



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Health Administration Corporation Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Health Administration Corporation Special Purpose Service Entity (the Entity), which comprises 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, as well as evaluating the overall presentation of the financial statements.

I believe that 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, or
- 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, and
- 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

22 October 2010  
SYDNEY

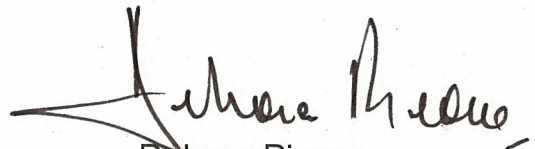
**Certification of Health Administration Corporation Special Purpose  
Service Entity Financial Statements  
for the Period Ended 30 June 2010**

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The attached financial statements of the Health Administration Corporation Special Purpose Service Entity for the year ended 30 June 2010 have been prepared in accordance with the requirements of applicable Australian Accounting Standards, the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Health Administration Corporation Special Purpose Service Entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



John Roach  
**Chief Financial Officer**



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

**Health Administration Corporation Special Purpose Service Entity  
Statement of Comprehensive Income for the year ended 30 June 2010**

	2010	2009
<b>INCOME</b>	<b>\$000</b>	<b>\$000</b>
Personnel Services	707,292	567,520
Acceptance by the Crown Entity of Employee Superannuation Benefits	15,819	13,712
<b>Total Income</b>	<u>723,111</u>	<u>581,232</u>
<b>EXPENSES</b>		
Salaries & Wages	545,646	437,374
Superannuation - Defined Benefit Plans	15,819	13,712
Superannuation - Defined Contributions	38,061	28,236
Long Service Leave	26,025	22,129
Annual Leave	59,203	55,386
Redundancies	1,982	854
Workers Compensation Insurance	23,360	16,722
Death and Disability	12,625	6,421
Fringe Benefits Tax	390	398
<b>Total Expenses</b>	<u>723,111</u>	<u>581,232</u>
<b>RESULT FOR THE YEAR</b>	<u>-</u>	<u>-</u>
<b>Total Comprehensive Income for the Year</b>	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

Health Administration Corporation Special Purpose Service Entity  
Statement of Changes in Equity for the year ended 30 June 2010

	2010 \$000	2009 \$000
Balance at 1 July	<u>0</u>	<u>0</u>
Result for the Year	0	0
Total Comprehensive Income For the Year	<u>0</u>	<u>0</u>
Balance at 30 June	<u><u>0</u></u>	<u><u>0</u></u>

The accompanying notes form part of these financial statements

Health Administration Corporation Special Purpose Service Entity  
Statement of Financial Position as at 30 June 2010

	Notes	2010 \$000	2009 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables	2	265,284	214,853
<b>Total Current Assets</b>		<u>265,284</u>	<u>214,853</u>
<b>Non-Current Assets</b>			
Receivables	2	18,200	12,392
<b>Total Non-Current Assets</b>		<u>18,200</u>	<u>12,392</u>
<b>Total Assets</b>		<u>283,484</u>	<u>227,245</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	3	21,814	23,549
Provisions	4	243,470	191,304
<b>Total Current Liabilities</b>		<u>265,284</u>	<u>214,853</u>
<b>Non-Current Liabilities</b>			
Provisions	4	18,200	12,392
<b>Total Non-Current Liabilities</b>		<u>18,200</u>	<u>12,392</u>
<b>Total Liabilities</b>		<u>283,484</u>	<u>227,245</u>
<b>Net Assets</b>		<u>-</u>	<u>-</u>
<b>EQUITY</b>			
Accumulated funds		<u>-</u>	<u>-</u>
<b>Total Equity</b>		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

**Health Administration Corporation Special Purpose Service Entity**  
**Statement of Cash Flows for the year ended 30 June 2010**

	2010	2009
	\$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	-	-
	<hr/>	<hr/>
<b>Closing Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

The Health Administration Corporation 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

**Health Administration Corporation 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) Health Administration Corporation Special Purpose Service Entity**

The Health Administration Corporation (HAC) Special Purpose Service Entity "the Entity", is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002* and amendment of the *Health Services Act 1997* in respect of the Ambulance Service of NSW, Health Support Services, the NSW Institute of Medical Education and Training and Health Infrastructure. The Entity is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts.

The Entity's objective is to provide personnel services to HAC.

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

**(b) Basis of Preparation**

The Entity's financial statements are general purpose 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.

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 1(i).

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

Management's judgements, 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**

Comparative figures are, where appropriate, reclassified to give meaningful comparison with the current year.

**(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 statements of the 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 material 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 from presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Entity.



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

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 and services in a share-based payment arrangement to account for those goods or services no matter which entity in a 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 2009-8, 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 transaction 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 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 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.

AASB 2009-14, Amendments to Australian Interpretation- Prepayments of a Minimum Funding Requirement, has application from 1 July 2011 and makes limited -application amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The standard has been assessed as having no impact on the Entity.

AASB 2010-1, Amendments to Australian Accounting Standards -Limited Exemption from Comparative AASB 7 Disclosures for first-time Adopters, has application from 1 July 2010 and provided additional exemption on IFRS transition in relation AASB 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers. 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. The 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 impact on the Entity.

**(e) Income Recognition**

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

**(f) Receivables**

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 accounted for in the statement of comprehensive income 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.

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

**(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.

**(h) Payables**

Payables include accrued wages, salaries, and related on-costs (such as fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

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.

**(i) Employee Benefits**

i) *Salaries and Wages, Annual Leave, Sick Leave and On-Costs*

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are 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 classified as "Short Term" and "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next 12 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 (comparable on-costs for 30 June 2009 were also 17%).

Unused non-vesting sick leave does not give rise to a liability, as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

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

ii) *Long Service Leave and Superannuation*

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 12 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 between 17.2% and 18.6% above the salary rates immediately payable at 30 June 2010 (9.8% at 30 June 2009) for all employees with five or more years of service. The rates vary across units of HACSPSE based primarily on the impact of recreation leave earned each year. The escalation applied is consistent with the 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.

The Entity's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 3, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified in the NSW Department 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.

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

	2010	2009
	\$000	\$000
<b>2. Receivables</b>		
<b>Current</b>		
Accrued Income - Personnel Services Provided	<u>265,284</u>	<u>214,853</u>
<b>Non-Current</b>		
Accrued Income - Personnel Services Provided	<u>18,200</u>	<u>12,392</u>
<b>Total Receivables</b>	<u><u>283,484</u></u>	<u><u>227,245</u></u>
Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.		
<b>3. Payables</b>		
<b>Current</b>		
Accrued Salaries, Wages and On-Costs	15,781	12,604
Payroll Deductions	<u>6,033</u>	<u>10,945</u>
<b>Total Payables</b>	<u><u>21,814</u></u>	<u><u>23,549</u></u>
Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.		
<b>4. Provisions</b>		
<b>Current Employee Benefits and Related On-Costs</b>		
Annual Leave - Short Term Benefit	60,674	44,920
Annual Leave - Long Term Benefit	44,295	41,983
Long Service Leave - Short Term Benefit	11,271	9,493
Long Service Leave - Long Term Benefit	120,079	89,458
Death and Disability Award (Ambulance Service of NSW)	<u>7,151</u>	<u>5,450</u>
<b>Total Current Provisions</b>	<u><u>243,470</u></u>	<u><u>191,304</u></u>
<b>Non-Current Employee Benefits and Related On-Costs</b>		
Long Service Leave - Conditional	15,291	12,258
Sick Leave	55	54
Death and Disability Award (Ambulance Service of NSW)	<u>2,854</u>	<u>80</u>
<b>Total Non-Current Provisions</b>	<u><u>18,200</u></u>	<u><u>12,392</u></u>
<b>Aggregate Employee Benefits and Related On-Costs</b>		
Provisions - Current	243,470	191,304
Provisions - Non-Current	18,200	12,392
Accrued Salaries, Wages, On-Costs and Payroll Deductions	<u>21,814</u>	<u>23,549</u>
	<u><u>283,484</u></u>	<u><u>227,245</u></u>

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

**5. Financial Instruments**

The Entity's 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 Entity's main risks arising from financial instruments are outlined below, together with the Entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

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 Parent Entity. Risk management policies are established by the Parent Entity 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 the Parent Entity on a continuous basis.

**a) Financial Instruments Categories**

		Total Carrying amounts as per Statement of Financial Position	
		2010	2009
		\$000	\$000
<b>Financial Assets</b>			
<b>Class:</b>	<b>Category</b>		
Receivables (Note 2) <sup>1</sup>	Receivables measured at amortised cost	283,484	227,245
<b>Total Financial Assets</b>		283,484	227,245
<b>Financial Liabilities</b>			
<b>Class:</b>	<b>Category</b>		
Payables (Note 3) <sup>2</sup>	Financial Liabilities measured at amortised cost	21,814	23,549
<b>Total Financial Liabilities</b>		21,814	23,549

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

<sup>2</sup> Excludes statutory payables and unearned revenue (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 i.e receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

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

Receivables - trade debtors

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 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 from the Parent Entity.

**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.

**6. Related Parties**

The Health Administration Corporation (HAC) is deemed to control the Entity in accordance with Australian Accounting Standards. The controlling entity is incorporated under the *Health Services Act 1997*. Transactions and balances in this financial report relate only to the Entity's function as provider of personnel services to the controlling entity. The Entity's total income is sourced from the HAC. Cash receipts and payments are effected by HAC on the Entity's behalf.

**7. Post Balance Date Events**

With effect from 1 July 2010 the functions formerly performed by the Institute of Medical Education and Training will be performed by the Clinical Education and Training Institute (CETI) statutory health corporation established under the Health Services Act 1997. The HACSPSE will cease to provide personnel services for this statutory health corporation from that date.

END OF AUDITED FINANCIAL STATEMENTS