



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Albury Base Hospital

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Albury Base Hospital (the Hospital), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Hospital as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- 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.

#### Director-General's Responsibility for the Financial Statements

The Director-General of the NSW Department of Health is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### 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. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 the 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 controls relevant to the Hospital's preparation and fair presentation of the financial statements 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 Hospital's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General of the NSW Department of Health, 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 Hospital
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. 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 role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

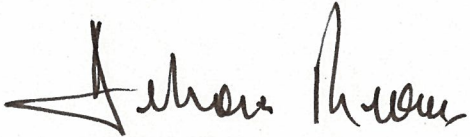
21 October 2010  
SYDNEY

**Certification of Albury Base Hospital Financial Statements  
for the Period Ended 30 June 2010**

The attached financial statements of the Albury Base Hospital for the period ended 30 June 2010:

- i) Have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting interpretations), the requirements of the *Public Finance and Audit Act 1983* and its regulations, *the Health Services Act 1997* and its regulations, the Accounts and Audit Determination and the Accounting Manual for Area Health Services and Public Hospitals;
- ii) Present fairly the financial position and transactions of the Albury Base Hospital; and
- iii) Have no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

  
John Roach  
**Chief Financial Officer**

  
Debora Picone  
**Director-General**  
20 October 2010

**Albury Base Hospital**  
Statement of Comprehensive Income  
for the Year Ended 30 June 2010

	Notes	2010 \$000
<b>Income</b>		
Sale of Goods and Services		-
Other Revenue		-
<b>Total Income</b>		-
<b>Expenses</b>		
Depreciation and Amortisation	2	2,121
<b>Total Expenses</b>		<b>2,121</b>
<b>Result For The Year</b>		<b>(2,121)</b>
Other Comprehensive Income		397
<b>Total Comprehensive Income For The Year</b>		<b>(1,724)</b>

*The accompanying notes form part of these Financial Statements.*

**Albury Base Hospital**  
**Statement of Financial Position**  
as at 30 June 2010

	Notes	2010 \$000
<b>ASSETS</b>		
<b>Current Assets</b>		
Other Current Assets		-
<b>Total Current Assets</b>		<b>0</b>
<b>Non-Current Assets</b>		
Property, Plant and Equipment		
- Land and Buildings	3	71,450
- Plant and Equipment	3	1,845
<b>Total Non-Current Assets</b>		<b>73,295</b>
<b>Total Assets</b>		<b>73,295</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	4	988
<b>Total Current Liabilities</b>		<b>988</b>
<b>Non-Current Liabilities</b>		
Other Non-Current Liabilities		-
<b>Total Non-Current Liabilities</b>		<b>0</b>
<b>Total Liabilities</b>		<b>988</b>
<b>Net Assets</b>		<b>72,307</b>
<b>EQUITY</b>		
Reserves		397
Accumulated funds		71,910
<b>Total Equity</b>		<b>72,307</b>

*The accompanying notes form part of these Financial Statements*

**Albury Base Hospital**  
**Statement of Changes in Equity**  
**for the Year Ended 30 June 2010**

	Accumulated Funds	Asset Revaluation Reserve	Total
<b>Balance as at 1 July 2009</b>	-	-	-
Result for the year			
<b>Other comprehensive income</b>	(2,121)	-	(2,121)
- Net increase in PPE	-	397	397
<b>Total other comprehensive income</b>	<u>397</u>	<u>397</u>	<u>397</u>
<b>Total comprehensive income</b>	<u>(2,121)</u>	<u>397</u>	<u>(1,724)</u>
<b>Transactions with owners in their capacity as owners</b>			
- Net increase in net assets transferred on administration restructure	74,031	-	74,031
<b>Balance as at 30 June 2010</b>	<u>71,910</u>	<u>397</u>	<u>72,307</u>

The accompanying notes form part of these Financial Statements

**Albury Base Hospital**  
**Statement of Cashflows**  
for the Year Ended 30 June 2010

	<b>2010</b>
	<b>\$000</b>
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 Base Hospital 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 Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) The Albury Base Hospital

Albury Base Hospital was established under the provision of the Health Services Act 1997 as a separate reporting entity with effect from 1 July 2009.

The creation of Albury Base Hospital (the entity) enabled the land, buildings, plant and equipment assets associated with the delivery of acute services in Albury to be transferred from Greater Southern Area Health Service (GSAHS) to the new entity.

The financial statements were authorised for issue by the Director General on 20 October 2010.

#### b) Basis of Preparation

The Entity's financial statements are general purpose financial statements which have been prepared in accordance with the requirements of Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Health Services Act 1997* and its regulations including observation of the Accounts and Audit Determination for Area Health Services and Public Hospitals.

Generally, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See note (f), (h) and (i).

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

The entity was established on 1 July 2009, therefore the year ended 30 June 2010 represents the first year of the entity's operations. Consequently no comparative information is disclosed.



## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### 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 Base Hospital Special Purpose Service Entity.

#### Accounting Standard/Interpretation

AASB 9, Financial Instruments and AASB 2009-11, Amendments to Australian Accounting Standards arising from AASB 9, have application from 1 July 2013 and focus on simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value. They also simplify the requirements for embedded derivatives and remove the tainting rules associated with held-to-maturity assets. They have been assessed as having no impact on the Entity.

AASB 1053, Application of tiers of Australian Accounting Standards, has application from 1 July 2013 and establishes a differential reporting framework consisting of two tiers of reporting requirements. Tier 1 entities will continue to apply existing Australian Accounting Standards. Tier 2 entities will apply the same recognition, measurement and presentation requirements but reduced disclosure requirements. Tier 2 entities include the majority of public sector entities. This standard has been assessed as having no material impact on the Entity.

AASB 2009-5, Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project, has application from 1 July 2010 and comprises accounting changes for presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Entity.

AASB 2009-8, Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions, has application from 1 July 2010 and makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This standard has been assessed as having no impact on the Entity.

AASB 2009-9, Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters, has application from 1 July 2010 and makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations. This standard has been assessed as having no impact on the Entity.

AASB 2009-10, Amendments to Australian Accounting Standards- Classification of Rights Issues, has application from 1 July 2010 and provides clarification concerning equity instruments. This standard has been assessed as having no impact on the Entity.

AASB 2010-2, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, has application from 1 July 2013 and determines disclosures in Australian Accounting Standards from which Tier 2 entities are exempt. This standard has been assessed as having no material impact on the Entity.

AASB 2010-3 and AASB 2010-4, Amendments to Australian Accounting Standards arising from the Annual Improvements Project, have application from 1 January 2011 and amend a number of different Australian Accounting Standards. These standards have been assessed as having no material impact on the Entity.

AASB 124, Related Party Disclosures and AASB 2009-12, Amendments to Australian Accounting Standards, have application from 1 July 2011 and simplify the definition of a related party. They have been assessed as having no material impact on the Entity.

## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### 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 Entity.

### g) Impairment of Financial Assets

As both receivables and payables are measured at fair value through profit and loss there is no need for annual reviews for impairment.

### 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) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the entity. 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 specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 1(l) refers).

## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### j) Depreciation

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

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Infrastructure Systems	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10%
- Costing more than 200,000	12%
Plant, Machinery and Office equipment	10%

### k) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, "Property, Plant & Equipment". Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

The entity revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the entity as at 30 June 2010 was completed on 25 May 2010 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. For other assets, 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.

Revaluation increments are credited directly to the asset revaluation reserve, 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 Result for the Year, the increment is recognised immediately as revenue in the Result for the Year. Revaluation decrements are recognised immediately as expenses in the Result for the Year, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve. 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 is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

### l) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the entity is effectively exempt from AASB 136 "Impairment of Assets" and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### m) Equity and Reserves

#### Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the entity's policy on the revaluation of property, plant and equipment as discussed in Note 1(k).

### n) 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 Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

	2010 \$000
<b>2. DEPRECIATION AND AMORTISATION</b>	
Depreciation - Buildings	1,799
Depreciation - Plant & Equipment	322
	<b>2,121</b>
 <b>3. PROPERTY, PLANT AND EQUIPMENT</b>	
<b>Land and Buildings - fair value</b>	
Gross Carrying Amount	97,916
Less Accumulated depreciation and impairment	26,466
Net Carrying Amount	<b>71,450</b>
 <b>Plant and Equipment - fair value</b>	
Gross Carrying Amount	4,778
Less Accumulated depreciation and impairment	2,933
Net Carrying Amount	<b>1,845</b>
 <b>Total Property, Plant and Equipment At Net Carrying Amount</b>	 <b>73,295</b>

### PROPERTY, PLANT AND EQUIPMENT Reconciliations

	Land	Buildings	Plant and Equipment	Total
	\$000	\$000	\$000	\$000
<b>2010</b>				
Net Carrying amount at start of year	-	-	-	-
Additions	-	-	988	988
Reclassifications to Intangibles	-	-	-	-
Recognition of Assets Held for Sale	-	-	-	-
Disposals	-	-	-	-
Administrative restructures - transfers in/(out)	4,500	68,352	1,179	74,031
Net revaluation increment less revaluation decrements recognised in reserves	(1,500)	1,897	-	397
Impairment losses (recognised in "other gains/losses)	-	-	-	-
Depreciation expense	-	(1,799)	(322)	(2,121)
Reclassifications	-	-	-	-
Net Carrying amount at end of year	3,000	68,450	1,845	73,295

Land, Buildings and Infrastructure were independently valued by Opteon Property Group as at 30 June 2010. [see note 2(k)]. The valuation was based on market values where market based evidence was available. Where there was no market based evidence the depreciated replacement cost was adopted. Opteon Property Group is not an employee of the entity.

## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

	2010 \$000
<b>4. PAYABLES</b>	
<b>Current Payables</b>	
Other Creditors	988
<b>Total Current Payables</b>	<b>988</b>
<b>5. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT FOR THE YEAR</b>	
Net Cash Used on Operating Activities	-
Depreciation	(2,121)
Allowance For Impairment	-
Acceptance by the Crown Entity of Employee Superannuation Benefits	-
Decrease/(Increase) in Provisions	-
Increase / (Decrease) in Prepayments and Other Assets	-
(Increase)/ Decrease in Creditors	-
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	-
(NSW Health Department Recurrent Allocations)	-
(NSW Health Department Capital Allocations)	-
(Asset Sale Proceeds transferred to the NSW Health Department)	-
(Cash Reimbursements from the Government)	-
<b>Net Result for the Year</b>	<b>(2,121)</b>

# Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

## 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 payables due from GSAHS and AWH (Vic). Risk management policies are established by the NSW 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 Health on a continuous basis.

### a) Financial Instruments Categories

Total carrying amounts as per  
the Statement of Financial Position

		2010 \$000
<b>Financial Assets</b>		
Class:	Category	
Other Financial Assets	Measured at at amortised cost	-
Total Financial Assets		<u>-</u>
<b>Financial Liabilities</b>		
Class:	Category	
Payables (note 4)	Financial liabilities Measured at at amortised cost	988
Total Financial Liabilities		<u>988</u>

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

## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### 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 i.e receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

The entity carries no receivables

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The parent entity of the Greater Southern Area Health Service Special Purpose Service Entity is the sole debtor of the Entity and it is assessed that there is no risk of default. No accounts 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 in the books of Albury Wodonga Health (Vic) and GSAHS.

### 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.



## Albury Base Hospital

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2010

### 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

NSW Health is deemed to control the Albury Base Hospital in accordance with Australian Accounting Standards. The controlling entity is incorporated under the Health Services Act 1997.

Transactions and balances in these financial statements relate only to the Entity's function as holder of the land, buildings, plant and equipment assets associated with the delivery of acute services at the Albury Base Hospital. The entity's cash receipts and payments are effected by NSW Health on the entity's behalf.

### 8. POST BALANCE DATE EVENTS

No post balance date events have occurred which warrant inclusion in this report.

END OF AUDITED FINANCIAL STATEMENTS