



INDEPENDENT AUDITOR'S REPORT

Albury Wodonga Health Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Albury Wodonga Health Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2013, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2013, and of the financial performance and the 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Director-General's Responsibility for the Financial Statements

The Director-General of the NSW Ministry of Health is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Director-General determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

S Bond

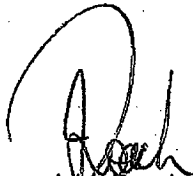
Sally Bond
Director, Financial Audit Services

11 October 2013
SYDNEY

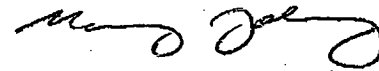
**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
Certification of Financial Statement for the year ended 30 June 2013**

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that in my opinion:

- 1) The financial statements of the Albury Wodonga Health NSW Employment Division Special Purpose Service Entity for the year ended 30 June 2013 have been prepared in accordance with:
 - i) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - ii) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
- 2) The financial statements present a true and fair view of the financial position and financial performance of the Albury Wodonga Health NSW Employment Division Special Purpose Service Entity; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



John Roach
Chief Financial Officer



Dr. Mary Foley
Director General
9 October 2013

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
Statement of Comprehensive Income for the Year Ended 30 June 2013**

	2013	2012
	\$000	\$000
Income		
Other Revenue	-	-
Total Income	<u>-</u>	<u>-</u>
Expenses		
Operating Costs	84	-
Total Expenses	<u>84</u>	<u>-</u>
Net Result For The Year	<u>(84)</u>	<u>-</u>
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	<u>(84)</u>	<u>-</u>

The accompanying notes form part of these Financial Statements.

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
Statement of Financial Position as at 30 June 2013**

	Notes	2013 \$000	2012 \$000
ASSETS			
Receivables (Current)	2	-	5,453
Total Current Assets		<u>-</u>	<u>5,453</u>
Total Assets		<u>-</u>	<u>5,453</u>
LIABILITIES			
Current Liabilities			
Payables	3	-	238
Provisions	4	-	5,200
Total Current Liabilities		<u>-</u>	<u>5,438</u>
Non-Current Liabilities			
Provisions	4	-	15
Total Non-Current Liabilities		<u>-</u>	<u>15</u>
Total Liabilities		<u>-</u>	<u>5,453</u>
Net Assets		<u>-</u>	<u>-</u>
EQUITY			
Accumulated funds		-	-
Total Equity		<u>-</u>	<u>-</u>

The accompanying notes form part of these Financial Statements

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
Statement of Changes in Equity for the year ended 30 June 2013**

	Notes	2013 \$000	2012 \$000
Accumulated Funds Balance at 1 July		-	-
Result for the Year		(84)	-
Equity Transfers	5	84	-
Accumulated Funds Balance at 30 June		<hr/> -	<hr/> -

The accompanying notes form part of these Financial Statements

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
Statement of Cashflows for the year ended 30 June 2013**

	2013	2012
	\$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 and Closing Cash and Cash Equivalents	-	-

The Albury Wodonga Health NSW Employment Division Special Purpose Service Entity does not hold any cash or cash equivalent assets and therefore there are nil cash flows

The accompanying notes form part of these Financial Statements.

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity**
'Notes to and forming part of the Financial Statements for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The Albury Wodonga Health NSW Employment Division Special Purpose Service Entity

The Albury Wodonga Health (AWH) Special Purpose Service Entity (the Entity), is a Division of the Government Service, established pursuant to section 116(4) of the *Health Services Act 1997*. The creation of the entity enabled the staff primarily employed in connection with the Albury Base Hospital to be transferred from the former Greater Southern Area Health Service (GSAHS) to the new entity. This has resulted in the new entity becoming the employer of the staff at the Albury Base Hospital. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at 73 Miller Street, North Sydney, New South Wales.

The Entity's objective is to provide personnel services to Albury Wodonga Health, the Victorian Government entity appointed to run the Albury Base Hospital. The reporting entity is consolidated as part of the Ministry of Health and NSW Total State Sector Accounts.

The financial statements were authorised for issue by the Director General on 9 October 2013.

b) Basis of Preparation

The Entity's financial statements are general purpose financial statements and have been prepared in accordance with applicable Australian Accounting Standards which include Australian Accounting Interpretations. The statements have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and Treasurer's Directions.

Statement of Compliance

The entity's financial statements comply with Australian Accounting Standards which include Australian Accounting Interpretations.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

Management's judgments, key assumptions and estimates 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.

c) Comparative Information

Except where 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.

d) New Australian Accounting Standards Issued But Not Effective

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial report of the Albury Wodonga Health NSW Employment Division Special Purpose Service Entity.

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

Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
'Notes to and forming part of the Financial Statements for the year ended 30 June 2013

Accounting Standards issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the entity.

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have a material impact.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. Future impact is assessed as

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2013/14 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact on the entity.

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the entity.

AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 1055, Budgetary Reporting, has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted by NSW Treasury for whole of government reporting.

AASB 2010-10 regarding removal of fixed dates for first time adopters, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the entity

AASB 2011-2, Trans-Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration of Key Management Personnel, recognising that this is more a governance issue.

Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
'Notes to and forming part of the Financial Statements for the year ended 30 June 2013

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013. The exemption is not expected to have a material impact.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. The changes have application from 1 July 2013 but are assessed as having no material effect.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119, applicable from 1 July 2013 assessed as having no material impact.

AASB 2011-11, Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements, applicable from 1 July 2013 assessed as having no material impact.

The following changes will depend on the policies determined by NSW Treasury.

AASB 2012-1, Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements. Sets out reduced disclosure requirements as a consequence of the issuance of AASB 13, having application from 1 July 2013.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2012-4, Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards'). Applicable to reporting periods on or after 1 January 2013.

AASB 2012-5 regarding annual improvements 2009 to 2011 cycle. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-7, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-9, Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-10, Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-11, Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments, having application from 1 July 2013.

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, having application from 1 July 2014.

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
'Notes to and forming part of the Financial Statements for the year ended 30 June 2013**

Other significant accounting policies used in the preparation of these financial statements are as follows:

e) Income

Income is measured at the fair value of the consideration received or receivable.

f) Payables

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the

g) Impairment of Financial Assets

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the impairment is recognised in the Result for the Year.

h) De-recognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the Entity has not transferred substantially all the risks and rewards, if the Entity has not retained control.

Where the Entity has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Entity's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

i) Employee Benefits

Annual Leave

The liability for annual leave that is due to be settled within 12 months after the end of the period in which the employees render the service is recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled. All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 14.9% are applied to the value of leave payable at 30 June 2012, such on- costs being determined based on actuarial review to approximate fair value. Rates of 17% were applied in the

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity**

'Notes to and forming part of the Financial Statements for the year ended 30 June 2013

Long Service Leave

Responsibility for Long Service Leave liability transferred to the Crown Entity with effect from 31 December 2010. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are now assumed by the Crown Entity.

Long Service Leave is measured at present value in accordance with AASB119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Ministry of Health Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Superannuation Guarantee Charge) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

j) Loans and Receivables

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the Net Result for the Year on derecognition.

k) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the Net Result for the Year on derecognition.

l) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, *Contributions and Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

	2013 \$000	2012 \$000
2 RECEIVABLES		
Current		
Receivables from the Ministry of Health	-	466
Accrued Income -personnel services provided to AWH	-	4,987
Total Receivables	-	5,453
Details regarding credit risk, liquidity risk and market risk are disclosed in Note 6.		
3 PAYABLES		
Current		
Creditors	-	238
Total Payables	-	238
4 PROVISIONS		
Current Employee Benefits and Related On Costs		
Annual Leave - Short Term Benefit	-	2,135
Annual Leave - Long Term Benefit	-	2,503
Long Service Leave On-Costs	-	562
Total Current Provisions	-	5,200
Non-Current Employee Benefits and Related On Costs		
Long Service Leave On-Costs	-	15
Total Non-Current Provisions	-	15
Aggregate Employee Benefits and Related On Costs		
Provisions - Current	-	5,200
Provisions - Non-Current	-	15
Total	-	5,215

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the year ended 30 June 2013**

5 Increase in Net Assets from Equity Transfers

2011/12

No Equity Transfers occurred in 2011/12.

2012/2013

In 2012/13 the Crown Entity assumed responsibility for the 2.1% oncost for Long Service Leave accrued on Annual Leave. This reduced the Entity's provisions by \$84,000

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

6 Financial Instruments

Financial Instruments arise directly from the Entity's operations or are required to finance its operations. The Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Director General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. The Entity carries minimal risks within its operation as it carries only the value of employee provisions and accrued salaries and wages offset in full by accounts receivable from the Health Reform Transitional Organisation- Southern and AWH (Vic). Risk management policies are established by NSW Ministry of Health to identify and analyse the risk faced by the entity, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/ Internal auditors of NSW Ministry of Health on a continuous basis.

a) Financial Instruments Categories

		Total carrying amounts as per the Statement of Financial Position	
		2013 \$000	2012 \$000
Financial Assets			
Class:	Category		
Receivables (note 2) 1	Financial assets measured at amortised cost	-	5,453
Total Financial Assets		<u>-</u>	<u>5,453</u>
Financial Liabilities			
Class:	Category		
Creditors (note 3)	Financial liabilities measured at	-	238
Provisions (note 4)	amortised cost	-	5,215
Total Financial Liabilities		<u>-</u>	<u>5,453</u>

1 Excludes statutory receivables and prepayments, i.e. not within the scope of AASB 7.

b) Credit Risk

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Entity that is receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The Ministry of Health and AWH (Vic) are the sole debtors of the Entity and it is assessed that there is no risk of default. No accounts

**Albury Wodonga Health NSW Employment Division
Special Purpose Service Entity**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

receivables are classified as "Past Due but not Impaired" or "Considered Impaired".

c) Liquidity Risk

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due. No such risk exists with the Entity not having any cash flows. All movements that occur in Payables are fully offset by an increase in Receivables from Albury Wodonga Health (Vic) and the Ministry of Health

d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Entity's exposures to market risk are considered to be minimal and the Entity has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through interest bearing liabilities.

However the Entity has no such liabilities and the interest rate is assessed as Nil. Similarly it is considered that the Entity is not exposed to other price risks.

e) Fair Value

Financial instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates fair value because of the short term nature of the financial instruments.

7 Related Parties

The Ministry of Health is deemed to control the Albury Wodonga Health Special Purpose Service Entity in accordance with Australian Accounting Standards.

Transactions and balances in these financial statements relate only to the Entity's function as provider of personnel services to AWH (Vic). The Entity's cash receipts and payments are effected by the Ministry of Health on the Entity's behalf.

8 Post Balance Date Events

The Ministry of Health is currently reviewing the ongoing operations of the Albury Wodonga Health NSW Employment Division Special Purpose Service Entity with the view that it be wound up if it is deemed to have exhausted its purpose. During the year, the net liabilities of \$5.453M, present at 30 June 2012, were fully extinguished and the entity currently has no net assets or liabilities. The Ministry of Health will seek legal advice on the ongoing need for this special purpose entity under the terms of agreement with Albury Wodonga Health (Vic) before making any decisions on its future.

END OF AUDITED FINANCIAL STATEMENTS