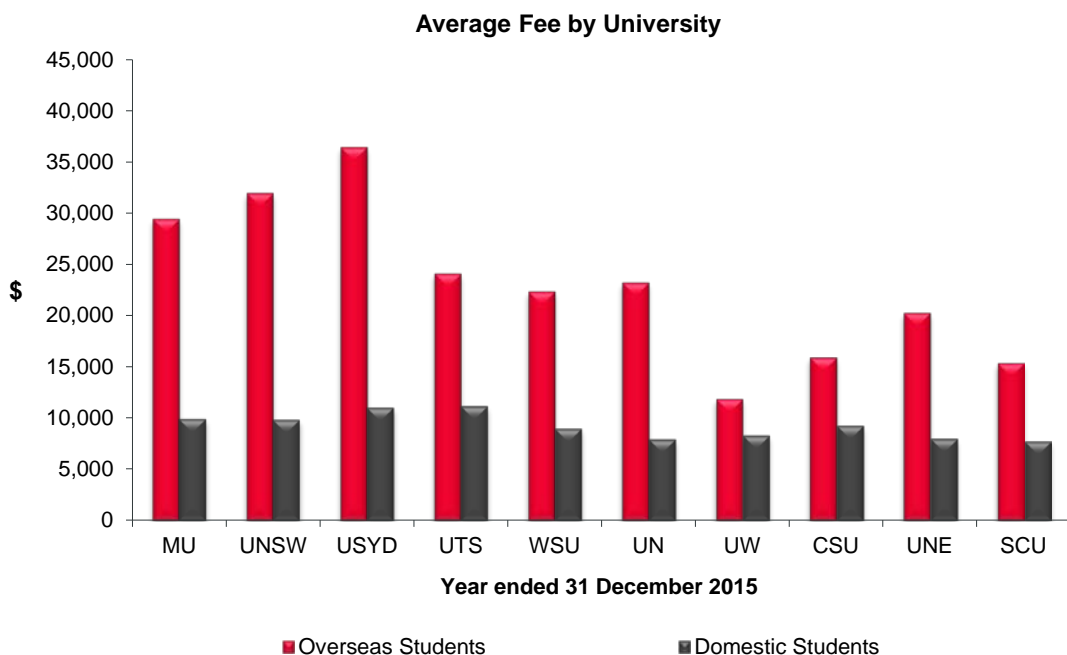
The average fee received per equivalent full-time student load from 2011 to 2015 for NSW universities is shown below.



Source: Fee information obtained from universities' audited financial statements. Student numbers obtained from Department publications except for 2015, which was sourced from universities.

The average fee received per overseas student has increased 19.0 per cent since 2011. Fees received per domestic student increased 22 per cent over the same period. Domestic student fees are significantly subsidised by the Australian Government.

The average fee received per equivalent full-time student load for each NSW university in 2015 is shown below.



Source: Fees information obtained from universities' audited financial statements. 2015 Student numbers sourced from universities.

Generally, greater differences between overseas and domestic student fees occurred in Sydney metropolitan universities. This is partly due to the higher costs associated with Sydney based campuses, and the types of degrees they offer. In 2015, The University of Sydney had the highest difference between average fees received from overseas students

and domestic students of \$25,500 (232.6 per cent). The University of Wollongong had the lowest difference of \$3,628 (43.9 per cent).

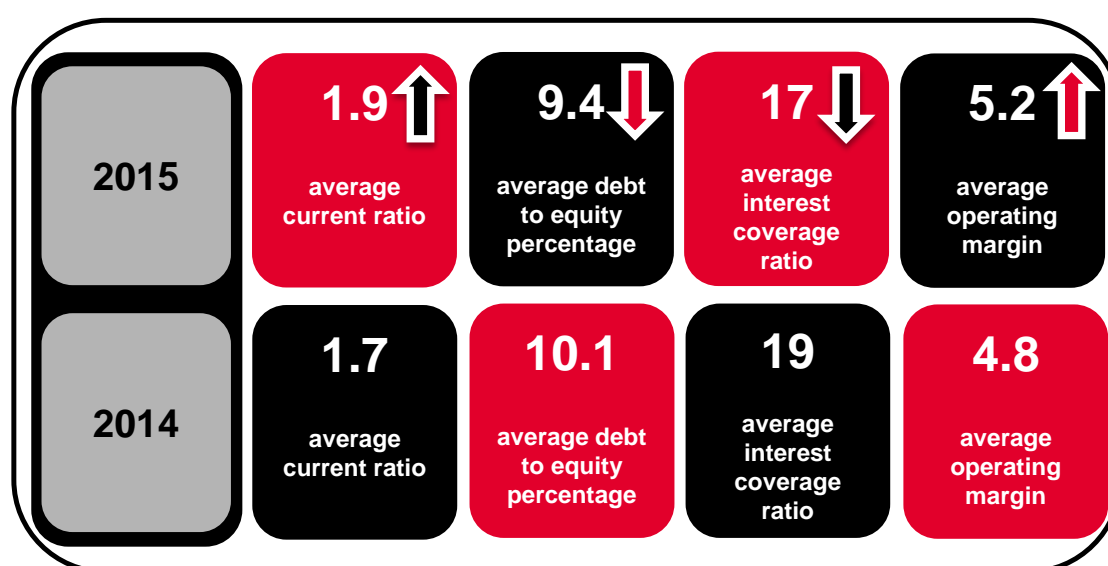
## Financial Performance

### Sustainability Indicators

#### NSW universities' sustainability indicators are favourable

As with any well run business, universities must manage their finances so they can meet current and future spending commitments to provide high quality education, invest in future growth, adapt quickly to emerging threats and remain financially sustainable. To achieve these goals, universities must generate sufficient operating surpluses to respond to changes in economic conditions, government policy, and international competition.

The table below summarises the performance of NSW universities against some commonly accepted sustainability indicators for the year ended 31 December 2015:



Sustainability indicators at 31 December 2015				
University	Current ratio 1.5 - 3.0 <sup>a</sup>	Debt to equity percentage <sup>b</sup>	Interest coverage ratio > 2.0 <sup>c</sup>	Operating margin percentage <sup>d</sup>
<b>Sydney metropolitan</b>				
Macquarie	2.1	20.5	5.3	2.2
New South Wales	1.1	1.6	90.0	4.3
Sydney	1.7	12.0	15.8	7.8
Technology Sydney	1.3	16.3	9.8	4.5
Western Sydney	2.0	4.7	47.7	5.1
<b>Major regional</b>				
Newcastle	1.5	6.8	23.1	7.0
Wollongong	3.9	0.1	23.0	6.1
<b>Country</b>				
Charles Sturt	1.7	3.0	70.4	7.4
New England	2.4	5.0	38.3	1.0
Southern Cross	0.9	6.7	10.9	(3.0)

Source: University financial statements (audited).

- a The Australian Government Department of Education and Training's (the Department) 'Benchmarking: A Manual for Australian Universities' considers a ratio between 1.5 and three as good practice.
- b The Department does not provide a debt to equity benchmark. Acceptable debt to equity percentages vary depending on the nature of the entity and industry.
- c Australian Shareholders' Association publication 'The top 15 Financial Ratios' considers a ratio greater than two to be reasonable. The Department does not provide an interest coverage ratio.
- d The operating margin percentage is the operating result as a proportion of income, excluding capital grants.

The Australian Government Department of Education's (the Department) benchmark for university financial performance, 'Benchmarking: A Manual for Australian Universities' considers a current ratio between 1.5 and three as good practice.

The Department does not provide a debt to equity benchmark. Acceptable debt to equity percentages vary depending on the nature of the entity and industry.

The Department does not provide benchmarks for the interest coverage ratio or the operating margin percentage.

A description for each of the above indicators is provided in Appendix Two.

All NSW universities except Southern Cross University recorded a surplus in 2015. The University of Sydney's surplus fell by 1 per cent compared to 2014, but it maintained the highest surplus of all NSW universities in 2015 at \$160 million (\$162 million in 2014).

The University of New England's surplus grew by 73 per cent to \$17.2 million in 2015 (\$4.7 million) due to increases in Australian Government funding (\$9.0 million) and increases in other revenue of \$5.0 million.

Southern Cross University recorded a deficit of \$3.6 million compared to a \$13.0 million surplus in 2014. The decrease is attributed to an \$18.0 million decrease in Australian Government funding offset by a \$4.0 million increase in fees and charges. The operating margin, which excludes capital grants, was a negative three per cent in 2015.

The University of Wollongong and Southern Cross University measure property, plant and equipment assets at cost, as are The University of Sydney's campus land and building assets. Other NSW universities measure these assets at fair value. The different accounting treatments impact the debt to equity and operating margin percentage indicators.

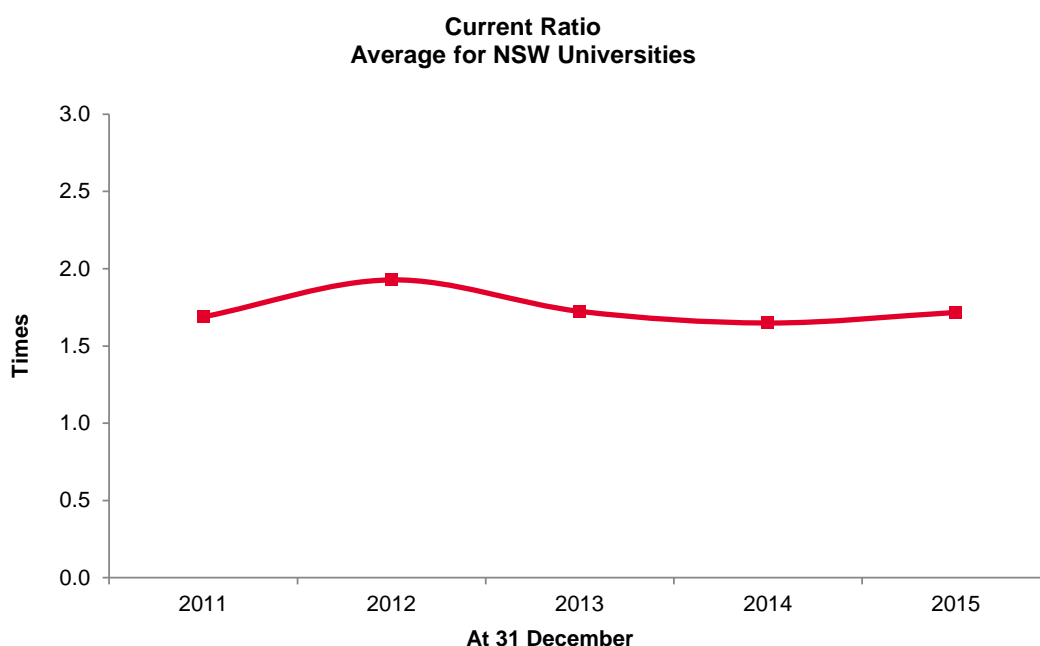
Each sustainability indicator is discussed further below.

### **Current Ratio**

The current ratio measures an entity's ability to repay short-term liabilities, such as accounts payable, using short-term assets, such as cash and receivables. The Department considers a ratio of between 1.5 and three as good practice. A ratio of less than one suggests sufficient resources may not be available to settle short-term debt obligations when they fall due. A ratio above three indicates surplus funds may be available to fund the university's activities or to invest longer-term to generate better returns.

The Department's current ratio benchmark is based on current assets divided by current liabilities. Annual leave and long service leave liabilities expected to be settled more than 12 months after 31 December 2015 are excluded from current liabilities.

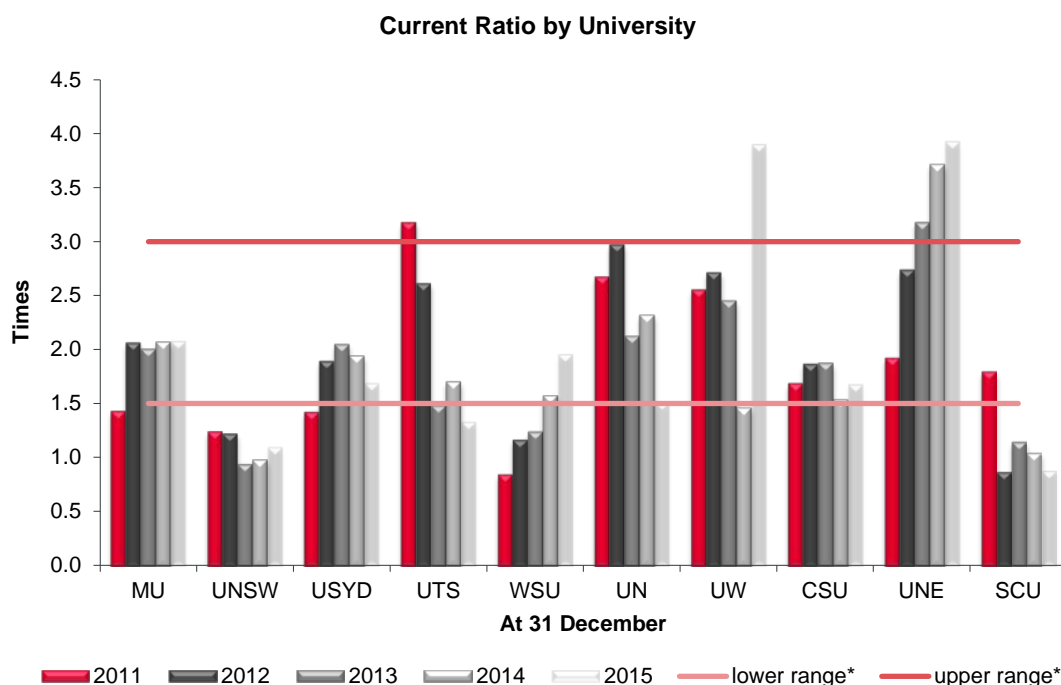
The average current ratio for all NSW universities over the last five years is shown below.



Source: University financial statements, as adjusted (audited).

The average current ratio for the ten NSW universities has remained between 1.6 and 2.0 over the last five years. This is generally in line with the benchmark Department's Manual.

The current ratio for each NSW university over the last five years is shown below.



\* Department benchmark

Source: University financial statements, as adjusted (audited).

At 31 December 2015, three universities (three at 31 December 2014) had current ratios of less than 1.5.



The University of New South Wales' current ratio has been below the Department's minimum benchmark of 1.5 for the past four years. However, because the University had access to highly liquid investments, classified in its financial statements as non-current financial assets, it did not have a liquidity risk exposure. The University of Technology, Sydney had a current ratio of 1.3 in 2015 (1.7 in 2014), just below the Department's benchmark. However, it has no liquidity risk exposure as it has \$11.4 million in highly liquid current investments.

Southern Cross University had the lowest ratio of 0.9 in 2015 (1.1 in 2014) and has been below the Department's minimum benchmark for the past three years. While it did not have access to a pool of liquid non-current financial assets in 2015, it had access to a \$24.0 million unused bank loan facility at 31 December 2015.

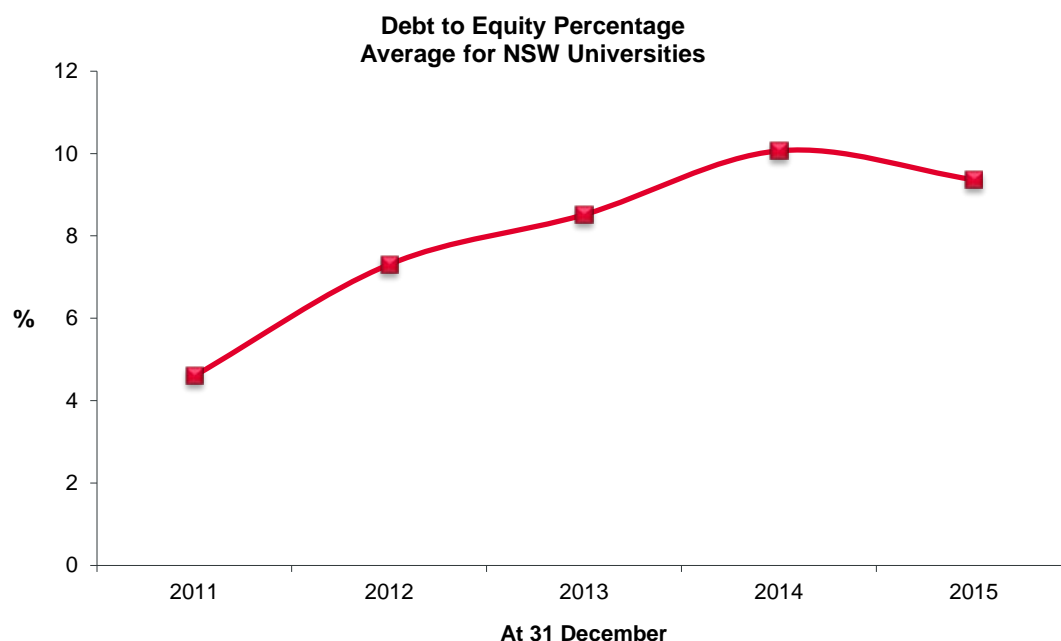
University of Wollongong had the highest current ratio of 3.9 in 2015 (1.5 in 2014) which is above the Department's upper benchmark of 3.0. The main reason for this increase is attributed to one of the University of Wollongong's subsidiaries acquiring a controlling interest in a Hong Kong not-for-profit company, which has \$155.7 million held in a trust for a restricted purpose.

### Debt to Equity Percentage

The debt to equity percentage indicates whether a university is more reliant on borrowings (debt) or equity (reserves and retained earnings) to fund asset acquisitions and other activities. A higher percentage generally indicates a greater risk exposure to interest rate changes and economic downturns.

The Department considers it essential for universities to only take on debt if it can be used to generate revenue and can be repaid from identifiable revenue sources. The Department does not provide a debt to equity benchmark in its Benchmarking Manual. Given the increasing levels of debt in the NSW university sector, the Department should review its published benchmarks and consider developing one for debt to equity ratios in the university environment.

The average debt to equity percentage for all NSW universities over the last five years is shown below.



Source: University financial statements (audited).

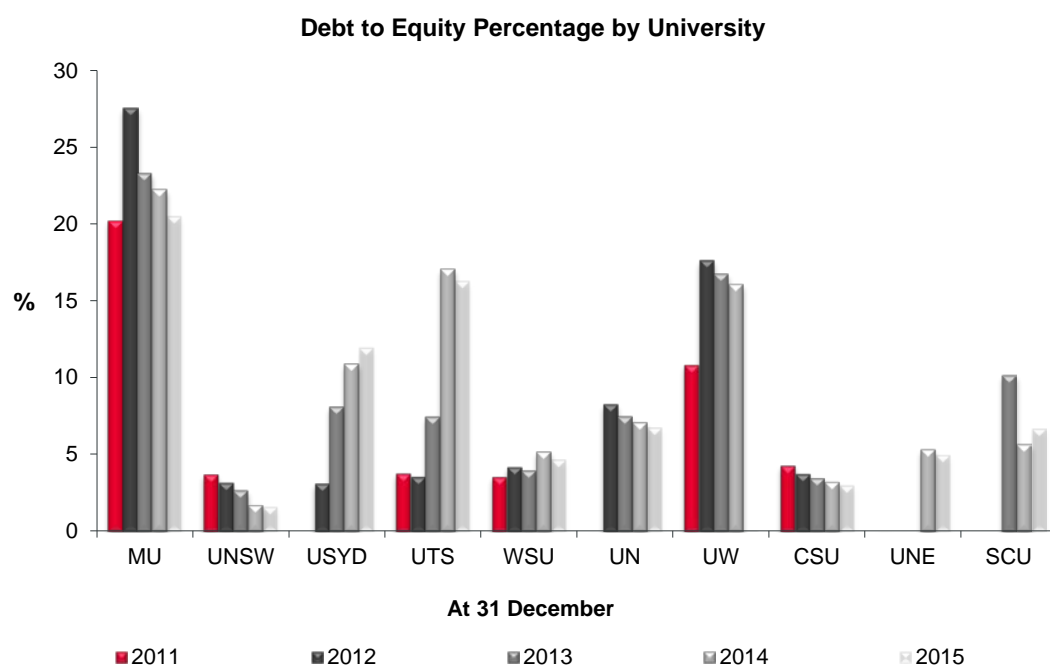
Combined average debt for the ten NSW universities increased consistently from 4.6 per cent of equity in 2011 to 9.4 per cent in 2015. Despite this, the overall average level of debt is low relative to the financial sustainability of the NSW universities (see Interest Coverage Ratio comments below).

At 31 December 2015, Macquarie University and the University of Technology Sydney had the highest debt to equity percentages of 20.5 per cent (22.3 per cent at 31 December 2014) and 16.3 per cent (17.1 per cent) respectively.

While Macquarie University had the highest debt to equity percentage, its operating margin was positive and its interest coverage ratio of 5.3 was more than adequate to service that debt.

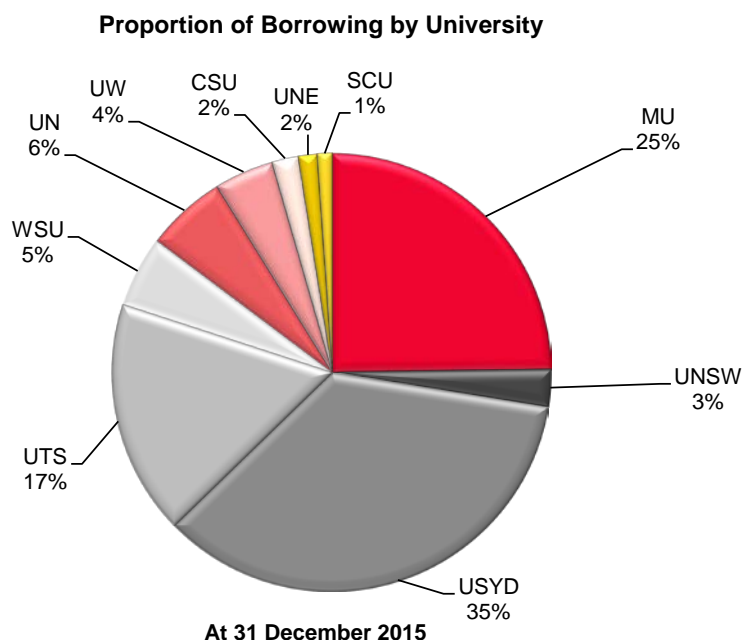
The University of Technology Sydney's debt to equity percentage of 16.3 reflects the university borrowing \$140 million in 2014 to fund its campus development capital program.

The graph below shows the percentage of debt to equity for each NSW university at 31 December over the last five years.



Source: University financial statements (audited).

Universities' borrowings totalled \$1.3 billion at 31 December 2015, a decrease of \$66.8 million from \$1.4 billion at 31 December 2014. In 2015, borrowings increased by \$66.0 million at the University of Sydney and \$2.6 million at Southern Cross University.



Source: University financial statements (audited).

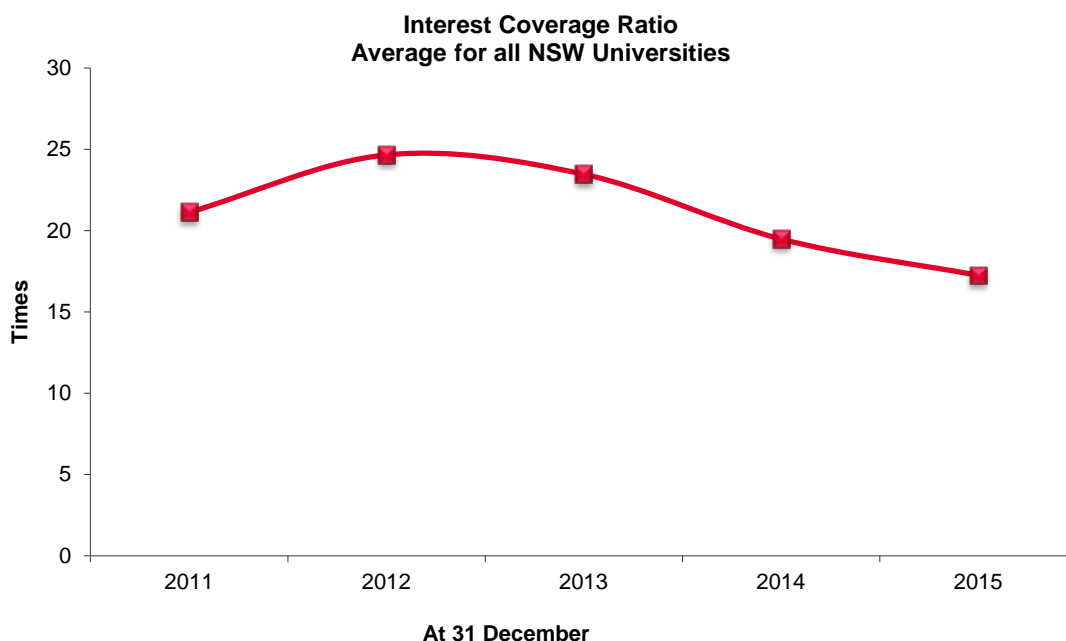
The University of Sydney had the highest borrowings of \$504 million at 31 December 2015 (\$438 million at 31 December 2014), to mainly fund its capital improvement program.

Macquarie University had the second highest borrowings of \$355 million (\$356 million). Western Sydney University and Southern Cross University recorded the lowest levels of borrowings of all NSW universities.

### Interest Coverage Ratio

The interest coverage ratio measures the ability of an entity's operating result before interest, depreciation and amortisation, to meet its interest expense. A ratio greater than two is regarded as a reasonable benchmark by the Australian Shareholders' Association. A ratio of two means an entity's interest expense is covered twice by its adjusted operating surplus. The Department's Manual does not include a benchmark interest coverage ratio.

The average interest coverage ratio for all NSW universities over the last five years is shown below.



Source: University financial statements, as adjusted (audited).

Consistent with the general increase in debt levels over the last five years, the combined interest coverage ratio for NSW universities decreased from 21 times in 2011 to 17 times in 2015.

The University of New South Wales and the Charles Sturt University had the highest interest coverage ratios of 90.0 and 70.4 times respectively, reflecting low levels of borrowings and strong capacity to service the debt.

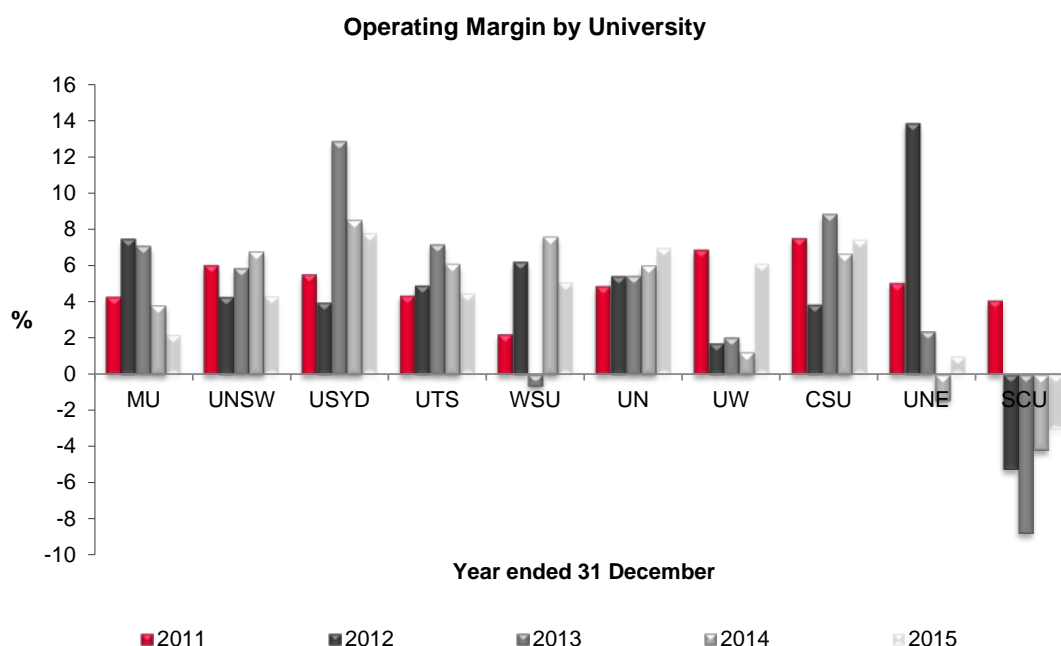
The University of Technology, Sydney had the lowest interest coverage ratio of 9.8 times, reflecting its higher level of debt compared to other NSW universities.

### Operating Margin

A university's operating margin is the ratio of operating result to total income, excluding capital grants. It represents the amount of each dollar of operating income an entity has after funding normal operations. A negative operating margin means an entity's operating expenses are greater than its operating revenues.

The overall average operating margin of all ten NSW universities increased from 4.8 per cent in 2014 to 5.2 per cent in 2015.

The 2015 operating margin for each NSW university is shown below.



Source: University financial statements, as adjusted (audited).

The University of Sydney recorded the highest operating margin of 7.8 per cent (8.5 per cent in 2014) primarily due to higher course fees earned from overseas students.

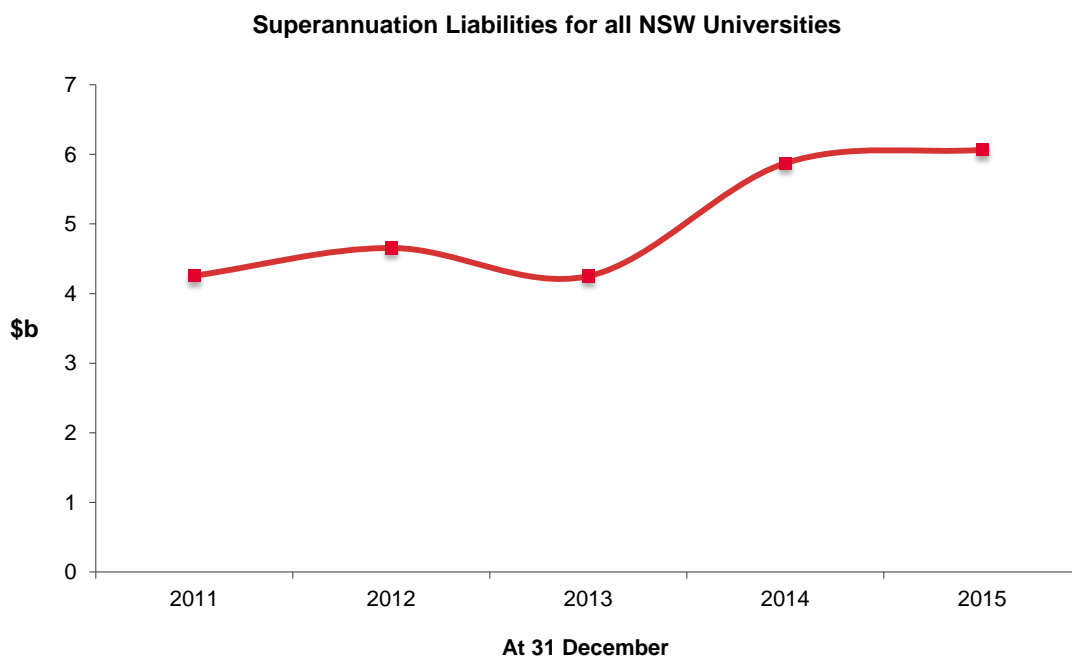
Southern Cross University recorded the lowest operating margin of negative 3 per cent (negative 4.2 per cent in 2014). Over the last three years, Southern Cross University has gradually improved its operating margin.

The University of New England recorded a positive operating margin of 1 per cent in 2015 (negative 1.4 per cent in 2014). The turnaround is mainly due to an increase of \$11.6 million in NSW Government financial assistance during the year.

## Superannuation Liabilities

### Unfunded Superannuation Liabilities rose by \$8.0 million

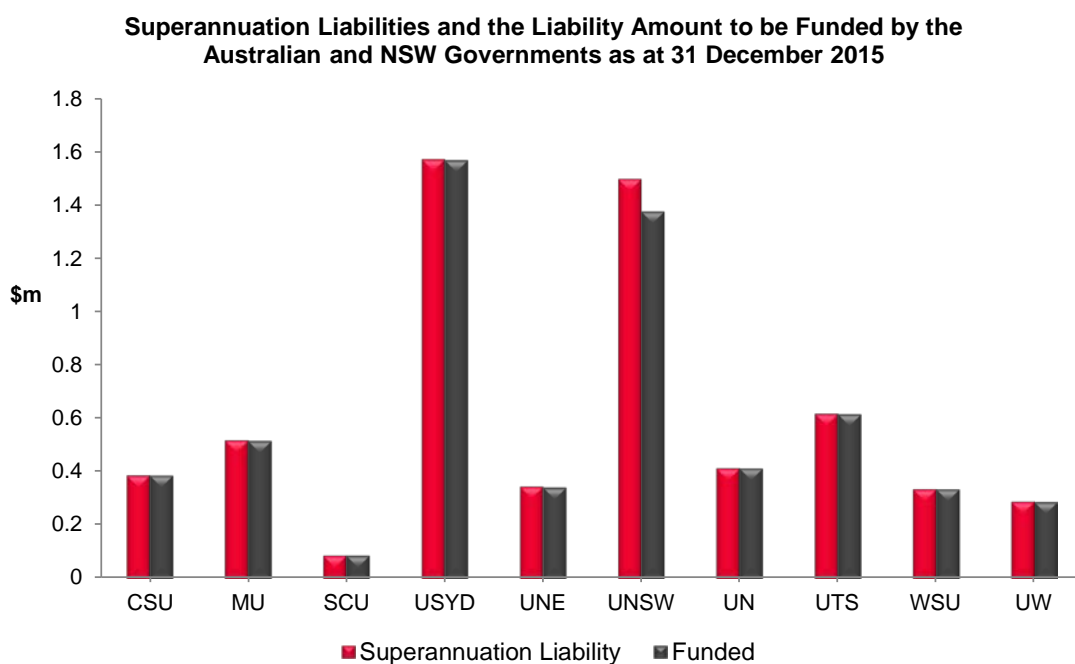
The combined superannuation liability of the ten NSW universities at 31 December 2015 is shown below.



Source: University financial statements (audited).

Liabilities for defined benefit superannuation schemes across all ten NSW universities increased from \$5.9 billion at 31 December 2014 to \$6.1 billion at 31 December 2015, an increase of \$192 million (\$1.6 billion increase in 2014).

The superannuation liability of each NSW university and the liability amount to be funded by the Australian and NSW Governments at 31 December 2015 is shown below.



Source: University financial statements (audited).

The total receivable from the Australian and NSW Governments to fund the NSW universities' superannuation liabilities was \$5.9 billion at 31 December 2015 (\$5.7 billion at 31 December 2014). The unfunded portion of the liability was \$130 million (\$122 million).

## Controlled Entities

**Some controlled entities are not financially viable as stand alone entities**

### Recommendation

**Universities should focus on strategies to improve the financial viability of controlled entities.**

Twenty three (33 per cent) of university subsidiaries are not financially viable without support from the parent university.

University as at 31 December	No of controlled entities	No of controlled entities requiring Letter of support for 31 December 2015
Macquarie University	16	2
University of New South Wales	16	9
University of Sydney	5	3
University of Technology	7	2
Western Sydney University	5	2
University of Newcastle	2	--
University of Wollongong	9	1
Charles Sturt University	2	--
University of New England	6	3
Southern Cross University	1	1
<b>Total</b>	<b>69</b>	<b>23</b>

Source: University and controlled entities' financial statements (audited).

The number of subsidiaries requiring letters of support from their parent highlights the need for universities to focus on improving the financial sustainability of controlled entities. The universities and management of the controlled entities should explore strategies to make controlled entities less dependent on parent universities for their financial sustainability.

# Financial Controls

Appropriate financial controls help ensure the efficient and effective use of university resources and the implementation and administration of university policies. They are essential for quality and timely decision making to achieve desired outcomes.

This chapter outlines audit findings on the financial controls of NSW universities for 2015.

Financial controls	
Observation	Recommendation
No high risk financial control deficiencies identified, but 'repeat' recommendations to address financial control issues have increased.	Recommendations should be addressed in a timely manner, especially those required to resolve repeat issues.
Information security issues made up 91 per cent of IT issues identified during the 2015 university audits and 54 per cent were repeat issues.	The management of user administration processes should be strengthened to prevent inappropriate access to financial information.
Managing annual leave balances continues to be a challenge for universities. Long service leave liabilities are increasing.	Universities should continue efforts to reduce employee excess annual leave balances to more manageable levels. Universities should continue to ensure they have plans to fund increasing long service leave liabilities.
Universities' estimated backlog maintenance has decreased by 12.8 per cent to \$553 million. However, the assumptions, and quality and timing of condition assessments are inconsistent across universities.	To help universities effectively manage assets, the asset management systems should capture reliable backlog maintenance data.

## Internal Controls

### No high risk financial control deficiencies identified

The 2015 university audits did not identify any high risk financial control deficiencies. Generally, internal controls were appropriately designed and operated effectively to produce reliable and timely financial reports. However, areas were identified where internal controls can improve. These and recommendations to address the deficiencies were reported to the universities' management.

Breakdown and weaknesses in internal controls increase the risk of fraud and error and should be addressed in a timely manner.

### Repeat recommendations to address financial control deficiencies have increased

#### Recommendation

Recommendations should be addressed in a timely manner, especially those required to resolve repeat issues.



In 2015, 123 (96 in 2014) management letter recommendations, most relating to control deficiencies, were reported to NSW universities. Of these, 42 (21) were identified in previous audits and had not been fully actioned by management. Some issues take longer to address due to the complexity of the issue and/or resource constraints. Audit and risk committees continue to monitor and advise university heads on the implementation of audit recommendations.

The table below shows new and repeat audit findings for all universities in 2015 and 2014.

Year ended 31 December	New	Repeat	Total
2015	81	42	123
2014	75	21	96

Source: Audit findings and recommendations identified for all NSW universities.

Common audit findings related to:

- the risk management maturity of universities
- inadequate policies and procedures
- non-compliance with processes and regulations
- weaknesses in information technology controls (see further details below)
- management of excess annual leave balances
- lack of segregation of duties around payroll.

## Information Technology

### Universities continue to face challenges in managing information security

#### Recommendation

**The management of user administration processes should be strengthened to prevent inappropriate access to financial information.**

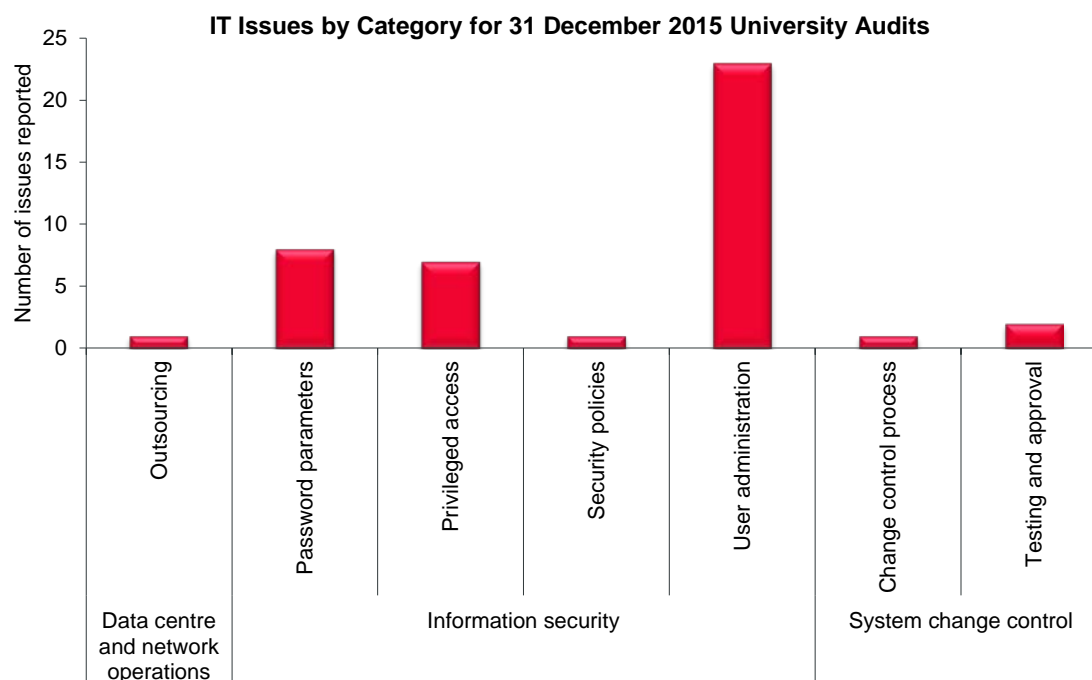
The 2015 university information system audits focused on information technology (IT) processes and controls supporting the integrity of financial data used to prepare the financial statements.

The audits continue to identify information security issues, which if not addressed, expose universities to security attacks and can result in data integrity issues, fraud and identity theft. The main areas of audit concern are the weak processes at some universities over user access reviews and the timely termination of user access to systems. It is disappointing that over a third of the issues identified in the 2015 audits had been reported to management in 2014 and not addressed.

Forty three IT issues, 91 per cent of which related to information security, were identified and reported to management. Fifty three per cent were reported in the prior year and 54 per cent were repeat issues.

User administration was the main area of concern, accounting for 59 per cent of the information security issues. These mainly related to:

- the absence of or weak processes surrounding user access reviews
- delayed termination of user access to systems.



Source: Information Technology audit findings and recommendations identified for all NSW universities.

## Human Resources

### Excess Annual Leave

**Managing annual leave balances continue to be a challenge for universities**

#### Recommendation

**Universities should continue efforts to reduce employee excess annual leave balances to more manageable levels.**

NSW universities are finding it challenging to reduce annual leave balances to more manageable levels. At 31 December 2015, all universities had staff with annual leave balances exceeding 40 days. In total, 1,493 (1,616 in 2014) or 4.7 per cent (5.1 per cent) of all staff had accrued more than 40 days annual leave.

The implications of excessive leave balances include:

- possible work health and safety issues
- disruption to service delivery if key employees are absent for lengthy periods to reduce leave balances
- employee fraud may remain undetected
- the associated financial liability generally increases over time as salaries increase.

The table below shows the number of staff with more than 40 days annual leave at 31 December over the last three years.

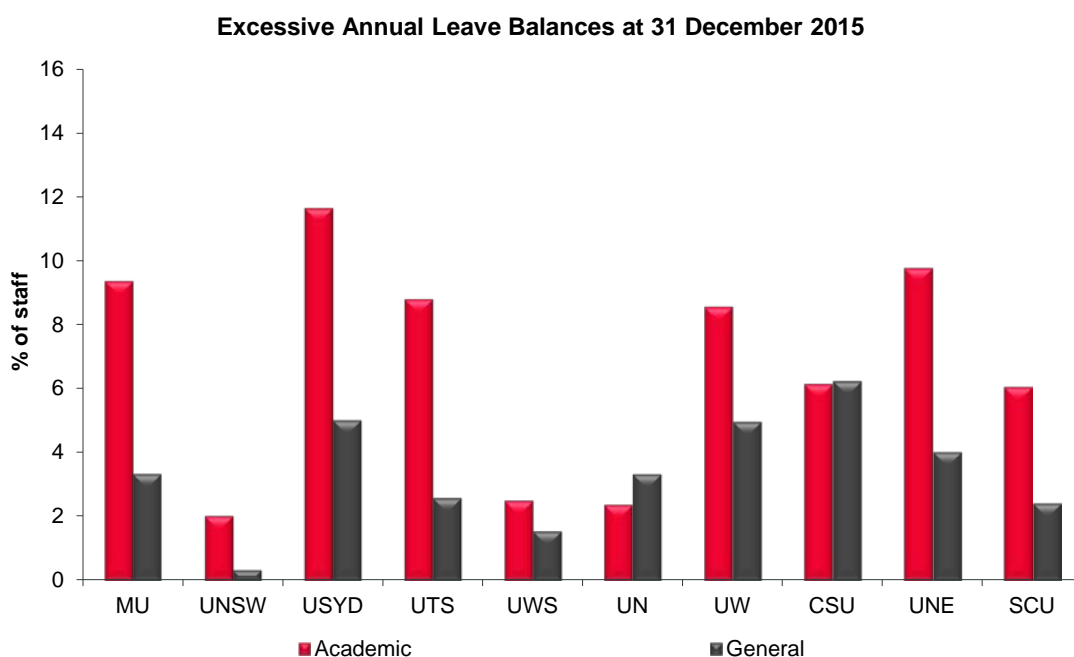
Excessive annual leave per university for the year ended 31 December						
University	Academic staff			General staff		
	2015	2014	2013	2015	2014	2013
<b>Sydney metropolitan</b>						
Macquarie	116	101	76	52	57	46
New South Wales	58	56	73	11	13	16
Sydney	362	329	413	193	171	237
Technology Sydney	101	98	106	43	38	44
Western Sydney	28	39	48	26	21	22
<b>Sydney metro total</b>	<b>665</b>	<b>623</b>	<b>716</b>	<b>325</b>	<b>300</b>	<b>365</b>
<b>Major regional</b>						
Newcastle	28	36	18	61	67	58
Wollongong	94	186	108	72	97	63
<b>Major regional total</b>	<b>122</b>	<b>222</b>	<b>126</b>	<b>133</b>	<b>164</b>	<b>121</b>
<b>Country</b>						
Charles Sturt	48	47	63	81	90	83
New England	54	80	73	31	65	65
Southern Cross	20	12	15	14	13	16
<b>Country total</b>	<b>122</b>	<b>139</b>	<b>151</b>	<b>126</b>	<b>168</b>	<b>164</b>
<b>Total</b>	<b>909</b>	<b>984</b>	<b>993</b>	<b>584</b>	<b>632</b>	<b>650</b>

Source: Information provided by universities (unaudited).

Overall, academic staff with excess annual leave balances decreased to 6.8 per cent of total academics at 31 December 2015 (7.3 per cent at 31 December 2014). For general staff the percentage fell to 3.2 per cent from 3.5 per cent.

The table shows major regional universities and most country universities are making progress in reducing excess annual leave balances. The University of New South Wales continues to have the lowest proportion of staff with excess annual leave balances.

The graph below shows the percentage of academic and general staff with annual leave balances exceeding 40 days at 31 December 2015 at each university.



Source: Data provided by the respective universities (unaudited).

## Long Service Leave Liability

### Long service leave liabilities are increasing

#### Recommendation

**Universities should continue to ensure they have plans to fund increasing long service leave liabilities.**

The long service leave liability for NSW universities has increased by \$193 million (33.9 per cent) since 2011. The increase is largely due to lower discount rates used to calculate the present value of the liability.

Universities need to ensure they can fund these liabilities, which will generally increase over time as employee remuneration levels increase. As mentioned in previous reports, effective management of these liabilities is more critical for universities with an ageing workforce.

The table below shows the long service leave liability of each university over the last five years.

Five year long service leave trend for the year ended 31 December						
University	Five year trend	2015 \$m	2014 \$m	2013 \$m	2012 \$m	2011 \$m
<b>Sydney metropolitan</b>						
Macquarie	↑	48	47	43	49	42
New South Wales	↑	185	178	165	161	144
Sydney	↑	170	158	139	121	115
Technology Sydney	↑	83	79	65	70	64
Western Sydney	↑	61	59	49	51	46
<b>Sydney metro total</b>	<b>↑</b>	<b>547</b>	<b>521</b>	<b>461</b>	<b>452</b>	<b>411</b>
<b>Major regional</b>						
Newcastle	↑	76	74	70	66	53
Wollongong	↑	65	61	58	52	45
<b>Major regional total</b>	<b>↑</b>	<b>141</b>	<b>135</b>	<b>128</b>	<b>118</b>	<b>98</b>
<b>Country</b>						
Charles Sturt	↑	33	30	28	28	27
New England	↑	23	24	20	22	20
Southern Cross	↑	19	16	16	17	14
<b>Country total</b>	<b>↑</b>	<b>75</b>	<b>70</b>	<b>64</b>	<b>67</b>	<b>61</b>
<b>Total</b>	<b>↑</b>	<b>763</b>	<b>726</b>	<b>653</b>	<b>637</b>	<b>570</b>

Key: ↑ Trend upwards, ↓ Trend downwards.

Source: Universities financial statements (audited).

Most of the NSW universities have had growth in the long service leave liability since 2015. In 2015, the University of New England was the only university where the long service leave liability decreased.

## Asset Management

### Capital Programs and Asset Management

#### Capital programs funded by investments, borrowings, grants and operating cash flows

##### Capital Works

Capital expenditure across all ten universities totalled \$1.0 billion in 2015 (\$1.2 billion in 2014) and \$1.2 billion is budgeted for 2016. The University of Sydney continued to have the largest capital program in 2015, spending \$348 million.

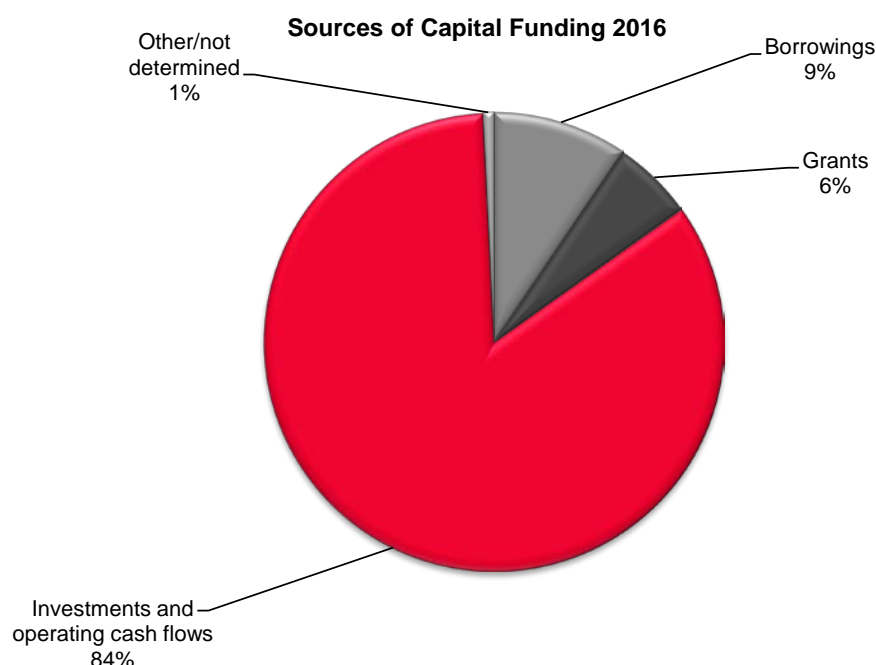
The table below shows capital expenditure for each university over the last three years and the budget for 2016 and 2017.

Year ended 31 December University	Capital expenditure budget			Capital expenditure actual		
	2017 \$m	2016 \$m	Three year trend	2015 \$m	2014 \$m	2013 \$m
<b>Sydney metropolitan</b>						
Macquarie	117	88	↑	109	82	53
New South Wales	382	250	~	169	250	223
Sydney	421	262	↓	348	355	398
Technology Sydney	182	154	↓	103	240	294
Western Sydney	171	149	~	94	112	106
<b>Sydney metro total</b>	<b>1,273</b>	<b>903</b>	<b>↓</b>	<b>823</b>	<b>1,039</b>	<b>1,074</b>
<b>Major regional</b>						
Newcastle	89	109	↓	69	81	98
Wollongong	98	68	~	81	71	81
<b>Major regional total</b>	<b>187</b>	<b>177</b>	<b>↓</b>	<b>150</b>	<b>152</b>	<b>179</b>
<b>Country</b>						
Charles Sturt	48	62	↓	51	36	68
New England	35	35	~	26	34	28
Southern Cross	19	36	~	20	26	17
<b>Country total</b>	<b>102</b>	<b>133</b>	<b>↓</b>	<b>97</b>	<b>96</b>	<b>113</b>
<b>Total</b>	<b>1,562</b>	<b>1,213</b>	<b>↓</b>	<b>1,070</b>	<b>1,287</b>	<b>1,366</b>

Key: ↑ Trend upwards, ↓ Trend downwards, ~ No trend.

Source: Data provided by respective universities. Actual figures (audited) budget figures (unaudited). Trend is based on 2013 – 2015 data.

Sources of funding for proposed 2016 capital works programs for NSW universities are:



Source: Data provided by universities (unaudited).

Borrowings, grants and other undetermined sources are expected to fund 16 per cent of capital projects in 2016 compared to 25 per cent in 2015. The decrease in funds from these sources is expected to be offset by funding from additional investments and operating cash flows. These are budgeted to increase from 75 per cent in 2015 to 84 per cent in 2016.

## Asset Maintenance

**Backlog maintenance has decreased by 12.8 per cent to \$553 million**

### Recommendation (repeat issue)

**To help universities effectively manage assets, the asset management systems should capture reliable backlog maintenance data.**

Universities' estimated backlog maintenance has decreased by 12.8 per cent to \$553 million. Maintenance expenditure has increased by only \$31.0 million while property, plant and equipment assets increased by \$1.5 billion during 2015.

The assumptions, and the quality and timing of condition assessments used to calculate backlog maintenance are inconsistent across universities.

Estimated backlog maintenance for the NSW universities at 31 December 2015 was \$553 million, a decrease of \$81.0 million from 2014, as shown in the table below.

Year ended 31 December	Three year trend	2015	2014	2013
Backlog maintenance (\$m)	↓	553*	634*	941
Maintenance expenditure (\$m)	↑	229	198	206
Property, plant and equipment (PPE) (\$m)	↑	13,600	12,100	11,300
Maintenance expenditure/PPE values (%)	~	2	2	2
Depreciation expense (\$m)	↑	606	561	505

\* This is the total for nine universities. The University of Western Sydney could not provide backlog maintenance data within the required timeframe.

Key: ↑ Trend upwards, ↓ Trend downwards, ~ No trend.

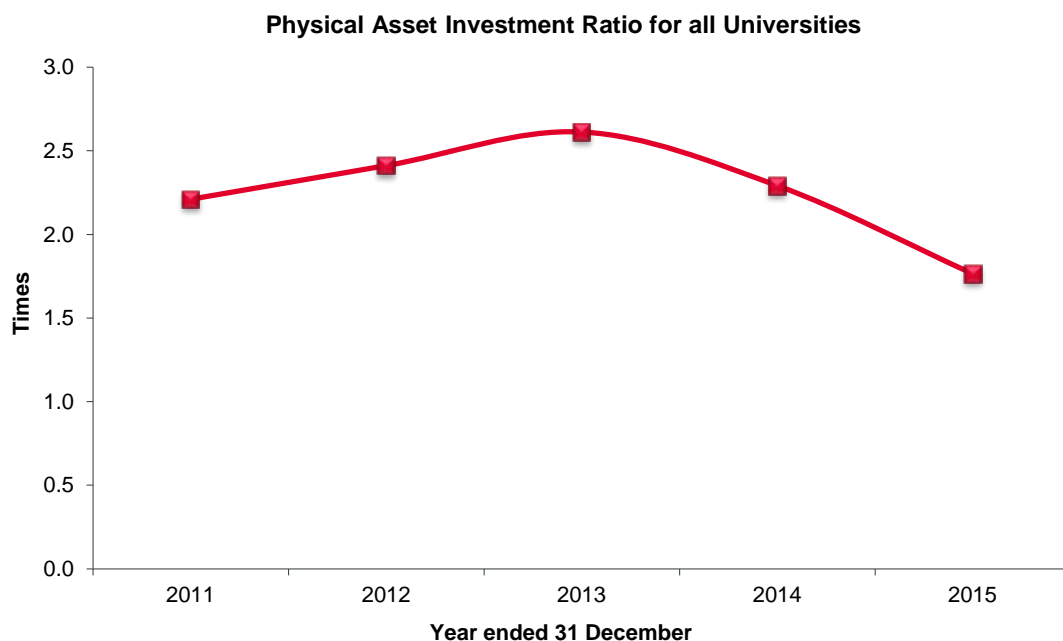
Source: Backlog maintenance data supplied by universities (unaudited). All other data sourced from universities' financial statements (audited).

Some universities have adopted recommendations in previous reports to design and implement systems that provide more reliable backlog maintenance information. However, all NSW universities should design and implement effective backlog maintenance systems to support their service delivery responsibilities.

Backlog maintenance estimates for some universities could vary significantly depending on the assumptions used, the quality and timing of condition assessments and the robustness of the systems used to capture information. Asset maintenance is essential to ensure physical assets achieve their expected useful lives and to maximise value. The Department's Manual recommends good practice is to maintain maintenance expenditure at less than 3 per cent of the Asset Replacement Value. Universities are achieving 2 per cent per annum.

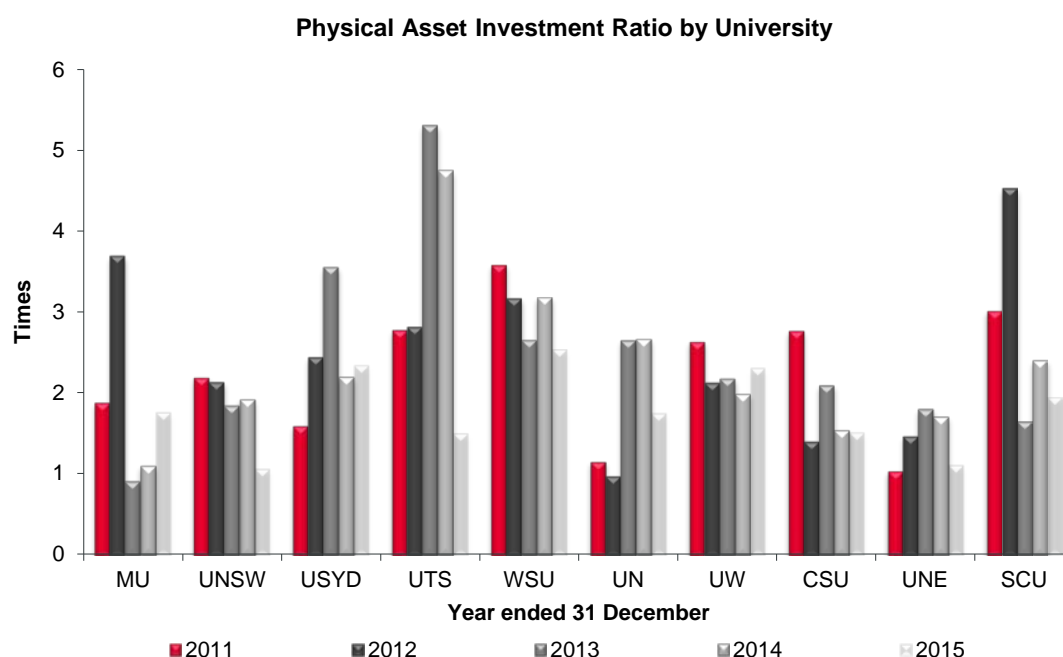
### Physical Asset Investment Ratio

Capital expenditure across all NSW universities was 1.8 times greater than depreciation charges in 2015, a decrease from 2.3 in 2014. The physical asset investment ratio calculates the extent to which an organisation renews or grows its physical assets. This is especially important for universities, which have significant capital facilities. A ratio above one indicates increasing investment in physical assets, while a lower ratio may indicate a need for future capital expenditure.



Source: University financial statements (audited).

The physical asset investment ratio for each university over the last five years is shown below.



Source: University financial statements (audited).

Western Sydney University had the highest physical asset investment ratio of 2.5 at 31 December 2015. The University of New South Wales and University of New England had the lowest ratios of 1.1. The University of Technology, Sydney's ratio fell from 4.8 in 2014 to 1.5 in 2015. The graph above indicates universities are at different stages in their capital investment programs.

# Governance

Governance refers to the universities' high-level frameworks, processes and behaviours that help them ensure they meet their intended purpose, conform with legislative and other requirements, and meet probity, accountability and transparency expectations.

This chapter outlines audit findings on the governance of NSW universities and their controlled entities.

Governance	
Observation	Conclusion or recommendation
The risk maturity of NSW universities improved marginally compared to 2014.	NSW universities' risk management is evolving and is, on average, at a consistently-designed level of maturity.
Insufficient focus on culture and ethics by New South Wales universities is limiting them from moving to a consistently implemented risk management maturity rating.	A consistently applied ethical framework with a risk aware culture will improve the risk maturity of NSW universities.
The strategic risks of controlled entities are not consistently escalated and included in the universities' strategic risk registers.	<b>Recommendation:</b> Controlled entities should design and implement 'fit-for-purpose' risk management processes under the universities' overall risk management framework. High risks at the controlled entities should be elevated to the universities' strategic risk register.
NSW universities' risk registers do not identify and include project risks as strategic risks.	<b>Recommendation:</b> Universities should include project risk management in their project management frameworks. Project risks that impact universities meeting their strategic objectives should be included in their strategic risk registers.
One of the leading risks in NSW universities' risk register is the potential impact of changes in government policy.	Uncertainty about government policies, such as funding arrangements in a competitive environment, could significantly impact student numbers, quality of teaching, research and long-term sustainability.

## Risk Management

### NSW universities' risk management is evolving

In February 2015, the Audit Office published its revised Governance Lighthouse - Strategic Early Warning System. The publication includes eight principles and 17 key governance components of good governance, one of which is risk management. The Lighthouse has a focus on the cultural elements that need to be present for effective governance. An indicator of a good governance culture is when an organisation has leaders who embrace a culture that focuses on achievement, accountability and ethical behaviour.

To have appropriate oversight, management and governing councils must ensure their university's risk management processes and structures are at an appropriate level of maturity to deal with the impact of unforeseen events and maximise the realisation of opportunities.

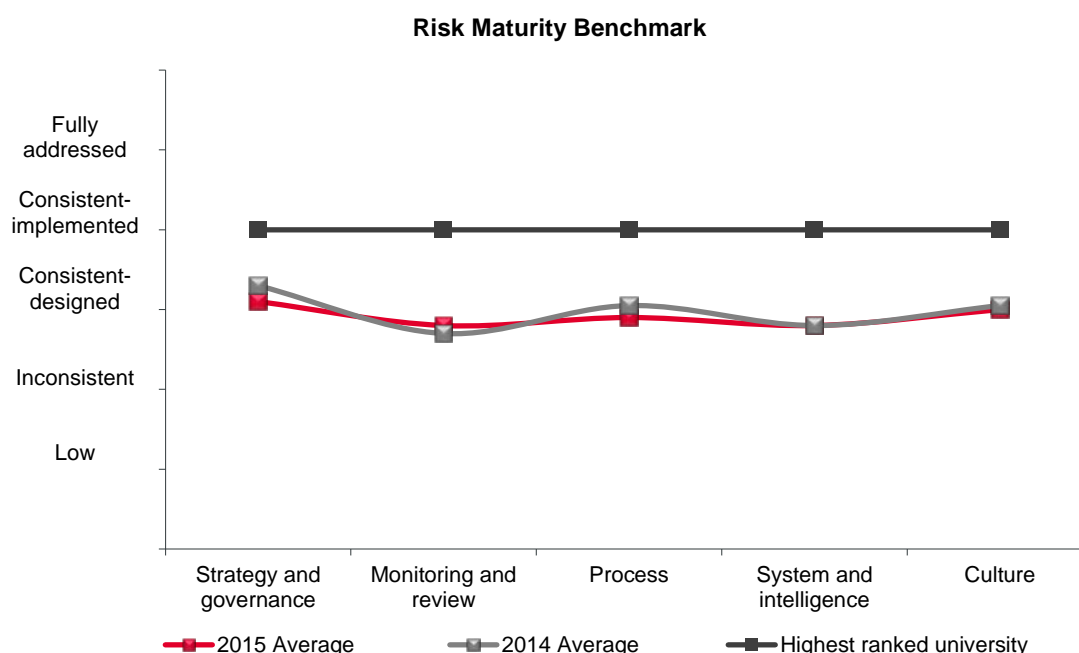


A mature risk management process should:

- foster an embedded risk aware culture
- ensure strategic and business decision making processes and risk management activities are aligned
- improve resilience in dealing with adversity
- increase agility in pursuing new opportunities.

The 2015 financial audits assessed the risk management maturity level of NSW universities using the Audit Office Risk Management Maturity Toolkit. Further details of the Toolkit are included in Appendix Five.

A comparative analysis of the universities' risk management maturity levels at 31 December 2015 is shown below.



The Audit Office Risk Maturity Toolkit was developed based on the principles and guidelines of the International Standards on Risk Management AS/NZS ISO 31000: 2009 Risk Management, the NSW Treasury Policy Guideline TPP 12-03: Risk Management Toolkit for the NSW Public Sector, TPP 15-03: Internal Audit and Risk Management Policy for the NSW Public Sector and the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Enterprise Risk Management Integrated Framework.

The auditors' assessments of NSW universities' risk maturity did not change significantly compared to 2014. However, risk management is evolving and overall the universities were assessed to have appropriately and consistently designed risk management frameworks.

The university assessed to have the most mature risk management system demonstrated that:

- risk awareness was evident at each business level
- it had appointed a Chief Risk Officer to drive the risk culture across the business
- the heads of work units were responsible for their component of their division's risks
- the risk register was aligned to the university's Strategic Plan
- it had developed a risk map with high level strategic risks
- the risk map was approved by the Council and the Audit and Risk Committee
- it had assigned risk owners who were clearly identified in the risk map
- emerging risks were included in the reporting framework
- executive management and those charged with governance continuously monitored identified risks.

The Auditor-General's Report Volume One 2016, Areas of Focus from 2015, includes a section on Enterprise Risk Management. The section highlights some 'Better Practices in Risk Management' employed in the NSW Public Sector.

<http://www.audit.nsw.gov.au/publications/latest-reports/volume-one-2016-areas-of-focus-from-2015>

Our risk maturity assessment has identified opportunities for universities in ethics and culture that may assist their move to a consistently implemented rating.

## Ethics

An ethical framework supports the university community's efforts to act ethically and in the public interest. Most universities:

- frequently review and monitor ethics in their risk registers
- provide visibility through their websites
- have codes of conduct that include requirements to deal with business partners who demonstrate similar ethical and responsible business practises.

However, most university websites do not publish Business Ethics Statements.

The Audit Office Governance Lighthouse includes ethics as a key component of good governance. It also includes guidance on ethics which is based on 'Principle 3: Acting Ethically and Responsibly', issued under the governance principles of the Australian Securities Exchange (ASX). Universities can refer to this guidance when considering broad ethical requirements.

Effective ethical frameworks detail the measures in place to encourage the reporting of unlawful or unethical behaviour, processes for preventing unethical payments or inducements, and encourage a culture of ethical behaviour.

A university's reputation is one of its most valuable assets for attracting quality teachers, students and research funding. Therefore, acting ethically should not only focus on compliance with laws and regulations. It should also focus on acting with honesty, integrity and in a way that is consistent with the reasonable expectations of the broader community.

## Culture

Risk culture in the university context is the shared perception among staff of the priority given to risk management, including the practices and behaviours expected, valued and supported by universities.

Most universities are introducing risk aware cultures, but this is inconsistent across business units and lacks depth throughout faculties. Defining a risk culture will help it operate within its risk appetite, and implement strategies that embed its desired culture across the organisation.

A metric or independent survey may help universities assess their risk management culture.

Enterprise risk management is not isolated from strategy, planning or day-to-day decision making, nor is it about compliance. Enterprise risk management should be embedded in an organisation's culture and inform day-to-day decision making.

## Common Risks across NSW Universities

The top five common strategic risks from universities' strategic risk registers are summarised below. All universities include the potential impact of government policy change as one of their highest risks.

Common risks across NSW universities	
Risk #	Description of risk
1	Potential impact of government policy change.
2	Improve research ranking, protect and grow own reputation for research and innovation performance to be a quality research University.
3	Ability to improve student retention both domestic and international (onshore and offshore) students.
4	Future financial sustainability.
5	Retaining and attracting high quality academics.

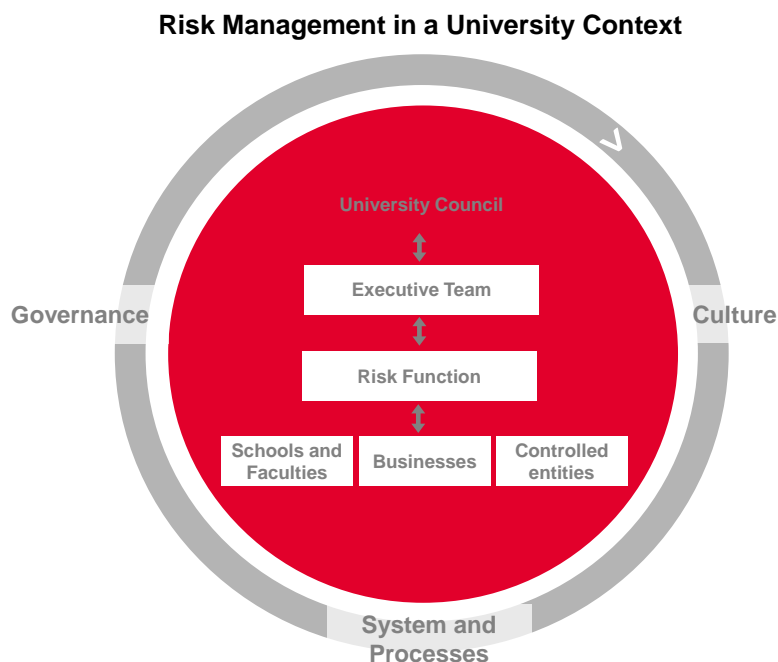
Most NSW universities maintain risk registers that clearly articulate risks associated with their business focus and long term strategies. The risk mitigation strategies, and measures of performance and progress are monitored through measurable metrics and reported to those charged with governance.

However, strategic risks at the controlled entities are not consistently elevated to the respective university's strategic risk register.

### Recommendation

**Universities' controlled entities should design and implement 'fit-for-purpose' risk management processes under the University's overall risk management framework. High risks at the controlled entities should be elevated to the universities' strategic risk register.**

Mature and integrated risk management for a group of university entities should be based on a top-down and bottom-up approach as shown in the diagram below:



3

The international standard on risk management requires the commitment and mandate of the governing council as the first step to ensure risk management is given the priority required for an organisation to achieve a culture-centric risk management process.

## Project Risk Governance

### Recommendation

**Universities should include project risk management in their project management frameworks.**

**Project risks that may prevent a university from meeting its strategic objectives should be included in its strategic risk register.**

A review of universities' risk registers found many did not identify and include project risks as strategic risks. For example, asset investment decisions on sale and leaseback transactions and the recycling of assets etc. may have wider long-term implications for universities that need to be considered at a strategic level. Therefore, project risks that may prevent a university from meeting its strategic objectives should be included in its strategic risk register.

NSW universities' property, plant and equipment assets were valued at \$13.0 billion at 31 December 2015. The capital expenditure spend on new projects is over \$1.0 billion each year. This makes an effective governance structure critically important to ensure the following three competing components of project delivery are efficiently and effectively managed to deliver the desired outcomes.



In general, the primary focus in project deployment is on cost and on time. If project deliverables are delayed, quality is often compromised to meet deployment deadlines. Quality components include thoroughly defined and developed deliverables, effective testing and training, and a well-planned rollout. If any one of these components is compromised, the project may not deliver the expected outcomes and result in:

- project re-work
- process and control weaknesses
- staff morale issues
- cost overruns
- benefits realisation not achieved
- delays to the delivery of successful outcomes.

## Controlled Entities

### **The number of controlled entities continued to decrease, falling from 75 to 69 in 2015**

Last year's report to Parliament reported that NSW universities had significantly reduced the number of controlled entities by deregistering those no longer considered necessary. In 2015, the number of controlled entities fell again from 75 to 69.

Universities continue to review and improve governance arrangements across their controlled entities. These actions have delivered positive outcomes for the university sector, including:

- only one modified audit opinion being issued on a controlled entity's 2015 financial statements compared to two in 2014 and seven in 2013
- strengthened oversight and monitoring of controlled entities' activities and governance.

## Audit Opinions on Controlled Entities

**Only one modified opinion issued in 2015 and all controlled entity audits completed on time**

The table below summarises the number of NSW university controlled entities and their audit results.

	Number of controlled entities		Number of modified opinions*	
University at 31 December	2015	2014	2015	2014
<b>Sydney metropolitan</b>				
Macquarie	16	16	--	--
New South Wales**	16	18	--	--
Sydney	5	6	--	1
Technology Sydney	7	7	--	--
Western Sydney	5	7	--	--
<b>Sydney metro total</b>	<b>49</b>	<b>54</b>	<b>--</b>	<b>1</b>
<b>Major regional</b>				
Newcastle	2	3	--	--
Wollongong***	9	6	--	--
<b>Major regional total</b>	<b>11</b>	<b>9</b>	<b>--</b>	<b>--</b>
<b>Country</b>				
Charles Sturt	2	3	1	1
New England	6	8	--	--
Southern Cross	1	1	--	--
<b>Country total</b>	<b>9</b>	<b>12</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>69</b>	<b>75</b>	<b>1</b>	<b>2</b>

\* A modified opinion is a qualified opinion, adverse opinion or disclaimer of opinion. Only one qualified opinion issued in 2015.

\*\* The audit of University of New South Wales (UNSW Global India Pvt Limited) financial year ended 31 March 2016. This audit is not yet overdue.

\*\*\* The audit of University of Wollongong Asset Trust remains incomplete as at date of this report.

Controlled entities that received an unmodified Independent Auditor's Report on their 2015 Financial Statements are listed in Appendix Four of this Overview. Some of these entities ceased operations during 2015 and are not included in the table above. Others are exempt from audit.

The University of New South Wales deregistered two entities and set up Scientia Clinical Research Limited in 2015.

The University of Western Sydney Foundation Trust ceased operations in 2014 and the University of Western Sydney Foundation Limited was deregistered on 5 April 2015.

## Modified Audit Opinions

The Audit Office issued one modified audit opinion on one controlled entity's 2015 financial statements.

Modified opinions on financial statements	
Organisation	Reason for modification
Charles Sturt University Foundation Trust	A qualified audit opinion was issued as the Trust finds it impractical to establish control over the collection of donations prior to their entry in the financial records.

Charles Sturt University Foundation Trust's modification relates to revenue received from donations and fundraising activities. It is common that entities with these sources of revenue are unable to maintain effective systems of internal control over these sources until they are entered into the financial records.

# Teaching and Research

Teaching and research are core activities of universities. The quality of teaching is a key driver for growth and for attracting domestic and international students. Through research, NSW universities contribute to economic growth, lead innovation, attract international students, improve their profiles and increase their global rankings against other Australian and overseas universities.

This chapter outlines audit findings on teaching and research in NSW Universities for 2015.

Teaching and Research	
Observation	Conclusion or recommendation
The total number of full time students increased from 264,121 in 2014 to 267,472 in 2015.	Both domestic and overseas students increased during 2015.
The academic to student ratio remained consistent at 16.3:1.	NSW universities had the fifth lowest academic to student ratio of all states in Australia.
The quality of NSW Universities continues to improve.	According to recent international rating and evaluation NSW Universities have improved their overall world rankings and the quality of research.
NSW universities' research income exceeded \$1.0 billion in 2014. Research income from industry and other sources has increased 15.7 per cent since 2012 and is trending upwards.	<p>The Australian Research Council (ARC) has completed its latest evaluation of Excellence in Research for Australia (ERA). Its report provides an overview of research quality undertaken by higher education institutions across Australia.</p> <p>Based on the evaluation metrics used, 91 per cent of discrete fields of research performed by NSW universities was at or above the world standard, an increase of seven per cent over the 2012 evaluation.</p>
Measuring the impact of research is challenging	<b>Recommendation:</b> NSW Universities in conjunction with the Australian Bureau of Statistics should develop metrics to assess the impact of research and the benefits to the economy.

## Student Numbers

### Overseas student enrolments continue to rise

For the year ended 31 December 2015, the number of full time students increased by 3,351 students in NSW universities. Full time students are measured as equivalent full-time student load (EFTSL) which includes part-time students.

The number of equivalent full-time overseas students increased by 2,566 to 61,454, 23.0 per cent of all enrolled students (22.3 per cent in 2014). The number of equivalent full-time domestic students also increased by 785 to 206,018.



Overseas and domestic student numbers by university is shown in the table below.

University	Overseas students (EFTSL)				Domestic students (EFTSL)			
Year ended 31 December	Three year trend	2015	2014	2013	Three year trend	2015	2014	2013
<b>Sydney metro</b>								
Macquarie	↓	6,241	6,873	7,443	↑	22,584	21,818	20,486
New South Wales	↑	11,355	10,605	10,340	~	28,816	28,992	28,488
Sydney	↑	13,154	10,978	9,759	~	32,317	32,287	32,503
Technology Sydney	↑	8,209	7,611	7,207	↑	20,955	20,136	19,427
Western Sydney**	↑	3,326	3,300	2,965	↑	30,342	29,612	28,386
<b>Sydney metro total</b>	<b>↑</b>	<b>42,285</b>	<b>39,367</b>	<b>37,714</b>	<b>↑</b>	<b>135,014</b>	<b>132,845</b>	<b>129,290</b>
<b>Major regional</b>								
Newcastle	↓	3,111	4,061	4,271	~	20,842	21,521	21,281
Wollongong	↑	9,205	9,210	8,736	~	14,287	14,292	14,260
<b>Major regional total</b>	<b>↓</b>	<b>12,316</b>	<b>13,271</b>	<b>13,007</b>	<b>~</b>	<b>35,129</b>	<b>35,813</b>	<b>35,541</b>
<b>Country</b>								
Charles Sturt	↑	4,575	4,194	3,506	↓	17,343	17,824	18,216
New England	↓	689	678	741	~	10,978	10,981	10,746
Southern Cross	↑	1,589	1,378	1,377	~	7,554	7,770	7,657
<b>Country total</b>	<b>↑</b>	<b>6,853</b>	<b>6,250</b>	<b>5,624</b>	<b>↓</b>	<b>35,875</b>	<b>36,575</b>	<b>36,619</b>
<b>Total*</b>	<b>↑</b>	<b>61,454</b>	<b>58,888</b>	<b>56,345</b>	<b>~</b>	<b>206,018</b>	<b>205,233</b>	<b>201,450</b>

\* Student numbers in the table are for universities excluding controlled entities unless otherwise stated.

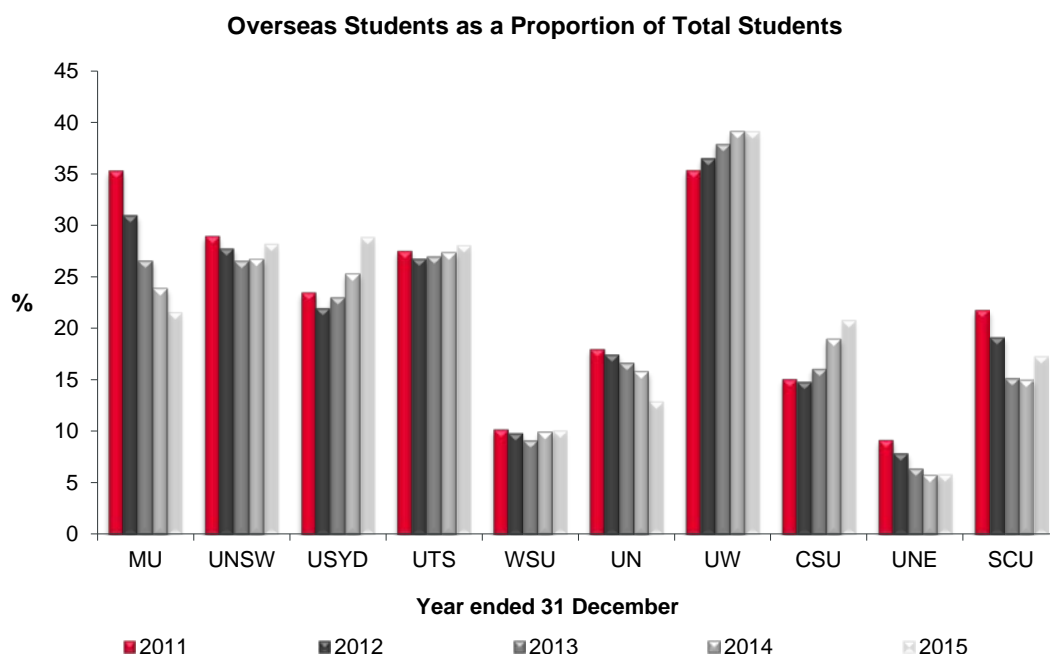
\*\* Includes WSU The College.

Key: ↑ Trending upwards, ↓ Trending downwards, ~ No trend.

Source: Department publications (except for 2015, which was sourced from universities).

For the second year in succession, Macquarie University and the University of Technology, Sydney recorded the higher increases in domestic students - 766 and 819 respectively. The number of domestic students fell by 3.2 per cent at the University of Newcastle.

The percentage of overseas students at NSW universities over the five years to 31 December 2015 is shown below.



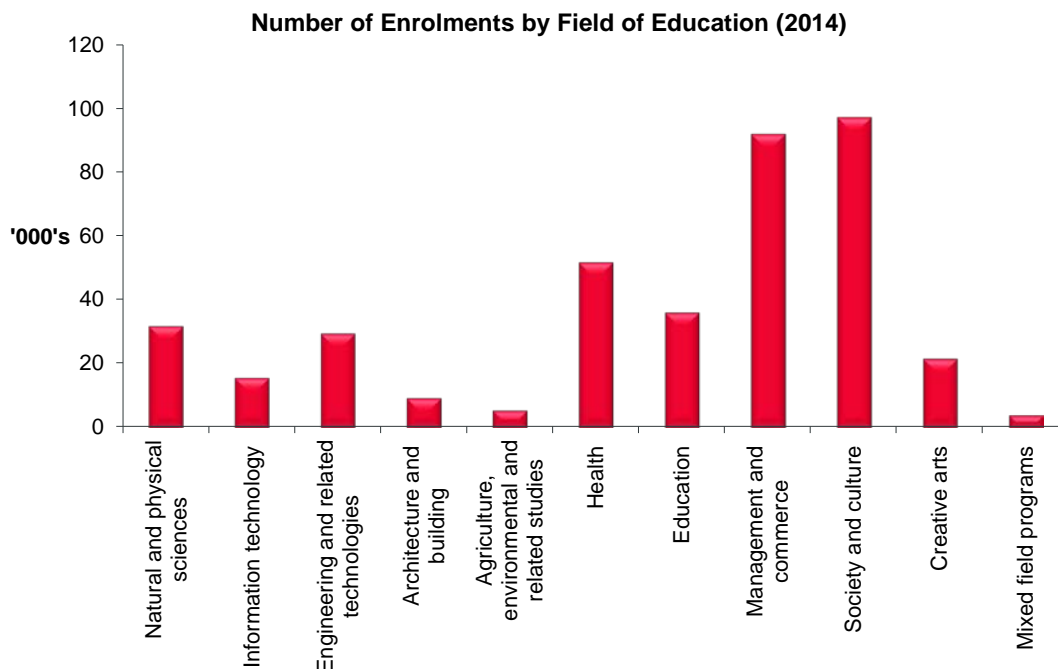
Source: Data analysed from Department Publications (2015 from Universities).

The University of Wollongong had the highest percentage of overseas students at 39.2 per cent of total students (39.1 per cent in 2014). The University of New England had the lowest percentage at 5.9 per cent in 2015 (5.8 per cent). At Macquarie University, the University of Newcastle and the University of New England the percentage of overseas students continued to trend down.

## Student Enrolment by Course category

### Society and Culture, and Management and Commerce had the highest enrolments

The graph below shows the breakdown of total students enrolled in NSW universities split by course category in 2014 (based on the latest information published by the Department).



Source: Data analysed from Department publications.

The following course categories had the highest proportions of enrolled students in 2014:

- society and culture (24.6 per cent)
- management and commerce (23.3 per cent)
- health (13.1 per cent)
- education (9.1 per cent).

Over the three years to 31 December 2014, total students enrolled in NSW universities increased, but enrolments in Engineering and Sciences continued to lag behind at 7.5 per cent and 8.1 per cent of enrolled students respectively.

## Student to Academic Ratio

### NSW universities have the fourth lowest Student to Academic ratio in Australia

In 2014, the latest information published by the Department, NSW universities' student to academic ratio remained constant at 16.3:1 (16.3:1 in 2013).

A lower student to academic ratio may indicate a better teaching experience; but for higher salaries and related costs. Some universities believe this ratio is misleading because it does not take into account other factors such as distance learning. The information in this report should be considered in this context.

Jurisdiction	Number of universities	Students (EFTSL)	FTE academics	Student: academic ratio	
Year ended 31 December		2014	2014	2014	2013
Australian Capital Territory	2	27,318	2,355	11.6	11.5
New South Wales	10	264,121	16,251	16.3	16.3
Northern Territory	2	6,143	396	15.5	18.2
Queensland	7	158,879	10,300	15.4	15.3
South Australia	3	60,309	4,428	13.6	13.8
Tasmania	1	18,901	1,268	14.9	14.8
Victoria	8	255,715	14,665	17.4	17.0
Western Australia	4	90,067	5,248	17.2	16.7

Source: Department Publications.

The table below shows the student to academic ratio of NSW Universities for 2014 and 2013.

University	Students (EFTSL)		FTE academics*		Student : academic ratio	
Year ended 31 December	2014	2013	2014	2013	2014	2013
Macquarie	28,691	27,929	1,492	1,398	19.2	20.0
New South Wales	39,597	38,828	3,581	3,333	11.1	11.6
Sydney	43,265	42,262	3,504	3,426	12.3	12.3
Technology Sydney	27,747	26,634	1,384	1,352	20.0	19.7
Western Sydney	32,912	31,351	1,532	1,420	21.5	22.1
Newcastle	25,582	25,552	1,321	1,363	19.4	18.7
Wollongong*	23,502	22,996	1,296	1,213	18.1	19.0
Charles Sturt	22,018	21,722	1,130	1,161	19.5	18.7
New England	11,659	11,487	548	608	21.3	19.0
Southern Cross	9,148	9,034	463	498	19.8	18.1
<b>Total</b>	<b>264,121</b>	<b>257,795</b>	<b>16,251</b>	<b>15,772</b>	<b>16.3</b>	<b>16.3</b>

\*Student (EFTSL) includes overseas students taught through partnership programs with largely no corresponding FTE academics.

Source: Department Publications.

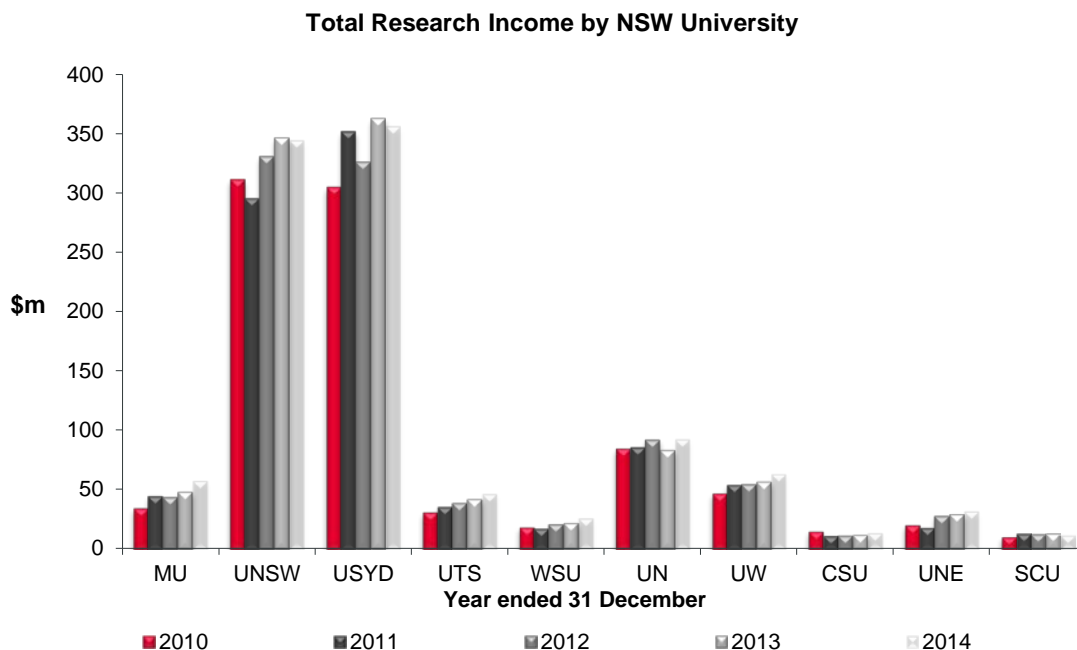
The University of New South Wales and the University of Sydney have lower student to academic ratios of 11.1 and 12.3 respectively. This is attributed to higher numbers of research staff compared to other universities.

## Research Income

### NSW universities' research income exceeded \$1.0 billion in 2014

Most university research income comes in the form of grants from the Australian Government. Each year, NSW universities provide the Department with research income data. The data is used to assess university research performance and determine the allocation of Australian Government Research Block Grants. These grants reward universities for their success in obtaining non-government grants and support further research.

The graph below shows total research income received by NSW universities from 2010 to 2014. Research income data from the Department for 2015 was unavailable at the time of preparing this report.



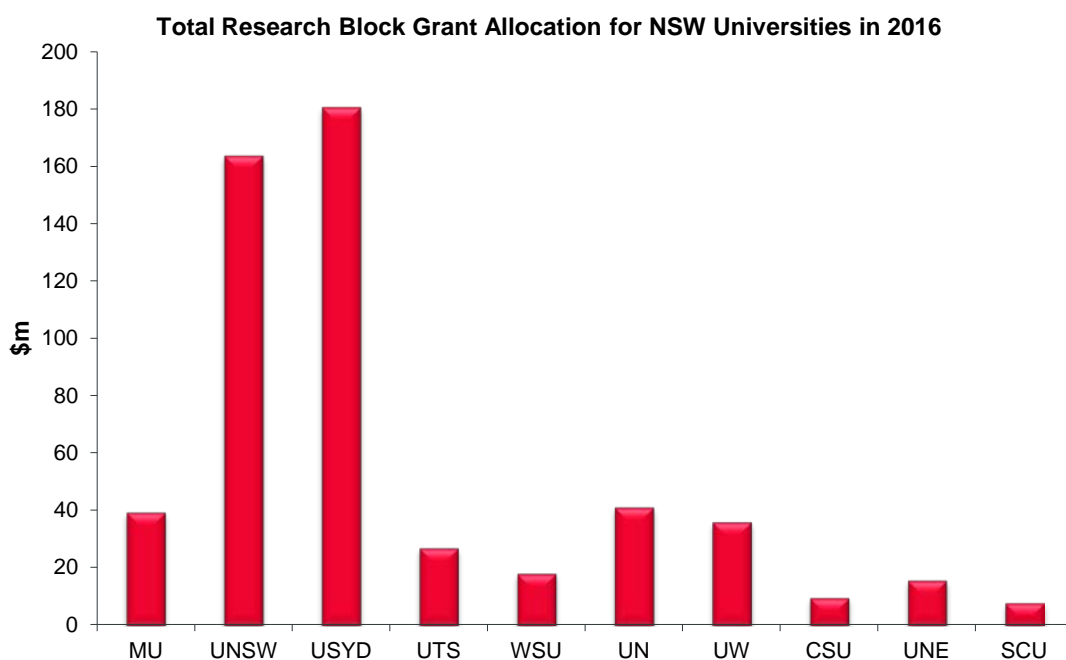
Source: Data analysed from Department publications.

Research income received by NSW universities increased to \$1.0 billion in 2014, an increase of 19.2 per cent over five years. The proportion of research income for each university remained relatively consistent over that period.

The University of Sydney and the University of New South Wales continue to be the top two recipients, receiving 34 per cent and 32.9 per cent of total research income respectively. Most came from Australian Government competitive grants, other public sector and industry research grant funding.

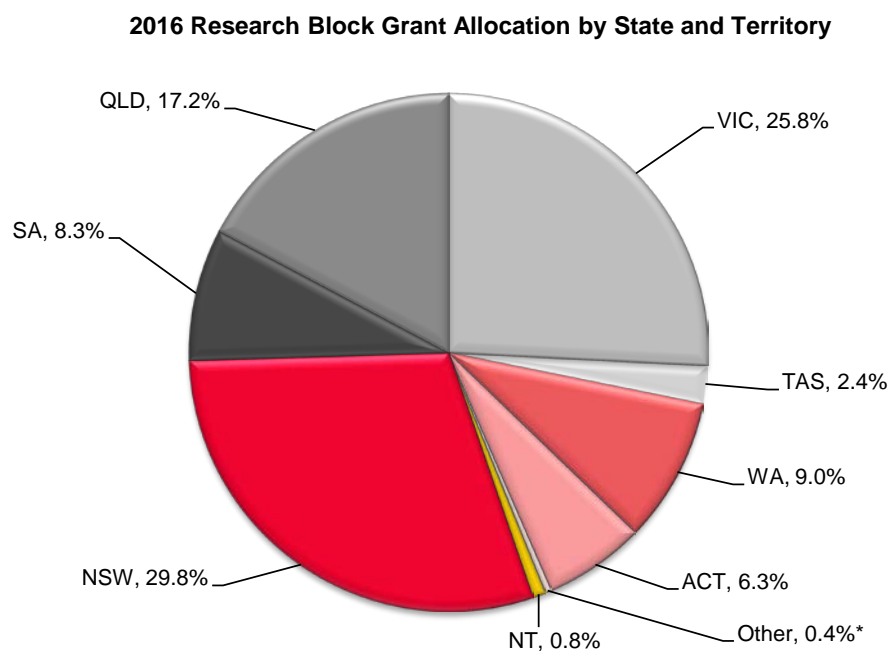
In 2016, \$1.8 billion (\$1.8 billion in 2015) in block grants will be provided to eligible Australian higher education providers by the Australian Government. NSW universities will receive \$540 million or 30 per cent of this.

The graph below shows the block grants to be provided to each NSW university in 2016.



Source: Data analysed from Department publications.

The University of Sydney and the University of New South Wales expect to receive research grants of \$181 million and \$164 million respectively.



\* Other – Australian Catholic University.

Source: Data analysed from Department publications.

The graph above illustrates Australian Government research grants allocated to universities in each state and territory. New South Wales receives the highest allocation of 30 per cent, followed by Victoria with 25.8 per cent.

## Measuring Research Impact

### Recommendation

**NSW Universities in conjunction with the Australian Bureau of Statistics should develop metrics to assess the impact of research and the benefits to the economy.**

Research income is a performance measure used by the Australian Government to calculate various performance-based funding allocations.

Assessing the impact of research involves demonstrating the contribution research makes to the economy, society, culture and quality of life beyond its contributions to academia.

Trials by the Group of Eight (Go8) Australian universities found significant economic, social and environmental benefits arise from Australian universities' research. Measuring the impact of research, which may be indirect, can be difficult given the diverse routes by which it delivers impacts and the time this can take.

### Australian Research Council Evaluation of Research Excellence

**Ninety One per cent of NSW university research is at or exceeds world standards.**

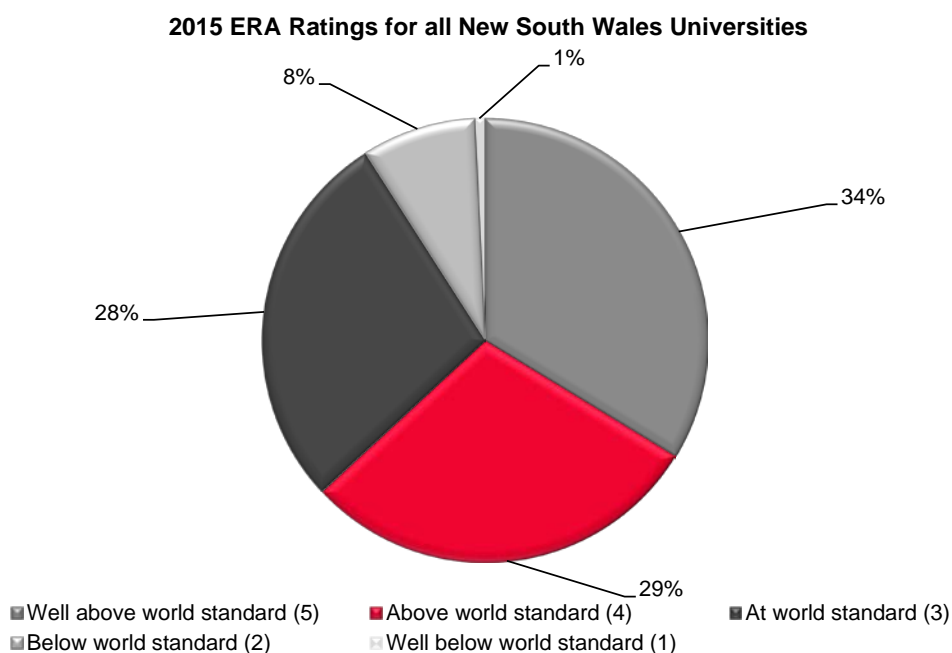
The Australian Research Council (ARC) has completed its latest evaluation of Excellence in Research for Australia (ERA). Its report provides an overview of the quality of research undertaken by higher education institutions across Australia between 1 January 2010 and 31 December 2015.

The survey is designed to give taxpayers assurance that public money spent on research is invested wisely. It also gives business and the broader community detailed information about the research strengths of universities, so they can be exploited to Australia's advantage.

The report assigns a rating of one to five for each field of research:

- a rating of one or two indicates the research activities are below world standard
- a rating of three indicates research is conducted at the world standard
- a rating of four or five indicates the research is above the world standard.

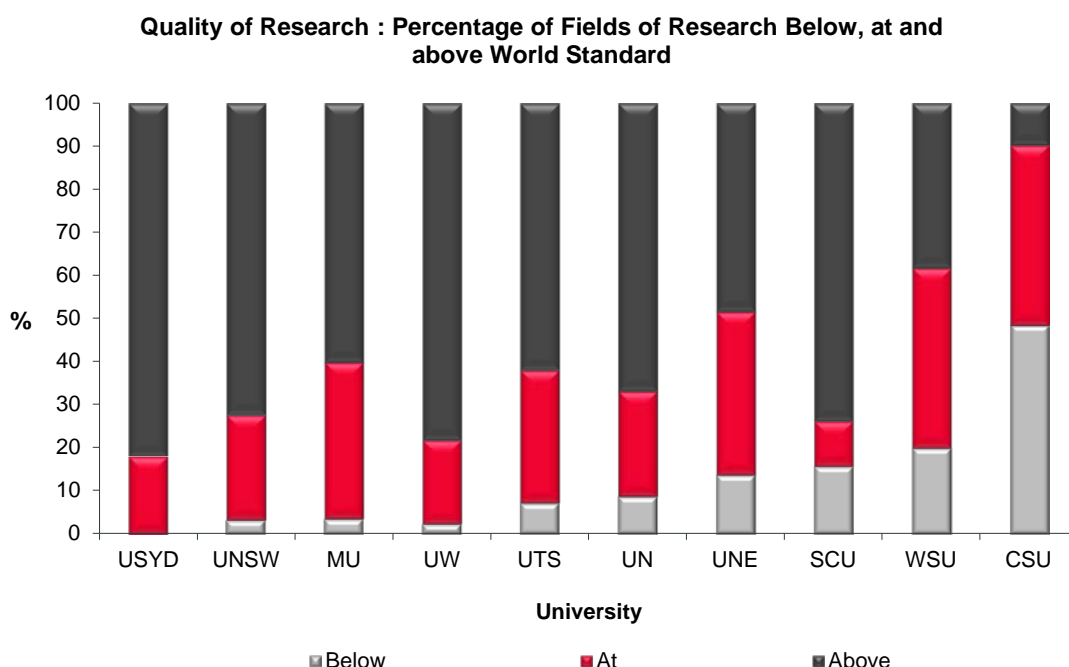
The overall outcome of the 2015 evaluation for the ten NSW universities is shown below.



Source: Excellence in Research for Australia 2015 National Report (Audit Office analysis).

Based on the evaluation metrics used by the ARC in its 2015 evaluation, 91 per cent of the discrete fields of research performed by NSW Universities was at or above the world standard, an increase of seven per cent over the 2012 evaluation.

The results for each NSW university are shown below. The graph reflects the relative ratings for the fields of research that are above, at, or below world standard.



Source: Data analysed from the Excellence in Research for Australia 2015 National Report.

The University of Sydney and the University of New South Wales achieved the highest ratings with 100 and 97 per cent of research activities respectively being assessed as above or at world standard. These universities receive the most research funding in New South Wales.

Southern Cross University had the least fields of research, but 84 per cent of these were above or at world standard.

## Non-Government Funding

The table below shows total research income from industry and other sources (non-government) over four years for each university.

University	Total research income from industry and other sources			
Year ended 31 December	2015	2014	2013	2012
<b>Sydney metro</b>				
Macquarie	17,193	14,869	11,717	11,521
New South Wales	74,573	92,865	80,060	65,581
Sydney	93,514	117,413	122,645	94,655
Technology Sydney	13,976	15,345	13,578	12,637
Western Sydney	7,764	5,466	4,726	4,227
<b>Sydney metro total</b>	<b>207,020</b>	<b>245,958</b>	<b>232,726</b>	<b>188,621</b>
<b>Major regional</b>				
Newcastle	34,478	29,686	24,696	28,696
Wollongong	19,610	19,509	15,714	12,887
<b>Major regional total</b>	<b>54,088</b>	<b>49,195</b>	<b>40,410</b>	<b>41,583</b>
<b>Country</b>				
Charles Sturt	3,174	3,436	3,332	2,656
New England	11,940	7,161	7,753	6,891
Southern Cross	3,245	4,999	4,303	5,195
<b>Country total</b>	<b>18,359</b>	<b>15,596</b>	<b>15,388</b>	<b>14,742</b>
<b>Total</b>	<b>279,467</b>	<b>310,749</b>	<b>288,524</b>	<b>244,946</b>

Note: Other sources include competitive and peer-reviewed research income, donations, bequests, foundations and funding contracts.

Source: Data from Universities.

The University of Sydney and University of New South Wales attracted the most funds from industry and other sources.

## University World Rankings

### Overall, NSW University World Rankings have improved

World university rankings, such as the Times Higher Education and QS World University rankings are another way the quality of research can be assessed. Both organisations consider research in their overall rating with 60 per cent of the Times Higher Education World University Ranking and 20 per cent of the QS World University Ranking tied to research.



The ratings for each NSW university for 2014-15 and 2015-16 are shown below (lower rankings are better).

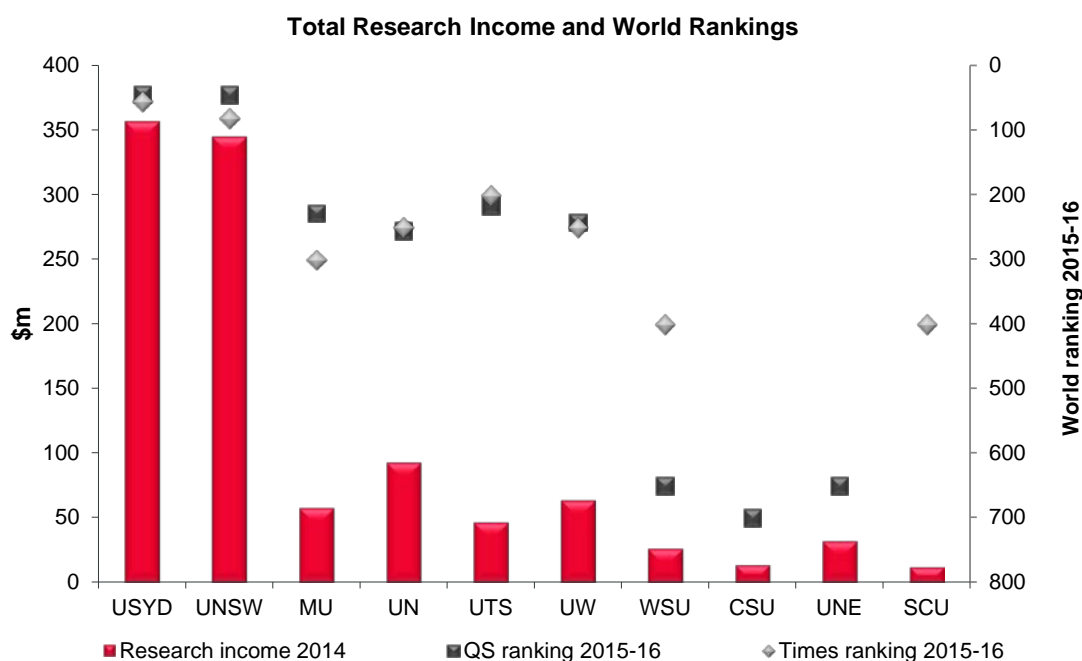
University	Movement	Times higher education world university ranking		QS world university ranking		
		Ranking 2015-16	Ranking 2014-15	Movement	Ranking 2015-16	Ranking 2014-15
Sydney	↑	56	60	↓	45	37
New South Wales	↑	82	109	↑	46	48
Technology Sydney	~	201-250	226-250	↑	218	264
Newcastle	~	251-300	251-275	↑	256	257
Wollongong	~	251-300	276-300	↑	243	283
Macquarie	~	301-350	301-350	↑	229	254
Western Sydney	↓	401-500	351-400	~	651-700	651-700
New England	na	nr	nr	↑	651-700	701+
Charles Sturt	na	nr	nr	~	701+	701+
Southern Cross	↑	401 - 500	nr	na	nr	nr

Key: ↑ Better, ↓ Worse, ~ No change, nr Not rated, na Movement not applicable.

Source: QS World University Rankings and Times Higher Education World University Rankings for 2014–15 and 2015–16.

Overall, NSW universities have improved their world rankings. Southern Cross University has been recognised with in the top 500 Times Higher Education World University Ranking for the first time.

The graph below compares the Times Higher Education and QS World University rankings for 2015-16 for each NSW University against total research income for the year ended 31 December 2014 (lower rankings are better).



Note: Where a range is given for a ranking, the lower range is reported above. Also some universities are not ranked by Times and QS and therefore do not appear in the chart above.

Source: Data analysed from Department Publications, Times and QS rankings for 2015–16.

Research intensive universities, such as the University of Sydney and the University of New South Wales, both received the highest ratings. These universities also receive the most research funding each year.



# Appendix One – Financial Audit Reporting

## Aggregated Results of Operations, Financial Positions and Performance Indicators

The aggregated tables in this appendix give the consolidated results of operations, financial positions and performance indicators for NSW Universities.

Australian Accounting Standards require entities to report certain liabilities as current liabilities irrespective of when they are expected to be settled. As a result, annual leave and long service leave liabilities expected to be settled more than 12 months after the reporting date are excluded for the purposes of calculating current ratios.

## University Information

University	Sydney Metropolitan					
	Macquarie		New South Wales		Sydney	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 \$m	2014 \$m
<b>Abridged statement of comprehensive income (year ended 31 December)</b>						
Australian Government grants	257	242	699	718	708	720
Higher Education Contribution Scheme	179	168	204	198	260	246
Fees and charges	255	264	629	566	608	497
Other	239	225	229	265	465	440
<b>Total revenue</b>	<b>930</b>	<b>899</b>	<b>1,761</b>	<b>1,747</b>	<b>2,041</b>	<b>1,903</b>
Employee benefits and on-costs	520	486	959	942	1,066	974
Depreciation and amortisation	64	60	144	135	174	159
Other	325	318	581	540	641	608
<b>Total expenses</b>	<b>909</b>	<b>864</b>	<b>1,684</b>	<b>1,617</b>	<b>1,881</b>	<b>1,741</b>
<b>Surplus</b>	<b>21</b>	<b>35</b>	<b>77</b>	<b>130</b>	<b>160</b>	<b>162</b>
<b>Other comprehensive income:</b>						
Net increase in revaluation of assets	34	32	61	65	48	40
Other	77	(2)	(26)	(29)	(2)	(10)
<b>Total comprehensive income</b>	<b>132</b>	<b>65</b>	<b>112</b>	<b>166</b>	<b>206</b>	<b>192</b>
<b>Abridged statement of financial position (at 31 December)</b>						
Current assets	418	302	413	332	482	528
Non-current assets	2,426	2,355	4,005	3,950	6,243	5,837
<b>Total assets</b>	<b>2,844</b>	<b>2,657</b>	<b>4,418</b>	<b>4,282</b>	<b>6,725</b>	<b>6,365</b>
Current liabilities	225	172	511	469	393	373
Non-current liabilities	889	888	1,510	1,531	2,123	1,990
<b>Total liabilities</b>	<b>1,114</b>	<b>1,060</b>	<b>2,021</b>	<b>2,000</b>	<b>2,516</b>	<b>2,363</b>
<b>Net assets</b>	<b>1,730</b>	<b>1,597</b>	<b>2,397</b>	<b>2,282</b>	<b>4,209</b>	<b>4,002</b>
<b>Performance indicators (at 31 December)</b>						
Current ratio (a)	2.1	2.1	1.1	1.0	1.7	2.0
Debt to equity percentage	20.5	22.3	1.6	1.7	12.0	10.9
Interest coverage ratio	5.3	5.9	90.0	94.7	15.8	18.2
Operating result as % of total revenue (b)	2.2	3.5	4.3	5.8	7.8	6.8
Student numbers	28,825	28,691	40,171	39,597	45,471	43,265

Sydney metropolitan						
University	Technology Sydney		Western Sydney		Total	
	2015	2014	2015	2014	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Abridged statement of comprehensive income (year ended 31 December)</b>						
Australian Government grants	238	224	342	340	2,244	2,244
Higher Education Contribution Scheme	185	170	221	210	1,049	922
Fees and charges	304	269	94	94	1,890	1,690
Other	100	104	98	86	1,131	1,120
<b>Total revenue</b>	<b>827</b>	<b>767</b>	<b>755</b>	<b>730</b>	<b>6,314</b>	<b>5,976</b>
Employee benefits and on-costs	460	433	442	413	3,447	3,248
Depreciation and amortisation	78	66	40	37	500	457
Other	252	221	232	213	2,031	1,900
<b>Total expenses</b>	<b>790</b>	<b>720</b>	<b>714</b>	<b>663</b>	<b>5,978</b>	<b>5,605</b>
<b>Surplus</b>	<b>37</b>	<b>47</b>	<b>41</b>	<b>67</b>	<b>336</b>	<b>371</b>
<b>Other comprehensive income:</b>						
Net increase in revaluation of assets	38	(13)	110	16	291	140
Other	(1)	(4)	871	5	919	(40)
<b>Total comprehensive income</b>	<b>74</b>	<b>30</b>	<b>1,022</b>	<b>88</b>	<b>1,546</b>	<b>471</b>
<b>Abridged statement of financial position (at 31 December)</b>						
Current assets	239	207	252	162	1,804	1,531
Non-current assets	2,370	2,271	1,969	1,853	17,013	16,266
<b>Total assets</b>	<b>2,609</b>	<b>2,478</b>	<b>2,221</b>	<b>2,015</b>	<b>18,817</b>	<b>17,797</b>
Current liabilities	244	185	171	149	1,544	1,348
Non-current liabilities	848	855	443	411	5,813	5,675
<b>Total liabilities</b>	<b>1,092</b>	<b>1,040</b>	<b>614</b>	<b>560</b>	<b>7,357</b>	<b>7,023</b>
<b>Net assets</b>	<b>1,517</b>	<b>1,438</b>	<b>1,607</b>	<b>1,455</b>	<b>11,460</b>	<b>10,774</b>
<b>Performance indicators (at 31 December)</b>						
Current ratio (a)	1.3	1.7	2.0	1.6	1.6	1.6
Debt to equity percentage	16.3	17.1	4.7	5.2	11.0	10.7
Interest coverage ratio	9.8	25.0	47.7	57.9	33.7	19.9
Operating result as % of total revenue (b)	4.5	5.4	5.1	7.3	5.3	5.9
Student numbers	29,164	27,747	33,668	32,912	177,299	172,212

Key: All data except 'Student numbers' and 'Students per academic' are based on financial statements (audited).

Performance indicators as per the Australian Government Department of Education and Training's manual for Australian Universities' are:

- a Current Ratio – an indicator of liquidity. Good practice is a ratio of more than 1.5 to less than three.
- b Employee benefits and on-costs as a percentage of operating revenue – good practice is between 50 and 70 per cent. Operating revenue is total income per the university's financial statements, less capital grants.  
Operating result less capital grants as a percentage of total operating revenue – should be positive with a safety margin.

University	Major regional					
	Newcastle		Wollongong		Total	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 \$m	2014 \$m
<b>Abridged statement of comprehensive income (year ended 31 December)</b>						
Australian Government grants	301	298	218	230	519	528
Higher Education Contribution Scheme	143	143	103	100	246	243
Fees and charges	118	112	239	207	357	319
Other	157	141	111	80	268	221
<b>Total revenue</b>	<b>719</b>	<b>694</b>	<b>671</b>	<b>617</b>	<b>1,390</b>	<b>1,311</b>
Employee benefits and on-costs	382	380	375	354	757	734
Depreciation and amortisation	39	37	38	37	77	74
Other	235	233	207	199	442	432
<b>Total expenses</b>	<b>656</b>	<b>650</b>	<b>620</b>	<b>590</b>	<b>1,276</b>	<b>1,240</b>
<b>Surplus</b>	<b>63</b>	<b>44</b>	<b>51</b>	<b>27</b>	<b>114</b>	<b>71</b>
<b>Other comprehensive income:</b>						
Net increase in revaluation of assets	(9)	12	--	--	(9)	12
Other	8	5	8	4	16	9
<b>Total comprehensive income</b>	<b>62</b>	<b>61</b>	<b>59</b>	<b>31</b>	<b>121</b>	<b>92</b>
<b>Abridged statement of financial position (at 31 December)</b>						
Current assets	291	230	421	300	712	530
Non-current assets	1,669	1,640	1,149	1,199	2,818	2,839
<b>Total assets</b>	<b>1,960</b>	<b>1,870</b>	<b>1,570</b>	<b>1,499</b>	<b>3,530</b>	<b>3,369</b>
Current liabilities	245	147	167	266	412	413
Non-current liabilities	461	530	371	417	832	947
<b>Total liabilities</b>	<b>706</b>	<b>677</b>	<b>538</b>	<b>683</b>	<b>1,244</b>	<b>1,360</b>
<b>Net assets</b>	<b>1,254</b>	<b>1,193</b>	<b>1,032</b>	<b>816</b>	<b>2,286</b>	<b>2,009</b>
<b>Performance indicators (at 31 December)</b>						
Current ratio (a)	1.5	2.3	3.9	1.5	2.8	1.7
Debt to equity percentage	6.8	7.1	0.1	16.1	6.5	10.8
Interest coverage ratio	23.1	16.9	23.0	10.2	23.1	13.1
Operating result as % of total revenue (b)	7.0	5.4	6.1	(0.2)	8.1	2.8
Student numbers	23,953	25,582	23,492	23,502	47,445	49,084

Key: All data except 'Student numbers' are based on financial statements (audited).

Performance indicators as per Australian Government Department of Education and Training's manual for Australian Universities' are:

- a Current Ratio – an indicator of liquidity. Good practice is a ratio of more than 1.5 to less than three.
- b Employee benefits and on-costs as a percentage of operating revenue – good practice is between 50 and 70 per cent. Operating revenue is total income per the university's financial statements, less capital grants.  
Operating result less capital grants as a percentage of total operating revenue – should be positive with a safety margin.

University	Country			
	Charles Sturt		New England	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
<b>Abridged statement of comprehensive income (year ended 31 December)</b>				
Australian Government grants	208	207	164	155
Higher Education Contribution Scheme	131	119	73	72
Fees and charges	126	118	45	44
Other	45	56	43	38
<b>Total revenue</b>	<b>510</b>	<b>500</b>	<b>325</b>	<b>309</b>
Employee benefits and on-costs	271	266	180	179
Depreciation and amortisation	37	34	25	21
Other	164	160	104	104
<b>Total expenses</b>	<b>472</b>	<b>460</b>	<b>309</b>	<b>304</b>
<b>Surplus/(deficit)</b>	<b>38</b>	<b>40</b>	<b>16</b>	<b>5</b>
<b>Other comprehensive income:</b>				
Net increase in revaluation of assets	21	16	5	17
Other	4	4	5	4
<b>Total comprehensive income</b>	<b>63</b>	<b>60</b>	<b>26</b>	<b>26</b>
<b>Abridged statement of financial position (at 31 December)</b>				
Current assets	128	106	156	133
Non-current assets	1,327	1,260	673	652
<b>Total assets</b>	<b>1,455</b>	<b>1,366</b>	<b>829</b>	<b>785</b>
Current liabilities	101	99	58	56
Non-current liabilities	423	402	371	357
<b>Total liabilities</b>	<b>524</b>	<b>501</b>	<b>429</b>	<b>413</b>
<b>Net assets</b>	<b>931</b>	<b>865</b>	<b>400</b>	<b>372</b>
<b>Performance indicators (at 31 December)</b>				
Current ratio (a)	1.7	1.5	2.4	3.7
Debt to equity percentage	3.0	3.3	5.0	5.4
Interest coverage ratio	70.4	44.7	38.3	50.7
Operating result as a % of total revenue (b)	7.4	5.8	1.0	(3.0)
Student numbers	21,918	22,018	11,667	11,659

University	Country			
	Southern Cross		Total	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
<b>Abridged statement of comprehensive income (year ended 31 December)</b>				
Australian Government grants	97	115	469	477
Higher Education Contribution Scheme	52	52	256	243
Fees and charges	29	24	200	186
Other	22	21	110	115
<b>Total revenue</b>	<b>200</b>	<b>212</b>	<b>1,035</b>	<b>1,021</b>
Employee benefits and on-costs	123	123	574	568
Depreciation and amortisation	12	11	74	66
Other	69	65	337	329
<b>Total expenses</b>	<b>204</b>	<b>199</b>	<b>985</b>	<b>963</b>
<b>Surplus/(deficit)</b>	<b>(4)</b>	<b>13</b>	<b>50</b>	<b>58</b>
<b>Other comprehensive income:</b>				
Net increase in revaluation of assets	9	--	35	33
Other	--	--	9	8
<b>Total comprehensive income</b>	<b>5</b>	<b>13</b>	<b>94</b>	<b>99</b>
<b>Abridged statement of financial position (at 31 December)</b>				
Current assets	33	41	317	285
Non-current assets	343	320	2,343	2,230
<b>Total assets</b>	<b>376</b>	<b>361</b>	<b>2,660</b>	<b>2,515</b>
Current liabilities	51	50	210	205
Non-current liabilities	103	94	897	853
<b>Total liabilities</b>	<b>154</b>	<b>144</b>	<b>1,107</b>	<b>1,058</b>
<b>Net assets</b>	<b>222</b>	<b>217</b>	<b>1,553</b>	<b>1,457</b>
<b>Performance indicators (at 31 December)</b>				
Current ratio (a)	0.9	1.1	2.4	2.0
Debt to equity percentage	6.7	5.7	4.5	4.2
Interest coverage ratio	10.9	19.1	39.9	36.0
Operating result as a % of total revenue (b)	(3.0)	(4.7)	3.6	1.1
Student numbers	9,143	9,148	42,728	42,825

Key: All data except 'Student numbers' are based on financial statements (audited).

Performance indicators as per Australian Government's Department of Education and Training's manual for Australian Universities' are:

- a Current Ratio – an indicator of liquidity. Good practice is a ratio of more than 1.5 to less than three.
- b Employee benefits and on-costs as a percentage of operating revenue – good practice is between 50 and 70 per cent. Operating Revenue is total income per the university's financial statements, less capital grants.  
Operating Result less capital grants as a percentage of total operating revenue – should be positive with a safety margin.

# Appendix Two – Financial Sustainability

Indicator	Formula	Description
Operating margin (percentage)	Operating result excluding capital revenue/Total income excluding capital revenue In 2014, a one-off income from State Authorities Non-contributory Superannuation (SANCS) receivable from Australian Government was excluded in the calculation.	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.
Current (ratio)	Current assets/current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio above one means there is more cash and current assets than short-term liabilities.</p> <p>Current liabilities exclude current annual leave and long service leave liabilities expected to be settled after 12 months.</p>
Debt to equity percentage	Debt/equity	<p>This is a longer-term measure that compares all current and non-current interest bearing borrowings to equity.</p> <p>It complements the current ratio which is a short-term measure.</p> <p>A low percentage indicates less reliance on debt to finance the capital structure of an organisation.</p>
Interest coverage (ratio)	Operating result before interest, tax, depreciation and amortisation/Interest incurred	This ratio indicates the extent to which earnings are available to meet interest payments. A lower ratio indicates less earnings are available and the business is more vulnerable to increases in interest rates.



## Appendix Three – List of NSW Universities

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Ten universities, established under State legislation, provide higher education in New South Wales:

University	Website
<b>Sydney metro</b>	
Macquarie University (MU)	<a href="http://www.mq.edu.au">www.mq.edu.au</a>
University of New South Wales (UNSW)	<a href="http://www.unsw.edu.au">www.unsw.edu.au</a>
The University of Sydney (USYD)	<a href="http://www.sydney.edu.au">www.sydney.edu.au</a>
University of Technology, Sydney (UTS)	<a href="http://www.uts.edu.au">www.uts.edu.au</a>
University of Western Sydney (WSU)	<a href="http://www.uws.edu.au">www.uws.edu.au</a>
<b>Major regional</b>	
University of Newcastle (UN)	<a href="http://www.newcastle.edu.au">www.newcastle.edu.au</a>
University of Wollongong (UW)	<a href="http://www.uow.edu.au">www.uow.edu.au</a>
<b>Country</b>	
Charles Sturt University (CSU)	<a href="http://www.csu.edu.au">www.csu.edu.au</a>
University of New England (UNE)	<a href="http://www.une.edu.au">www.une.edu.au</a>
Southern Cross University (SCU)	<a href="http://www.scu.edu.au">www.scu.edu.au</a>

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# Appendix Four – Agencies not Commented on in this Volume, by Minister

Entity name	Website	Period/year ended
<b>Minister for Education</b>		
<b>Macquarie University</b>		
Access Macquarie Limited	<a href="http://www.accessmq.com.au">www.accessmq.com.au</a>	31 December 2015
Australian Proteome Analysis Facility Limited	<a href="http://www.proteome.org.au">www.proteome.org.au</a>	31 December 2015
CMBF Limited	<a href="http://www.mq.edu.au">www.mq.edu.au</a>	31 December 2015
Macquarie University Property Investment Company Pty Limited	<a href="http://www.mq.edu.au">www.mq.edu.au</a>	31 December 2015
Macquarie University Property Investment Trust	<a href="http://www.mq.edu.au">www.mq.edu.au</a>	31 December 2015
MGSM Limited	<a href="http://www.mgsm.edu.au">www.mgsm.edu.au</a>	31 December 2015
MUH Operations No. 2 Pty Limited	<a href="http://www.muh.org.au">www.muh.org.au</a>	31 December 2015
Risk Frontiers Flood (Australia) Pty Ltd	<a href="http://www.riskfrontiers.com">www.riskfrontiers.com</a>	31 December 2015
Risk Frontiers Group Pty Ltd	<a href="http://www.riskfrontiers.com">www.riskfrontiers.com</a>	31 December 2015
U@MQ Limited	<a href="http://www.mq.edu.au">www.mq.edu.au</a>	31 December 2015
Macquarie University Clinical Associates Pty Ltd	*	31 December 2015
MUPH Clinic Pty Limited	*	31 December 2015
MUH Operations Pty Limited	*	31 December 2015
MUH Hospital Pty Limited	*	31 December 2015
Macquarie University Property Investment Company No.3 Pty Limited	*	31 December 2015
COH Property Trust	*	31 December 2015
<b>University of New South Wales</b>		
Australian Education Consultancy Limited	*	31 December 2015
Cystemix Pty Limited	*	31 December 2015
NewSouth Innovations Pty Limited	<a href="http://www.innovations.unsw.edu.au">www.innovations.unsw.edu.au</a>	31 December 2015
Qucor Pty Ltd	*	31 December 2015
The New South Wales Minerals Industry/University of NSW Education Trust	–	31 December 2015
University of New South Wales Foundation	<a href="http://www.ufs.unsw.edu.au">www.ufs.unsw.edu.au</a>	31 December 2015
University of New South Wales Foundation Limited	<a href="http://www.ufs.unsw.edu.au.au">www.ufs.unsw.edu.au.au</a>	31 December 2015
University of New South Wales Press Limited	<a href="http://www.unswpress.com">www.unswpress.com</a>	31 December 2015
UNSW & Study Abroad - Friends and U.S. Alumni, Inc.	*	31 December 2015
UNSW Global (Singapore) Pte Limited	<a href="http://www.unswglobal.unsw.edu.au">www.unswglobal.unsw.edu.au</a>	31 December 2015
UNSW Global Pty Limited	<a href="http://www.unswglobal.unsw.edu.au">www.unswglobal.unsw.edu.au</a>	31 December 2015
UNSW Hong Kong Foundation Limited	<a href="http://www.unswglobal.unsw.edu.au">www.unswglobal.unsw.edu.au</a>	31 December 2015
UK Friends of UNSW Australia	*	31 December 2015
UNSW Global India Pvt Limited	<a href="http://www.unswglobal.unsw.edu.au">www.unswglobal.unsw.edu.au</a>	30 June 2015
Scientia Clinical Research Limited	*	31 December 2016
UNSW Hong Kong Limited	<a href="http://www.unswglobal.unsw.edu.au">www.unswglobal.unsw.edu.au</a>	31 December 2015

\* This entity has no website.

Entity name	Website	Period/year ended
<b>Minister for Education</b>		
<b>University of Sydney</b>		
Sydney Talent Pty Limited	*	31 December 2015
SydneyLearning Pty Limited	<a href="http://www.sydneylearning.nsw.edu.au">www.sydneylearning.nsw.edu.au</a>	31 December 2015
The Warren Centre for Advanced Engineering Limited	<a href="http://www.thewarrencentre.org.au">www.thewarrencentre.org.au</a>	31 December 2015
A14 Holdings Pty Ltd	*	31 December 2015
United States Studies Centre Limited	<a href="http://www.ussc.edu.au">www.ussc.edu.au</a>	31 December 2015
Westmead IVF Pty Limited	*	31 December 2015
<b>University of Technology, Sydney</b>		
accessUTS Pty Limited	<a href="http://www.accessuts.com.au">www.accessuts.com.au</a>	31 December 2015
Insearch (Shanghai) Limited	<a href="http://www.insearch.edu.au">www.insearch.edu.au</a>	31 December 2015
Insearch Education International Pty Limited	<a href="http://www.insearch.edu.au">www.insearch.edu.au</a>	31 December 2015
Insearch Limited	<a href="http://www.insearch.edu.au">www.insearch.edu.au</a>	31 December 2015
Pivot Pty Ltd	<a href="http://www.pivotgroup.com.au">www.pivotgroup.com.au</a>	31 December 2015
Sydney Educational Broadcasting Limited	<a href="http://www.2ser.com">www.2ser.com</a>	31 December 2015
UTS Global Pty Limited	*	31 December 2015
<b>University of Western Sydney</b>		
Television Sydney (TVS) Limited	<a href="http://www.tvs.org.au">www.tvs.org.au</a>	31 December 2015
UWS Early Learning Limited	<a href="http://www.uws.edu.au/campuses_structures/cas/services_facilities/childcare">www.uws.edu.au/campuses_structures/cas/services_facilities/childcare</a>	31 December 2015
uwsconnect Limited	<a href="http://www.uws.edu.au/uwsconnect">www.uws.edu.au/uwsconnect</a>	31 December 2015
UWS Enterprises Pty Limited	<a href="http://www.uwscollege.edu.au">www.uwscollege.edu.au</a>	31 December 2015
Whitlam Institute within the University of Western Sydney Limited	<a href="http://www.whitlam.org">www.whitlam.org</a>	31 December 2015
Whitlam Institute within the University of Western Sydney Trust	<a href="http://www.whitlam.org">www.whitlam.org</a>	31 December 2015
<b>University of Newcastle</b>		
Newcastle Innovation Limited	<a href="http://www.newcastleinnovation.com.au">www.newcastleinnovation.com.au</a>	31 December 2015
UON Singapore Pte Ltd	<a href="http://www.newcastle.edu.au">www.newcastle.edu.au</a>	31 December 2015
<b>University of Wollongong</b>		
UOWC Limited	<a href="http://www.uowenterprises.com.au">www.uowenterprises.com.au</a>	31 December 2015
UOWD Limited	<a href="http://www.uowenterprises.com.au">www.uowenterprises.com.au</a>	31 December 2015
The Sydney Business School Pty Limited	*	31 December 2015
University of Wollongong Recreation and Aquatic Centre Limited	<a href="http://www.urac.com.au">www.urac.com.au</a>	31 December 2015
Wollongong UniCentre Limited	<a href="http://www.unicentre.uow.edu.au">www.unicentre.uow.edu.au</a>	31 December 2015
Community College of City University Limited	*	30 June 2015
CCCU Trust	*	31 December 2016
University of Wollongong Asset Trust	*	31 December 2016
The University of Wollongong USA Foundation	*	31 December 2015
<b>Charles Sturt University</b>		
Charles Sturt Campus Services Limited	<a href="http://www.csu.edu.au">www.csu.edu.au</a>	31 December 2015
Charles Sturt University Foundation Trust	*	31 December 2015
<b>University of New England</b>		
Agricultural Business Research Institute	<a href="http://abri.une.edu.au">abri.une.edu.au</a>	31 December 2015
UNE Life Pty Limited	<a href="http://www.unelife.com.au">www.unelife.com.au</a>	31 December 2015
Sport UNE Pty Limited	<a href="http://www.sportune.com.au">www.sportune.com.au</a>	31 December 2015
UNE Foundation	<a href="http://www.une.edu.au">www.une.edu.au</a>	31 December 2015
UNE Foundation Ltd	<a href="http://www.une.edu.au">www.une.edu.au</a>	31 December 2015
UNE Partnerships Pty Ltd	<a href="http://www.une.edu.au">www.une.edu.au</a>	31 December 2015
<b>Southern Cross University</b>		
Norsearch Limited	<a href="http://norsearch.scu.edu.au">norsearch.scu.edu.au</a>	31 December 2015

\* This entity has no website.

# Appendix Five – Risk Management Maturity Assessment Tool

Maturity Scale	Assessment Criteria	Strategy and governance	Process	Systems & Intelligence	Monitoring and Review	Culture
	<b>Optimised</b>	Leading edge, aligned risk management and mitigation strategies in place. Accountability and responsibilities for risk management functions clearly defined. Audit and Risk Committees committed to regular assessment of the risk management function. Three lines of defence articulated and implemented. Risk management incorporated in daily operations. Risk appetite and tolerance levels communicated.	Loss Prevention and risk management processes are standardised and integrated organisation-wide. Proactive audit and program compliance enforcement exists. Formal and comprehensive program of stress testing is conducted regularly on all key risks. Risk management process is auditable. Key Risk Indicators (KRIs) are used extensively across the organisation. Best practices achieved for risk management.	Highly automated and reliable information sharing capability organisation-wide enabling quick response, remediation and mitigation of risk incidents/issues. Fully integrated and advanced enterprise risk management (ERM) system. Use of sophisticated tools and data collection to quantify risks. Predictive analytics used extensively across the risk management framework.	Aligned strategic methodologies that emphasise continuous improvement exist. Fully implemented formal escalation process for all key risks across the organisation on a real time basis is fully implemented and working. Risk appetite delegations exist for all levels of the agency and used as a basis for risk acceptance or rejection. Governing Board and executive management oversight and monitoring visible.	Risk profiles linked to corporate and strategic goals. Governing Board and Executive management leading in risk management consciousness. Leading in key risk indicators which are related to strategic and corporate goals. There is a clear ownership of all risks and controls. Risk is considered an opportunity as well as a threat. Risk management is seen as an enabler. Staff have some component of their personal KPIs related to risk.
	<b>Consistent-Implemented</b>	Strategic and risk management plans and policies drive actions in all levels of the organisation. There is organisation buy-in of risk management procedures. Chief Risk Officer or equivalent appointed.	Risk management processes standardised and enforced at all levels. Stress testing used in risk quantification and contingency planning. Risk management practices deliverables sustained. KRIs used as an early warning system.	A single main ERM system. High quality reporting of risk incidents and issues available through enabling technology solutions depending on the size and needs of the organisation. Improved controls and compliance reporting available for resource deployment and decision making.	Targeted and specialised programs focusing on elimination of root causes of loss/risk incident implemented. Exception reporting and predictive analysis improves resource allocation.	The Governing Board has a specific focus on risk management at all audit and risk committee meetings. Risk incidents are dealt with consistently. Risk management is an explicit part of business planning. Effective education and communication strategies integrated into organisations' governance and risk programs.
	<b>Consistent-Designed</b>	Annual risk management plans created. Risk appetite statement and risk tolerance established. There is a well articulated risk management methodology together with relevant policies. No specific procedures exist. The three lines of defence are recognised across the organisation.	Risk and risk components are defined. Risk management processes defined at the business unit or division level. Aggregated KRI reports are produced. KRIs include some leading indicators.	Some capacities to track key milestones and compliance. coverage of data is not extensive and not real time. Some availability of risk incidents, issues and trend reports. Risk analytics process not fully implemented across the organisation.	Formalised risk monitoring and review methodologies allow improved analysis and response for critical decision making. Effective system of formal risk incident reporting and tracking and data repositories. Formal escalation process for risk related matters exist but not fully operational.	Systematic risk monitoring. The ERM framework includes the requirement for all risks and controls to have an assigned owner. Most employees are neutral regarding the value of risk management as it is not fully understood or practiced. Process of including risk related staff KPIs not fully embedded.
	<b>Inconsistent</b>	There is a high level risk management methodology articulated. There is a separate audit function but no separate risk management function. Risk appetite statement is articulated qualitatively and no reporting exists.	Risk management processes and control management applied inconsistently. Some use of risk management and control assessment templates and risk register. Controls testing on an ad hoc basis.	A range of systems used with minimum tailoring capability. No integration of risk systems. Reports produced from various systems in excel and word. Limited analytics on historical data. Compliance and performance measured manually on annual basis.	Simple tools used inconsistently. Risk management often captured on spreadsheet and risk control strategies reliant on "word of mouth" delivery. Some areas of the organisation use risk incidents and issues to develop actions but are applied inconsistently.	The Governing Board discusses some risk matters but there is no specific agenda item for risk. Some risks do not have specific owners. Poorly communicated, risk management may be misunderstood and taken as proxy for conservatism and risk avoidance. Some risk related KPIs while most are qualitative.
	<b>Initial</b>	Risk not addressed as a strategic opportunity. The organisation provides little risk management direction.	No standard Risk Management processes and procedures. No definition formalised and communicated to staff. Lack of operational controls leads to uncontrolled risk loss. Risk management often ad-hoc and reactive. No formal KRI process to track current levels of risk.	Critical information not available. No capacity to track risk management and exposure through incidents and events. No capacity to evaluate operational controls and compliance. Compliance and performance measured sporadically. Manual reporting with limited data integrity. No capability to conduct analytics.	Governing Board and senior management have no, or a very small level, of involvement in risk related matters. No risk compliance or performance monitoring methodology. No process for continuous improvement for risk management in the organisation. Unable to achieve predictive analysis.	No formal risk management and mitigation strategy. There is no clear ownership of risks and controls. Risk management serves to achieve organisational compliance. Risk management is considered a hindrance and an overhead.

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