



## 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 2011, the statement of comprehensive income, statement of changes in equity and 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 2011, and its financial performance 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.

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

The Director-General of the NSW Ministry of Health is responsible for the preparation and fair presentation 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 the financial statements 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 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 control 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 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.

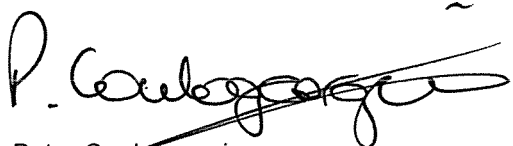
My opinion does *not* provide assurance:

- 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 any other information which 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 other 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 role by the possibility of losing clients or income.



Peter Coulogeorgiou  
Director, Financial Audit Services

4 November 2011  
SYDNEY

**Certification of Financial Statements, Albury Wodonga Health  
Special Purpose Service Entity For The Year Ended 30 June 2011**

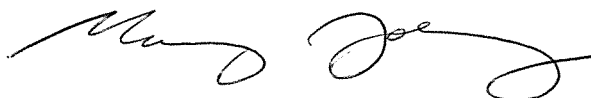
Pursuant to Section 45F of the *Public Finance and Audit Act, 1983*, I state that in my opinion:

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

I further state the financial statements have been prepared in accordance with the NSW Department of Health's Accounts and Audit Determination for Public Health Organisations.



John Roach  
Chief Financial Officer



Dr Mary Foley  
Director General  
3 November 2011

**Albury Wodonga Health  
Special Purpose Service Entity  
Statement of Comprehensive Income for the Year Ended 30 June 2011**

	2011 \$000	2010 \$000
<b>Income</b>		
Sale of Goods and Services		
Other Revenue	1,941	-
<b>Total Income</b>	<b>1,941</b>	<b>-</b>
<b>Expenses</b>		
Borrowing Costs	-	1,941
<b>Total Expenses</b>	<b>-</b>	<b>1,941</b>
<b>Result For The Year</b>	<b>1,941</b>	<b>(1,941)</b>
Other Comprehensive Income	-	-
<b>Total Comprehensive Income for the Year</b>	<b>1,941</b>	<b>(1,941)</b>

*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 2011**

	<b>2011 \$000</b>	<b>2010 \$000</b>
Accumulated Funds Balance at 1 July	(1,941)	-
Result for the Year	1,941	(1,941)
Total Comprehensive Income for the year	1,941	(1,941)
Accumulated Funds Balance at 30 June	<hr/> -	(1,941)

*The accompanying notes form part of these Financial Statements*

**Albury Wodonga Health  
Special Purpose Service Entity  
Statement of Financial Position as at 30 June 2011**

	Notes	2011 \$000	2010 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Other Financial Assets	2	7,907	4,202
<b>Total Current Assets</b>		<u>7,907</u>	<u>4,202</u>
<b>Non-Current Assets</b>			
Other Financial Assets	2	0	3,946
<b>Total Non-Current Assets</b>		<u>0</u>	<u>3,946</u>
<b>Total Assets</b>		<u>7,907</u>	<u>8,148</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	3	3,345	2,477
Provisions	4	4,547	7,023
<b>Total Current Liabilities</b>		<u>7,892</u>	<u>9,500</u>
<b>Non-Current Liabilities</b>			
Provisions	4	15	589
<b>Total Non-Current Liabilities</b>		<u>15</u>	<u>589</u>
<b>Total Liabilities</b>		<u>7,907</u>	<u>10,089</u>
<b>Net Assets</b>		<u>-</u>	<u>(1,941)</u>
<b>EQUITY</b>			
Accumulated funds		-	(1,941)
<b>Total Equity</b>		<u>-</u>	<u>(1,941)</u>

*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 2011**

	2011 \$000	2010 \$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  
Special Purpose Service Entity**

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) The Albury Wodonga Health Service 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 Albury Wodonga Health, the Victorian Government entity appointed to run the Albury Base Hospital.

The reporting entity is consolidated as part of the NSW Department of Health and NSW Total State Sector Accounts.

The financial statements were authorised for issue by the Chief Financial Officer and Director General on 3 November 2011.

**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 *Public and Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2010* and the 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. The requirements of the *Health Services Act 1997* and its regulations including the Accounts and Audit Determination for Public Health Organisations have also been observed.

**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 Special Purpose Service Entity.

**Accounting Standard/Interpretation**

AASB 2010-07, Financial Instruments, arising from the issuance of AASB 9, Financial Instruments, in AASB 2009-5 in December 2010, has mandatory application from 1 July 2013 and will not be early adopted by the Entity.



**Albury Wodonga Health  
Special Purpose Service Entity**

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

AASB 124 and AASB2009-12, Related Party Transactions, have application from 1 July 2011 but are assessed as having no material impact on the Entity.

AASB 2009-14, Amendments to Australian Interpretation -Prepayment of a Minimum Funding Requirement, has application from 1 July 2011 and principally addresses contributions relating to future service. It has 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 are assessed to have no impact on the Entity until that time. Any concessions in reporting will be dependent on Treasury mandate.

AASB 2010-04, Annual Improvements, has application from 1 July 2011 and is assessed as having no material impact on the Entity.

AASB 2010-5, Editorial Corrections, applies from 1 July 2011 and principally addresses editorial amendments to a range of Australian Accounting Standards and Interpretations. It is assessed as having no impact on the Entity.

AASB 2010-6, Disclosures on Transfers of Financial Assets, has mandatory application from 1 July 2011 and is assessed as having no impact on the Entity.

AASB 2010-8, Deferred Tax: Recovery of Underlying Assets, has mandatory application from 1 July 2012 but will have no impact on the Entity.

AASB 2010-9, Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters, has application from 1 July 2011 and is assessed as having no impact on the Entity.

AASB 2010-10, Removal of Fixed Dates for First Time Adopters, has application from 1 July 2013 and is assessed as having no impact on the Entity.

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) 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.

**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 2011

**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 2011, such on- costs being determined based on actuarial review to approximate fair value. Rates of 17% were also applied in the previous year.

**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 11/06) 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 NSW Health Department 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.

**i) 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 Result for the Year on derecognition.

**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.

**k) 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**  
**Special Purpose Service Entity**  
Notes to and forming part of the Financial Statements for the year ended 30 June 2011

	2011 \$000	2010 \$000
<b>2. OTHER FINANCIAL ASSETS</b>		
<b>Current</b>		
Receivables from Health Reform Transition Organisation Southern	3,971	-
Receivables from Greater Southern Area Health Service	-	2,258
Accrued Income -personnel services provided to AWH	3,936	1,944
	<u>7,907</u>	<u>4,202</u>
<b>Non-Current</b>		
Receivables from Greater Southern Area Health Service	-	3,595
Accrued Income- personnel services provided to AWH	-	351
	<u>-</u>	<u>3,946</u>
<b>Total Other Financial Assets</b>	<u>7,907</u>	<u>8,148</u>
Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.		
<b>3 Payables</b>		
<b>Current</b>		
Creditors	3,345	2,477
<b>Total Payables</b>	<u>3,345</u>	<u>2,477</u>
<b>4 PROVISIONS</b>		
<b>Current Employee Benefits and Related On Costs</b>		
Annual Leave - Short Term Benefit	3,549	4,225
Annual Leave - Long Term Benefit	720	1,289
Long Service Leave - Short Term Benefit	-	-
Long Service Leave - Long Term Benefit		3,986
Long Service Leave On-Costs	278	
<b>Total Current Provisions</b>	<u>4,547</u>	<u>9,500</u>
<b>Non-Current Employee Benefits and Related On Costs</b>		
Long Service Leave - Conditional		589
Long Service Leave On-Costs	15	
<b>Total Non-Current Provisions</b>	<u>15</u>	<u>589</u>
<b>Aggregate Employee Benefits and Related On Costs</b>		
Provisions - Current	4,547	9,500
Provisions - Non-Current	15	589
Accrued Salaries, Wages and On Costs	-	-
<b>Total</b>	<u>4,562</u>	<u>10,089</u>

**5 Increase/(Decrease) in Net Assets from Equity Transfers**

Responsibility for Long Service Leave liability transferred to the Crown Entity with effect from 31 December 2010. No other assets or liabilities transferred.

Liabilities transferred are as follows:

	<b>\$000</b>
<b>Liabilities</b>	
Current Long Service Leave	4,522
Non Current Long Service Leave	574
<b>Increase in Net Assets From Equity Transfers</b>	<b>5,096</b>

A corresponding asset (receivable) due from the the former GSAHS to fund the the Long Service Leave liabilities was also transferred. Consequently there was no adjustment required through the administrative restructure.

**Albury Wodonga Health  
Special Purpose Service Entity**

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

**Note 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 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	
		2011 \$000	2010 \$000
<b>Financial Assets</b>			
Class:	Category		
Other Financial Assets (note 2) <sup>1</sup>	Measured at at amortised cost	7,907	8,148
<b>Total Financial Assets</b>		<u>7,907</u>	<u>8,148</u>
<b>Financial Liabilities</b>			
Class:	Category		
Creditors (note 3)	Financial liabilities	3,345	2,477
Provisions (note 4)	Measured at at amortised cost	4,562	7,612
<b>Total Financial Liabilities</b>		<u>7,907</u>	<u>10,089</u>

<sup>1</sup>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 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. The Health Reform Transition Organisation Southern 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".

**Albury Wodonga Health**  
**Special Purpose Service Entity**  
Notes to and forming part of the Financial Statements for the year ended 30 June 2011

**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 Health Reform Transition Organisation Southern.

**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.

**Note 7 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.

**Note 8 Post Balance Date Events**

The receivable due from the Health Reform Transition Organisation Southern will be transferred to the Murrumbidgee Local Health District once the Health Reform Transition Organisation Southern is dissolved during the 2011/12 year.

On 5 October 2011 the name of the Department of Health was changed to the Ministry of Health by way of Public Sector Employment and Management (General) Order 2011.

END OF AUDITED FINANCIAL STATEMENTS