

# **Albury Base**

## **Financial Statements**

for the year ended 30 June 2017



## INDEPENDENT AUDITOR'S REPORT

### Albury Base Hospital

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Albury Base Hospital (the Entity), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Secretary's Responsibility for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary must assess the Entity's ability to continue as a going concern except where the Entity's operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Entity carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Clayton  
Director, Financial Audit Services

26 September 2017  
SYDNEY

**Albury Base Hospital**  
**Certification of financial statements**  
**for the year ended 30 June 2017**

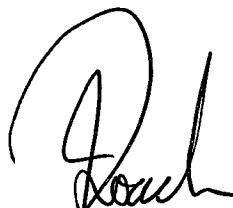
We state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Albury Base Hospital for the year ended 30 June 2017 have been prepared in accordance with:
  - a) Australian Accounting Standards (which include Australian Accounting Interpretations); and
  - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions; and
  - c) the financial Reporting Directions issued by the Treasurer under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Albury Base Hospital; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Elizabeth Koff  
Secretary, NSW Health

25 September 2017



John Roach PSM  
Chief Financial Officer & Deputy Secretary,  
Finance Services and Asset Management  
Division

25 September 2017

Albury Base Hospital  
Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	Actual 2017 \$000	Actual 2016 \$000
<b>Expenses excluding losses</b>			
Depreciation	3	2,774	2,424
<b>Total expenses excluding losses</b>		2,774	2,424
 <b>Revenue</b>		 -	 -
 <b>Net result</b>		 (2,774)	 (2,424)
 <b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Net Increase in property, plant and equipment		-	-
Revaluation surplus	4	-	8,811
<b>Total other comprehensive income</b>		-	8,811
 <b>TOTAL COMPREHENSIVE INCOME</b>		 (2,774)	 6,387

The accompanying notes form part of these financial statements.

Albury Base Hospital  
Statement of Financial Position as at 30 June 2017

	Notes	Actual 2017 \$000	Actual 2016 \$000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment			
- Land and buildings	4	63,793	66,524
- Infrastructure systems	4	691	734
Total property, plant and equipment		64,484	67,258
<b>Total Non-Current Assets</b>		<b>64,484</b>	<b>67,258</b>
<b>Total Assets</b>		<b>64,484</b>	<b>67,258</b>
<b>Liabilities</b>			
<b>Total liabilities</b>		-	-
<b>Net assets</b>		<b>64,484</b>	<b>67,258</b>
<b>Equity</b>			
Reserves		8,811	8,811
Accumulated funds		55,673	58,447
<b>Total Equity</b>		<b>64,484</b>	<b>67,258</b>

The accompanying notes form part of these financial statements.

**Albury Base Hospital**  
**Statement of Changes in Equity for the year ended 30 June 2017**

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2016		58,447	8,811	67,258
Net result for the year		(2,774)	-	(2,774)
Other comprehensive income:				
Net increase in property, plant & equipment	4	-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income for the year		(2,774)	-	(2,774)
<b>Balance at 30 June 2017</b>		<b>55,673</b>	<b>8,811</b>	<b>64,484</b>
Balance at 1 July 2015		60,871	-	60,871
Net result for the year		(2,424)	-	(2,424)
Other comprehensive income:				
Net increase in property, plant & equipment	4	-	8,811	8,811
Total other comprehensive income		-	8,811	8,811
Total comprehensive income for the year		(2,424)	8,811	6,387
<b>Balance at 30 June 2016</b>		<b>58,447</b>	<b>8,811</b>	<b>67,258</b>

The accompanying notes form part of these financial statements.

Albury Base Hospital  
Statement of Cash Flows for the year ended 30 June 2017

	Actual	Actual
	2017	2016
	\$000	\$000
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE / (DECREASE) IN CASH	-	-
OPENING CASH AND CASH EQUIVALENTS	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-

The accompanying notes form part of these financial statements.



**Albury Base Hospital**  
**Notes to the financial statements**  
**for the year ended 30 June 2017**

**1. The reporting entity**

The Albury Base Hospital (ABH), is a reporting entity that comprises the property, plant and equipment of the facility. The provision of services at the hospital is covered by contract arrangement with Albury Wodonga Health, a Victorian Government entity. ABH is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The ABH is a not for profit entity (as profit is not its principal objective). It is a subsidiary of the Ministry of Health, an entity controlled by the ultimate parent. The Ministry of Health is referred as the immediate parent in the financial statements.

The financial statements for the year ended 30 June 2017 have been authorised for issue by the Secretary, NSW Health on 25 September 2017.

**2. Summary of significant accounting policies**

**a) Basis of preparation**

The ABH's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the financial reporting directions issued by the Treasurer.

Property, plant and equipment are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**b) Comparative information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

**c) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

**d) Acquisition of assets**

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Land and buildings which are owned by the Health Administration Corporation, an entity controlled by the immediate parent, or the State and used by the ABH are deemed controlled by the ABH and are recognised in these financial statements.

**Albury Base Hospital**  
**Notes to the financial statements**  
**for the year ended 30 June 2017**

**2 Summary of significant accounting policies (continued)**

**e) Capitalisation thresholds**

Property, plant & equipment costing \$10,000 and above will be capitalised.

**f) Depreciation of property, plant and equipment**

Depreciation is provided on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the ABH. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

Depreciation rates for each asset class are as follows:

- Buildings	2.5%
- Infrastructure Systems	2.5%

**g) Revaluation of non-current assets**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 4 and Note 5 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The ABH conducts a comprehensive revaluation of all its assets every three years. A revaluation was undertaken in the 2015/16 financial year and was based on an independent assessment. Interim revaluations are conducted between comprehensive revaluations where cumulative changes suggest fair value may differ materially from carrying value. Indices sourced from externally qualified valuers are used for the purpose of these interim valuations.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The ABH has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

**Albury Base Hospital**  
**Notes to the financial statements**  
**for the year ended 30 June 2017**

**2 Summary of significant accounting policies (continued)**

**(g) Revaluation of non-current assets (continued)**

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued and is subsequently disposed of, any remaining balance in the revaluation surplus in respect of that asset is transferred to accumulated funds.

**h) Fair value hierarchy**

When measuring fair value for property, plant and equipment, the valuation technique that is used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *Fair Value Measurement*, the ABH categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- **Level 1** – quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- **Level 3** – inputs that are not based on observable market data (unobservable inputs).

ABH recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 4 and Note 5 for further disclosures regarding fair value measurements of property, plant and equipment .

**i) Equity and reserves**

**(i) Accumulated funds**

The category "Accumulated Funds" includes all current and prior period retained funds.

**(ii) Revaluation surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of property, plant and equipment. This accords with ABH's policy on the revaluation of property, plant and equipment as discussed in 2 (g).

**Albury Base Hospital**  
**Notes to the financial statements**  
**for the year ended 30 June 2017**

**2 Summary of significant accounting policies (continued)**

**j) Changes in accounting policy, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in 2016-17**

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 Related Party Disclosures to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. ABH has assessed the potential impact of new standards and interpretations issued but not yet effective and they are unlikely to have a material impact on the financial statements of ABH.

Albury Base Hospital  
Notes to the financial statements  
for the year ended 30 June 2017

	Actual 2017 \$'000	Actual 2016 \$'000
<b>3. Depreciation</b>		
Depreciation - buildings	2,731	2,402
Depreciation - infrastructure systems	43	22
	<b>2,774</b>	<b>2,424</b>
<b>4. Property, plant and equipment</b>		
<b>Land and Buildings - Fair Value</b>		
Gross Carrying Amount	108,830	108,830
Accumulated Depreciation and Impairment	(45,037)	(42,306)
	<b>63,793</b>	<b>66,524</b>
<b>Infrastructure Systems - Fair Value</b>		
Gross Carrying Amount	1,440	1,440
Accumulated Depreciation and Impairment	(749)	(706)
	<b>691</b>	<b>734</b>
<b>Total Property, Plant and Equipment</b>	<b>64,484</b>	<b>67,258</b>

Albury Base Hospital  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

4. Property, plant and equipment (continued)

Property, plant and equipment reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land and Buildings \$000	Infrastructure Systems \$000	Total \$000
<b>2017</b>			
Net carrying amount at start of year	66,524	734	67,258
Depreciation expense	(2,731)	(43)	(2,774)
Net carrying amount at end of year	<b>63,793</b>	<b>691</b>	<b>64,484</b>

	Land and Buildings \$000	Infrastructure Systems \$000	Total \$000
<b>2016</b>			
Net carrying amount at start of year	60,379	492	60,871
Net Revaluation Increment Less Revaluation Decrements	8,547	264	8,811
Depreciation expense	(2,402)	(22)	(2,424)
Net carrying amount at end of year	<b>66,524</b>	<b>734</b>	<b>67,258</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 5.

Albury Base Hospital  
Notes to the financial statements  
for the year ended 30 June 2017

5. Fair value measurement of non-financial assets

a) Fair value hierarchy

Year ended 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Property, plant and equipment (Note 4)</b>				
- Land and buildings	-	-	63,793	63,793
- Infrastructure systems	-	-	691	691
	<u>-</u>	<u>-</u>	<u>64,484</u>	<u>64,484</u>

There were no transfers between level 1 and 2 during the year ended 30 June 2017

Year ended 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Property, plant and equipment (Note 4)</b>				
- Land and buildings	-	-	66,524	66,524
- Infrastructure systems	-	-	734	734
	<u>-</u>	<u>-</u>	<u>67,258</u>	<u>67,258</u>

There were no transfers between level 1 and 2 during the year ended 2016

**Albury Base Hospital**  
**Notes to the financial statements**  
**for the year ended 30 June 2017**

**5. Fair value measurement of non-financial assets (continued)**

**(b) Valuation Techniques, Inputs and Processes**

For land, buildings and infrastructure systems the ABH obtain external valuations by independent valuers every three years. The valuer used is an independent person and is not an employee of the ABH.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer note 4 reconciliation.

In accordance with AASB 13 *Fair Value Measurement*, no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

The non-current assets categorised in a) above have been measured at Level 3 based on the following valuation techniques and inputs:

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

The majority of the restricted land has been classified as Level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

For buildings and infrastructure systems, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential and commercial properties are valued on a market approach and included in level 2.



**Albury Base Hospital**  
**Notes to the financial statements**  
**for the year ended 30 June 2017**

**5. Fair value measurement of non-financial assets (continued)**

**(b) Valuation Techniques, Inputs and Processes (continued)**

**Level 3 disclosures:**

The fair value of buildings computed by suitably qualified independent valuers using a methodology known as the depreciated replacement cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process, the relationship to the estimated fair value and the sensitivity to changes in unobservable inputs.

Assets	Valuation Technique	Valuation inputs
Land under specialised building(s)	Market approach	This valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for restrictions specific for the property (e.g. mandated use and/or zoning).
Specialised Buildings	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.
Non-Specialised Buildings	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.
Infrastructure systems	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent infrastructure asset on a rate per square metre basis; depreciated to reflect the assets remaining useful life.

Albury Base Hospital  
Notes to the financial statements  
Albury Base Hospital

5. Fair value measurement of non-financial assets (continued)

c) Reconciliation of Recurring Level 3 Fair Value Measurements

Year ended 30 June 2017	Land and buildings \$'000	Infrastructure systems \$'000	Total Level 3 recurring \$'000
Fair Value at 1 July 2016	66,524	734	67,258
Revaluation increments/decrements recognised in reserves	-	-	-
Depreciation	(2,731)	(43)	(2,774)
Fair Value as at 30 June 2017	<u>63,793</u>	<u>691</u>	<u>64,484</u>

Year ended 30 June 2016	Land and buildings \$'000	Infrastructure systems \$'000	Total Level 3 recurring \$'000
Fair Value at 1 July 2015	60,379	492	60,871
Revaluation increments/decrements recognised in reserves	8,547	264	8,811
Depreciation	(2,402)	(22)	(2,424)
Fair Value as at 30 June 2016	<u>66,524</u>	<u>734</u>	<u>67,258</u>

6. Commitments, contingent assets and contingent liabilities

At reporting date, there are no known contingent liabilities, contingent assets or commitments.

**Albury Base Hospital**  
**Notes to the financial statements**  
**Albury Base Hospital**

**7. Related Party Transactions**

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health or its controlled entities. Compensation for the Secretary NSW Health is paid by the Ministry of Health and is not reimbursed by ABH. Accordingly, no key management personnel compensation is disclosed in these financial statements. The personnel compensation of the Minister for Health is disclosed in the financial statements of the ultimate parent. The personnel compensation of the Secretary is disclosed in the financial statements of the immediate parent.

**Transactions with key management personnel and their close family members**

There were no transactions between the ABH and key management personnel or their close family members during the reporting year.

**Other related party transactions**

There were no individually significant related party transactions during the year.

There were no transactions with the ultimate parent during the year.

**8. Events after the reporting period**

There are no events subsequent to reporting date requiring disclosure.

**End of audited financial statements**