



GPO BOX 12  
Sydney NSW 2001

## 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 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 Entity 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 Entity'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 Entity'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 Entity
- 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

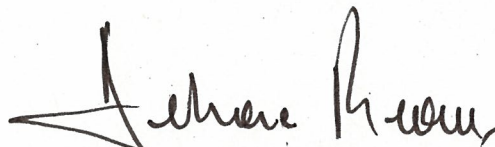
## Certification of Albury Wodonga Health Special Purpose Entity for Period Ended 30 June 2010

The attached financial statements of the Albury Wodonga Health Special Purpose Entity for the period ended 30 June 2010:

- i. Have been prepared in accordance with the requirements of applicable Australian Accounting Requirements, the requirements of the *Public Finance and Audit Act 1983* and its regulations, the Health Services Act 1997 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 of the Albury Wodonga Health Special Purpose Entity; 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 Wodonga Health Special Purpose Service Entity**  
**Statement of Comprehensive Income for the Year Ended 30 June 2010**

	2010 \$000
<b>Income</b>	
Sale of Goods and Services	-
Other Revenue	-
<b>Total Income</b>	-
<b>Expenses</b>	
Borrowing Costs	1,941
<b>Total Expenses</b>	<b>1,941</b>
<b>Result For The Year</b>	<b>(1,941)</b>
Other Comprehensive Income	-
<b>Total Comprehensive Income For The Year</b>	<b>(1,941)</b>

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

**Albury Wodonga Health Special Purpose Service Entity  
Statement of Financial Position as at 30 June 2010**

	Notes	2010 \$000
<b>ASSETS</b>		
<b>Current Assets</b>		
Other Financial Assets	2	4,202
<b>Total Current Assets</b>		<b>4,202</b>
<b>Non-Current Assets</b>		
Other Financial Assets	2	3,946
<b>Total Non-Current Assets</b>		<b>3,946</b>
<b>Total Assets</b>		<b>8,148</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Provisions	3	9,500
<b>Total Current Liabilities</b>		<b>9,500</b>
<b>Non-Current Liabilities</b>		
Provisions	3	589
<b>Total Non-Current Liabilities</b>		<b>589</b>
<b>Total Liabilities</b>		<b>10,089</b>
<b>Net Assets</b>		<b>(1,941)</b>
<b>EQUITY</b>		
Accumulated funds		(1,941)
<b>Total Equity</b>		<b>(1,941)</b>

*The accompanying notes form part of these Financial Statements*



**Albury Wodonga Health Special Purpose Service Entity  
Statement of Cashflows for the year ended 30 June 2010**

	<b>2010 \$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 Wodonga Health 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 Special Purpose Service Entity**  
**Statement of Changes in Equity for the year ended 30 June 2010**

	<b>2010</b> <b>\$000</b>
Balance at 1 July 2009	-
Result for the Year	(1,941)
Total Comprehensive Income for the year	-
Balance at 30 June 2010	(1,941)

*The accompanying notes form part of these Financial Statements*

**Albury Wodonga Health Special Purpose Service Entity**  
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 Wodonga Health 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 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 the Albury Wodonga Health.

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 (j).

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 Wodonga Health Special Purpose Service Entity**  
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 Wodonga Health 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.

**Albury Wodonga Health Special Purpose Service Entity**  
**Notes to and forming part of the Financial Statements for the year ended 30 June 2010**

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.

Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13, Amendments to Australian Accounting Standards arising from Interpretation 19, have application from 1 July 2010 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. They have been assessed as having no impact on the Entity.

**e) Income**

Income is measured at the fair value of the consideration received or receivable. No revenues were earned in 2009/10.

**f) 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.

**g) 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.



**Albury Wodonga Health Special Purpose Service Entity**  
Notes to and forming part of the Financial Statements for the year ended 30 June 2010

**h) 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 17% are applied to the value of leave payable at 30 June 2010, such on costs being consistent with actuarial assessment.

**Long Service Leave**

Long Service Leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements. Long Service Leave provisions are measured on a short hand basis at an escalated rate of 18.3% for all employees with five or more years of service. The escalation applied is consistent with actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

**i) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets 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, less an allowance for any impairment of receivables. Any changes are recognised in the Result for the Year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**j) 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 Result for the Year on derecognition.

**Albury Wodonga Health Special Purpose Service Entity**  
**Notes to and forming part of the Financial Statements for the year ended 30 June 2010**

	2010 \$000
<b>2. OTHER FINANCIAL ASSETS</b>	
<b>Current</b>	
Receivable from GSAHS	2,258
Accrued income - personnel services provided to AWH	1,944
	4,202
<b>Non-Current</b>	
Receivable from GSAHS	3,595
Accrued income - personnel services provided to AWH	351
	3,946
<b>Total Other Financial Assets</b>	<b>8,148</b>
Details regarding credit risk, liquidity risk and market risk are disclosed in Note 4.	
<b>3. PROVISIONS</b>	
<b>Current Employee Benefits and Related On Costs</b>	
Annual Leave - Short Term Benefit	4,225
Annual Leave - Long Term Benefit	1,289
Long Service Leave - Short Term Benefit	-
Long Service Leave - Long Term Benefit	3,986
<b>Total Current Provisions</b>	<b>9,500</b>
<b>Non-Current Employee Benefits and Related On Costs</b>	
Long Service Leave - Conditional	589
<b>Total Non-Current Provisions</b>	<b>589</b>
<b>Aggregate Employee Benefits and Related On Costs</b>	
Provisions - Current	9,500
Provisions - Non-Current	589
<b>Total</b>	<b>10,089</b>

**Albury Wodonga Health Special Purpose Service Entity**  
Notes to and forming part of the Financial Statements for the year ended 30 June 2010

**4. 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 due from GSAHS and AWH (Vic). Risk management policies are established by 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

**Financial Assets**

Class:	Category	
Other Financial Assets (note 2) <sup>1</sup>	Measured at at amortised cost	8,148
<b>Total Financial Assets</b>		<u><u>8,148</u></u>

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



**Albury Wodonga Health Special Purpose Service Entity**  
**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.

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. Greater Southern Area Health Service and AWH (Vic) are the sole debtors 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".

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 Provisions are fully offset by an increase in Receivables from the 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 Wodonga Health Special Purpose Service Entity**  
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.

**5. RELATED PARTIES**

The NSW Department 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 NSW Department of Health on the entity's behalf.

**6. POST BALANCE DATE EVENTS**

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

END OF AUDITED FINANCIAL STATEMENTS