

AUDITOR-GENERAL'S REPORT

FINANCIAL AUDITS

Volume One 2008



The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*, I present Volume One of my 2008 Report.

Peter Achterstraat
Auditor-General

Sydney
February 2008

GUIDE TO USING THIS VOLUME

This volume summarises the results of a number of our financial audits.

We have attempted to adopt a 'plain English' style of writing. This is not always easy when describing technical issues, but we recognise the diversity of our readership and their needs.

This Volume has one section.

Section One is divided into ministerial portfolios, each containing one or more government agencies. Each agency's comment begins with a summary of our **Audit Opinion**. This is a key result of each audit. An 'unqualified audit opinion' means we are satisfied that the agency has prepared its financial report in accordance with Australian Accounting Standards (and other mandatory requirements). It also means we believe the report has no material errors and the scope of our audit has not been limited. If any of these aspects are not met we issue a 'qualified audit opinion' and explain why we did this.

The next section outlines any **Key Issues** we identified during the audit. These are matters such as:

- significant findings or outcomes of the audit
- any major developments impacting on the agency's role or activities
- key repeat findings
- recommendations to Parliament.

The Audit Opinion and the Key Issues sections represent the more important findings. By targeting these sections, readers can quickly understand the major issues facing a particular agency, or glance through a number of reports to assess the financial health of a portfolio.

Performance Information cover key financial and operational statistics we have identified that help understand how well the agency is performing. Wherever possible we include comparisons with similar agencies interstate.

The next two sections contain analysis of issues we identified during our audit. While many of these will include suggestions for improvement, these are not as significant as the issues outlined in the first two sections of the agency comment.

Other Information summarises any other matters noted during the audit of the agency that warrant inclusion in this Report

Financial Information summarises the essential information from each agency's financial report. While this is sufficient for a broad understanding of the agency's financial position, readers can access more detailed financial statements in the agency's annual report or website.

Agency Activities summarise the agency's purpose, services, structure, relevant legislation, and its web address.

While some 'agency comments' in this volume will have all of the headings outlined here, this will vary depending on the size of the organisation and the findings of our audit.

The **Agency Response** appears where the head of an agency does not believe that the commentary in our Report adequately reflects the agency's position or actions taken. As we discuss our proposed comments with agency staff during the drafting process, few agencies ask for a formal response to be included.

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Section One



Commentary on Government Agencies

Minister Assisting the Minister for Finance

**Workers Compensation Nominal Insurer
(trading as The NSW WorkCover Scheme)**

Workers Compensation Nominal Insurer (trading as The NSW WorkCover Scheme)

AUDIT OPINION

The audit of the Scheme's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

OTHER INFORMATION

Resolution of Income Tax Status

The prior year's Independent Auditor's Report was modified due to inherent uncertainty over the income tax status of the Scheme. The Australian Taxation Office has now issued a Private Ruling that the Scheme is exempt from income tax. The Private Ruling applies from when the Scheme was established in 2005 to June 2009.

Risk Margin

The WorkCover Authority Board, acting for the Scheme, increased the risk margin from three per cent to 13 per cent during the year. The increase equated to an \$814 million increase in the outstanding claims liability as at 30 June 2007 and therefore an \$814 million reduction in the surplus for the year. A risk margin relates to the inherent uncertainty in the central estimate of the present value of expected future payments. The risk margin of 13 per cent equates to a probability of adequacy of 75 per cent which is consistent with guidance from the Australian Prudential Regulation Authority for general insurers.

Transfer of Uninsured Liability and Indemnity Scheme (ULIS) to the Scheme

The assets, rights and liabilities for ULIS transferred from the WorkCover Authority to the Scheme on 1 July 2007, in accordance with the Workers Compensation Amendment (Insurance Reform-Transitional) Regulation 2007.

The WorkCover Authority Board determined that the liability for the new ULIS should be assessed on the same basis as the Scheme's other outstanding claims liabilities (i.e. including a risk margin). As a result, assets totalling \$83.7 million were transferred to the Scheme, representing the central estimate of the ULIS net outstanding claims liability of \$67.5 million at 30 June 2007, plus a risk margin of \$16.2 million.

Surplus Financial Position

A summary of the Scheme's and the former Scheme Statutory Funds' position follows:

Year ended 30 June	2004* \$m	2005* \$m	2006 \$m	2007 \$m
Underwriting profit	307	31	2,110	33
Other income/(expense)	322	324	(45)	694
Surplus	629	355	2,065	727
Net (liabilities)/assets	(2,353)	(1,998)	85	812
Assets to liabilities ratio (%)	72	80	101	107

* The balances relate to the former Scheme Statutory Funds.

The Scheme's net asset position increased by \$727 million for the year ended 30 June 2007. The underwriting result decreased significantly compared to the prior year mainly as a result of the Board's decision to adopt a risk margin for the Scheme of 13 per cent at 30 June 2007 (three per cent in 2005-06) and increase the assumed claims handling expense rate to 11 per cent (9.5 per cent).

FINANCIAL INFORMATION

Abridged Income Statement

Year ended 30 June	2007 \$m	2006 \$m
REVENUE		
Net earned premiums	2,520	2,925
Investment income	1,262	928
Other income	26	32
TOTAL REVENUE	3,808	3,885
Net claims incurred	2,487	815
Management fees	327	704
Statutory levies	173	202
Other expenses	94	98
TOTAL EXPENSES	3,081	1,820
SURPLUS	727	2,065

Net earned premiums decreased by \$405 million generally due to reductions in premium rates.

Investment income increased by \$333 million reflecting the increase in Scheme assets and investment fund returns of 13.5 per cent in 2006-07 compared to 12.1 per cent in 2005-06.

The increase in net claims incurred of \$1.7 billion was due to assumed greater estimated future compensation payments for weekly benefits, and common law lump sum payments, and the increased risk margin and claims handling expense ratio referred to above.

Management fees decreased by \$377 million, as 2006 costs included additional remuneration expenses relating to a reassessment by the Scheme actuary of performance incentive fees.

Abridged Balance Sheet

At 30 June	2007 \$m	2006 \$m
Investments	10,645	9,124
Other	1,853	1,595
TOTAL ASSETS	12,498	10,719
Outstanding claims	9,859	8,882
Other	1,827	1,752
TOTAL LIABILITIES	11,686	10,634
SURPLUS	812	85

Investments increased by \$1.5 billion mainly due to the surplus of \$727 million and positive cashflows.

Investments

At 30 June	2007 \$m	2006 \$m
Interest bearing securities	3,260	2,558
Indexed securities	1,500	1,271
Australian equities	1,864	1,742
International equities	712	735
Unit trusts	3,250	2,850
Derivatives	60	(32)
TOTAL	10,646	9,124

The Workers Compensation Insurance Fund Investment Board adopted a more conservative strategic asset allocation for the Scheme's investments to reduce risk. The main changes were a reduction in relative allocations to equities and Australian fixed interest and an increase to Australian inflation-linked bonds and absolute return strategies.

SCHEME ACTIVITIES

The Scheme was established under the *Workers Compensation Act 1987*. It comprises two entities, the Workers Compensation Nominal Insurer and the Workers Compensation Insurance Fund. The Nominal Insurer manages the Insurance Fund.

The Nominal Insurer operates as a licensed workers compensation insurer. The Insurance Fund holds premiums, investment funds and all other funds received. Effective operation of the Nominal Insurer and Insurance Fund commenced on 1 July 2005 when the assets and liabilities of the former WorkCover Scheme Statutory Funds were transferred to the Insurance Fund and the Nominal Insurer.

The WorkCover Authority does not control but does act for the Nominal Insurer. The legislation also established the Workers Compensation Insurance Fund Investment Board to determine investment policies for Insurance Fund assets. The Investment Board reports to the Minister on the investment performance of the Insurance Fund.

For further information on the Scheme, refer to www.workcover.nsw.gov.au.

Minister for Climate Change, Environment and Water

Department of Environment and Climate Change

Environment Protection Authority

Department of Environment and Climate Change

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Agency Restructure

The Department of Environment and Climate Change (DECC) comprises:

- the former Department of Environment and Conservation
- the NSW Greenhouse Office formerly part of the Cabinet Office
- components of the former Department of Natural Resources.

The Department is responsible to the Minister for Climate Change, Environment and Water.

Marine Parks Authority

The Marine Parks Authority (MPA), is a reporting entity, whose activities are administered by DECC. Prior to 27 April 2007 the activities of the MPA were jointly administered by the Department of Primary Industries, Department of Environment and Conservation, and the Premier's Department.

The operating costs incurred by the Department were \$2.0 million (\$1.7 million in 2005-06).

Comment on the MPA appears elsewhere in this Report.

PERFORMANCE INFORMATION

Plans of Management

Of the 783 areas gazetted under the *National Parks and Wildlife Act 1974* (the Act) and requiring management plans, 233 plans had been adopted by 30 June 2007 (220 of 753 at 30 June 2006) and a further 63 exhibited. One of the plans exhibited will replace an adopted plan. Departmental management have advised that a management plan usually takes around two years to prepare.

Section 72 of the Act requires that a plan of management be released, as soon as practicable, for each national park, nature reserve, historic site, karst conservation reserve, state conservation area and regional park. A plan of management is a legal document that outlines how an area will be managed, the value of the area, and management objectives and strategies. The Act allows more than one of these areas to be incorporated under the same management plan. The 233 plans cover 307 areas under the Act.

State of the Parks Framework

The performance report undertaken by the Department, 'Protecting our National Parks from Pests and Weeds', was released in 2007. This report provides the latest evaluation of management performance and provides information on priority feral animal and weed control programs, as well as new directions and initiatives being pursued.

To improve the management of parks a State of the Parks (SOP) survey was undertaken in late 2007 covering the entire formal reserve system. Existing approaches to collecting data using the State of the Parks survey tool have been reviewed and refined and new tools developed to return data to park managers as soon as possible to aid management. A public report is planned for release in 2008.

SOP continues to be regarded internationally as a world leading program of its type and is referenced in the latest edition of the International Union for Conservation of Nature and Natural Resources (IUCN), Best Practice Protected Area Guidelines on Evaluating Effectiveness (2nd Edition).

OTHER INFORMATION

Classification of NSW Treasury Loan (Perisher Resort)

NSW Treasury approved a loan on 1 July 2000 for the sewage and other capital works as part of the Perisher Resort development.

NSW Treasury has approved the repayment schedule for the loan. The loan was valued at its fair value as required under Australian Accounting Standard 'AASB 139 Financial Instruments: Recognition and Measurement' correctly this year.

Repayments on the loan are scheduled to commence in 2012. The loan continues to accumulate interest and the loan balance at 30 June 2007 was \$32.2 million.

Agreements with Snowy Hydro Limited

During the year the Department worked with Snowy Hydro Limited (SHL) on remediation works, in particular the rehabilitation of former Snowy Mountain scheme sites. SHL provided the Department with \$33.4 million over five years for work on these sites. During the year the final instalment of \$5.6 million was received. Interest earnings from inception totalled \$4.9 million (\$2.8 million).

Since the start of the rehabilitation works, the Department has spent \$5.1 million (\$3.4 million) on various elements including weed eradication, engineering works, revegetation and planning and coordination.

FINANCIAL INFORMATION**Abridged Operating Statement**

Year ended 30 June	2007 \$'000	2006 \$'000
Employee related	299,391	259,123
Other expenses	374,942	230,158
TOTAL EXPENSES	674,333	489,281
TOTAL REVENUE	170,539	123,342
(Loss)/gain and disposal of non-current assets	(2,789)	29
NET COST OF SERVICES	506,583	365,910
Government contributions	527,964	379,148
SURPLUS	21,381	13,238

Expenditure included operating expenses of \$189 million (\$169 million) comprising:

- fees and services, \$70.1 million (\$48.0 million)
- insurance, \$16.9 million (\$30.9 million)
- travel, \$27.6 million (\$16.6 million)
- maintenance, \$25.4 million (\$27.3 million)
- depreciation and amortisation expense, \$59.0 million (\$51.0 million), and
- grants and subsidies, \$125 million (\$7.8 million).

Revenue included:

- park entry and camping fees, \$18.9 million (\$17.1 million)
- investment revenue, \$16.2 million (\$15.0 million)
- insurance recoveries, \$30.7 million (\$5.9 million), and
- grants and contributions \$55.9 million (\$46.5 million).

Abridged Balance Sheet

At 30 June	2007 \$'000	2006 \$'000
Current assets	228,982	95,121
Non-current assets	3,004,717	2,829,283
TOTAL ASSETS	3,233,699	2,924,404
Current liabilities	78,252	55,056
Non-current liabilities	32,444	24,205
TOTAL LIABILITIES	110,696	79,261
NET ASSETS	3,123,003	2,845,143

Current assets include cash holdings of \$191 million (\$74.6 million). Of that \$145 million is restricted including \$34.5 million (\$29.0 million) provided by the SHL to assist with the remediation of sites in Kosciuszko National Park; \$107 million from the water and energy saving funds transferred from the Department of Energy, Utilities and Sustainability (DEUS) and \$3.4 million held in Trust for Catchment Management Authorities. The funds transferred from DEUS are to be paid into the Climate Change Fund established by the *Energy and Utilities Administrative Amendment (Climate Change Fund) Act 2007*.

Non-current assets comprise land and buildings, \$2.2 billion (\$2.1 billion), plant and equipment, \$68.7 million (\$45.6 million), infrastructure systems, \$727 million (\$711 million), and intangible assets, \$44.4 million (\$11.5 million). The revaluation of land and buildings, plant and equipment, infrastructure systems and intangibles resulted in an increase of \$98.8 million in the asset revaluation reserve which totalled \$1.2 billion at year end.

Included within liabilities are repayable advances of \$32.2 million (\$31.5 million). The Department has drawn down these advances from NSW Treasury to meet costs associated with the Perisher resort development.

Program Information

The table below details the Department's net cost of services by program. The distribution of expenses across programs has been based on estimates derived from a survey of work practices.

Year ended 30 June	2007			2006
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Climate Change and Environment Protection and Regulation	33,060	135,983	102,923	51,242
Conservation and Landscape Policy and Programs	1,935	71,429	69,494	12,809
Scientific services	2,226	74,343	72,117	39,080
Parks and Wildlife	101,026	349,319	248,293	253,876
Cultural and Heritage	942	14,698	13,756	8,903
Not attributable to any program	31,349	31,349	--	--
Total all programs	170,538	677,121	506,583	365,910

DEPARTMENTAL ACTIVITIES

The Department cares for, controls and manages climate change and greenhouse issues, national parks, nature reserves, historic sites, Aboriginal cultural heritage and State recreation areas. It also works towards achieving a clean and healthy environment through its administration of environment protection legislation. This legislation covers air and water quality, contaminated land, noise control, pesticides, hazardous chemicals, dangerous goods, radiation and waste.

For further information on the Department, refer to www.environment.nsw.gov.au.

Environment Protection Authority

AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

FINANCIAL INFORMATION

Year ended 30 June	2007 \$'000	2006 \$'000
Revenue*	67,406	64,019
Expenses	67,406	64,019
Surplus	--	--
Net assets (at 30 June)	--	--

* Revenue is a notional grant received from the Department of Environment and Climate Change to offset expenditure on program activities.

The Authority has no staff of its own, no liabilities or assets under its control and does not receive an allocation from the Consolidated Fund for its operations.

Expenses relating to the Authority have been spent on its behalf by the Department of Environment and Climate Change in the following program areas:

Year ended 30 June	2007 \$'000	2006 \$'000
Climate Change and Environmental Protection	44,736	39,239
Conservation and Landscape Policy	9,627	9,664
Scientific Service	13,043	15,116
TOTAL	67,406	64,019

AUTHORITY ACTIVITIES

The activities of the Environment Protection Authority are fully integrated within the Department of Environment and Climate Change's operations. The Authority operates within the confines of the *Protection of the Environment Administration Act 1991* and the *Protection of the Environment Operations Act 1997* in order to facilitate activities of the Department's staff under these Acts.

For further information on the Authority, refer to www.environment.nsw.gov.au.

Minister for Health

Health Overview

Department of Health

Area Health Services:

Greater Southern

Greater Western

Hunter and New England

North Coast

Northern Sydney and Central Coast

South Eastern Sydney and Illawarra

Sydney South West

Sydney West

Other Health Services:

Clinical Excellence Commission

Health Administration Corporation

HealthQuest

Justice Health

The Royal Alexandra Hospital for Children

Refer to Appendix 1 for:

Dental Board of New South Wales

Pharmacy Board of New South Wales

Health Overview

THE HEALTH GROUP

This commentary covers the Department of Health (the Department) and the entities it controls. These are:

Area Health Services (AHS)	Other Entities
Greater Southern Greater Western Hunter New England North Coast Northern Sydney and Central Coast South Eastern Sydney and Illawarra Sydney South West Sydney West	Clinical Excellence Commission HealthQuest Justice Health The Royal Alexandra Hospital for Children Health Administration Corporation (HAC) comprising: - Ambulance Service of NSW - HealthTechnology - HealthSupport - NSW Institute of Medical Education and Training (IMET)

AUDIT OPINION

The audits of the Department and its controlled entities' financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports. Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Late Receipt of Financial Report

The financial report of the consolidated entity was received on 27 August 2007. This was after the statutory deadline of 13 August 2007 and represents a breach of Section 45D of the *Public Finance Audit Act 1983*. One of the reasons for the late financial report was due to adjustments for errors in the prior period. In addition, the financial reports of some of the controlled entities were not completed and received by the Department in time for consolidation within the statutory time frame.

Fully depreciated assets

We recommend the Department and its controlled entities review the useful lives of those assets that have been fully depreciated, but continue to be used.

A number of AHSs and the Royal Alexandra Hospital for Children have a large number of items of plant and equipment that are fully depreciated. For example, Sydney West Area Health Service has fully depreciated assets with an original cost of \$144 million, representing 47.3 per cent of the gross value of its plant and equipment. We understand that many of the fully depreciated assets at AHSs and the Hospital are still in use. This indicates that the accounting assessment of their useful lives may not be appropriate. Some of these assets are quite old. The Department and its controlled entities should determine if they need to be replaced, particularly where the continued use of these fully depreciated assets might affect the efficient and effective provision of health services.

The Department has advised:

- that while it is appreciated that a significant number of items of equipment have been fully depreciated, and in an accounting sense they are at the end of their useful lives, from an operational perspective the equipment may still function appropriately and does not require immediate replacement.
- equipment purchase and replacement planning occurs both at a State level and within Health Services. Particularly high cost or specialised equipment associated with services such as linear accelerators, positron emission tomography and magnetic resonance imaging, are planned at the state level. Where appropriate, these are procured through bulk purchase arrangements to achieve value for money where multiple units may be required.
- that there is some scope to improve the management of medical equipment assets to realise procurement and maintenance savings, better budget for asset replacement and improve availability of equipment of clinical service provision.
- to address this, the Department is developing a medical equipment strategic framework, with the objective of implementing the following:
 - a consistent Statewide approach to the procurement and maintenance of medical equipment including a comprehensive replacement program to focus on further strategies of aggregation, bulk purchase and consolidation.
 - an improved understanding of the medical equipment assets held.
 - an integrated approach to the planning and management of equipment replacement needs.
 - an estimate of the replacement liability.
 - a comprehensive equipment maintenance strategy across all of the AHS to minimise the unavailability of equipment.
 - definition of a set of standard rules to calculate the "useful life" of an asset.

Future strategies also include continued development of HAC Rental Facility for equipment. The concept is where equipment is purchased by the Department and provided to AHSs on a rental basis.

PERFORMANCE INFORMATION

The Department provided the following information on the financial and operational performance of AHSs for the year ended 30 June 2007.

While the Department has established overall benchmarks, it also enters into performance agreements with individual AHSs. These include targets that may vary from the benchmark. The Department reviews and evaluates the performance of AHSs against these targets.

	Area Health Services					
	Greater Southern		Greater Western		Hunter New England	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Abridged Consolidated Operating Statement (Year ended 30 June)						
Employee related	391.0	386.7	361.4	353.2	840.0	805.3
Other expenses	391.5	401.5	304.2	277.7	585.8	535.5
Total expenses	782.5	788.2	665.6	630.9	1,425.8	1,340.8
Total revenues	127.2	112.9	83.9	84.0	227.9	210.2
Other (losses)/gains	(1.2)	(0.2)	(0.8)	(0.7)	10.4	(0.5)
Net cost of services	656.5	675.5	582.5	547.6	1,187.5	1,131.1
Government contributions	671.8	662.0	609.9	547.1	1,152.3	1,146.0
Result	15.3	(13.5)	27.4	(0.5)	(35.2)	14.9
Abridged Consolidated Balance Sheet (at 30 June)						
Total assets	552.9	329.8	466.1	437.8	1,071.8	1,082.8
Total liabilities	176.3	165.8	156.0	140.5	336.9	306.7
Net assets	376.6	164.0	310.1	297.3	734.9	776.1
Performance Indicators						
Average available beds (June)	2,069	2,017	1,888	1,857	3,208	3,145
Bed occupancy (%) (June)(e)	71.8	73.6	73.8	64.0	81.9	84.0
Average length of stay (days)	2.9	3.0	3.2	3.2	3.8	3.7
Staff numbers (FTE) at 30 June	5,003	4,917	4,886	4,850	10,699	10,626
Emergency triage treatment categories (a)						
T1 (%)	100	100	100	100	100	100
T2 (%)	89	96	85	92	90	91
T3 (%)	82	76	75	77	78	76
T4 (%)	75	70	80	82	79	74
T5 (%)	90	90	93	93	94	93
Emergency admission performance (b)	88	83	86	86	86	87

Key: unless otherwise indicated all data is based on statistics provided by the Department of Health:

(a) T1 immediately life threatening – treatment required within two minutes - benchmark – 100 per cent.

T2 imminently life threatening – treatment required within 10 minutes - benchmark – 80 per cent.

T3 potentially life threatening – treatment required within 30 minutes - benchmark – 75 per cent.

T4 potentially serious – treatment required within one hour- benchmark – 70 per cent.

T5 less urgent – treatment required within two hours- benchmark – 70 per cent.

(b) percentage of patients transferred to an inpatient bed within eight hours of treatment – target – 80 per cent.

(c) statistics include the Royal Alexandra Hospital for Children (refer to table page 23).

(d) statistics include the Royal Alexandra Hospital for Children and Justice Health (refer to table page 23).

(e) bed occupancy rates now exclude emergency department beds. 2006 figures have been recalculated for consistency.

	Area Health Services					
	North Coast		Northern Sydney and Central Coast		South Eastern Sydney and Illawarra	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Abridged Consolidated Operating Statement (Year ended 30 June)						
Employee related	472.0	431.6	969.5	917.4	1,172.5	1,111.2
Other expenses	371.5	345.0	588.8	532.5	922.3	870.9
Total expenses	843.5	776.6	1,558.3	1,449.9	2,094.8	1,982.1
Total revenues	129.8	116.6	308.1	281.4	503.4	430.4
Other (losses)/gains	(0.9)	(1.2)	(2.6)	(3.2)	(0.5)	(2.1)
Net cost of services	714.6	661.2	1,252.9	1,171.7	1,591.9	1,553.8
Government contributions	724.2	663.5	1,264.9	1,181.6	1,537.0	1,505.7
Result	9.6	2.3	12.1	9.9	(54.9)	(48.1)
Abridged Consolidated Balance Sheet (at 30 June)						
Total assets	644.7	623.8	1,347.8	1,326.1	1,611.1	1,657.5
Total liabilities	177.6	162.6	362.7	351.5	522.2	510.0
Net assets	467.1	461.1	985.1	974.6	1,088.9	1,147.5
Performance Indicators						
Average available beds (June)	1,710	1,668	2,942	2,896	3,634	3,575
Bed occupancy (%) (June)(e)	90.0	78.9	88.2	85.5	95.1	90.6
Average length of stay (days)	3.3	3.4	4.1	4.0	3.6	3.6
Staff numbers (FTE) at 30 June	6,230	5,988	11,981	11,624	14,314	14,235
Emergency triage treatment categories (a)						
T1 (%)	100	100	100	100	100	100
T2 (%)	87	91	81	83	91	81
T3 (%)	69	73	70	69	72	58
T4 (%)	69	70	71	72	74	64
T5 (%)	89	90	87	87	87	81
Emergency admission performance (b)	78	80	70	71	79	70

Key: unless otherwise indicated all data is based on statistics provided by the Department of Health:

(a) T1 immediately life threatening - treatment required within two minutes - benchmark - 100 per cent.

T2 imminently life threatening - treatment required within 10 minutes - benchmark - 80 per cent.

T3 potentially life threatening - treatment required within 30 minutes - benchmark - 75 per cent.

T4 potentially serious - treatment required within one hour - benchmark - 70 per cent.

T5 less urgent - treatment required within two hours - benchmark - 70 per cent.

(b) percentage of patients transferred to an inpatient bed within eight hours of treatment - target - 80 per cent.

(c) statistics include the Royal Alexandra Hospital for Children (refer to table page 23).

(d) statistics include the Royal Alexandra Hospital for Children and Justice Health (refer to table page 23).

(e) bed occupancy rates now exclude emergency department beds. 2006 figures have been recalculated for consistency.

	Area Health Services					
	Sydney South West		Sydney West		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Abridged Consolidated Operating Statement (Year ended 30 June)						
Employee related	1,363.6	1,299.4	1,054.4	984.6	6,624.4	6,289.4
Other expenses	911.9	833.2	713.8	626.7	4,789.8	4,423.0
Total expenses	2,275.5	2,132.6	1,768.2	1,611.3	11,414.2	10,712.4
Total revenues	478.4	412.0	309.7	301.5	2,168.3	1,949.0
Other (losses)/gains	(3.2)	(5.2)	2.4	(3.1)	3.6	(16.2)
Net cost of services	1,800.3	1,725.8	1,456.1	1,312.9	9,242.3	8,779.6
Government contributions	1,804.5	1,673.2	1,417.2	1,347.9	9,181.8	8,727.0
Result	4.2	(52.6)	(38.9)	35.0	(60.5)	(52.6)
Abridged Consolidated Balance Sheet (at 30 June)						
Total assets	1,916.6	1,869.5	1,611.6	1,643.4	9,222.6	8,970.7
Total liabilities	561.0	540.2	435.2	404.1	2,727.9	2,581.4
Net assets	1,355.6	1,329.3	1,176.4	1,239.3	6,494.7	6,389.3
Performance Indicators						
Average available beds (June)	4,078	3,898	3,057	3,046	22,586	22,102
Bed occupancy (%) (June)(e)	92.3	91.5	73.6	84.4	86.2(d)	85.0(d)
Average length of stay (days)	3.8	3.9	3.7	3.6	3.6(d)	3.6(d)
Staff numbers (FTE) at 30 June	17,117	16,885	13,346	13,091	83,576	82,216
Emergency triage treatment categories (a)						
T1 (%)	100	100	100	100	100(c)	100(c)
T2 (%)	89	85	86	84	87(c)	85(c)
T3 (%)	69	61	63	62	71(c)	66(c)
T4 (%)	75	70	67	68	74(c)	71(c)
T5 (%)	91	89	85	87	89(c)	89(c)
Emergency admission performance (b)	76	67	78	77	78(c)	75(c)

Key: unless otherwise indicated all data is based on statistics provided by the Department of Health:

(a) T1 immediately life threatening – treatment required within two minutes - benchmark – 100 per cent.

T2 imminently life threatening – treatment required within 10 minutes - benchmark – 80 per cent.

T3 potentially life threatening – treatment required within 30 minutes - benchmark – 75 per cent.

T4 potentially serious – treatment required within one hour- benchmark – 70 per cent.

T5 less urgent – treatment required within two hours- benchmark – 70 per cent.

(b) percentage of patients transferred to an inpatient bed within eight hours of treatment – target – 80 per cent.

(c) statistics include the Royal Alexandra Hospital for Children.

(d) statistics include the Royal Alexandra Hospital for Children and Justice Health.

(e) bed occupancy rates now exclude emergency department beds. 2006 figures have been recalculated for consistency.

Financial Performance

The two key indicators used by the Department to monitor the financial performance of AHSs are net cost of services (adjusted to exclude special purpose and specific project funds) and general creditor levels. The Department told us that three Areas (three in 2006) achieved both benchmarks. These were Greater Southern, South Eastern Sydney and Illawarra and Sydney South West (South Eastern Sydney and Illawarra, Sydney South West and Sydney West in 2006). The remaining five Areas only achieved the creditors benchmark.

Net Cost of Services

The adjusted net cost of services for five (five) of the eight Areas were higher than the budget approved by the Department. The over-runs ranged from \$1.8 million for Hunter New England to \$13.8 million for Northern Sydney and Central Coast. The Department's analysis identified that Northern Sydney and Central Coast's unfavourable result was mainly due to the carry over of 2005-06 problems; an inability to achieve a reduction in target staff levels; and higher levels of unplanned activity at Royal North Shore, Gosford and Wyong Hospitals. The Department told us that it will continue to closely monitor the Areas' financial performance during 2007-08.

Creditor Levels

The Department requires creditor payments to be made within contract terms, and monitors Area performance against a bench mark of 45 days. All eight Area Health Services achieved this target in both 2006 and 2007.

The Department advised that statistics for general (trade) creditors (total creditors less amounts owing to visiting medical officers and other government agencies) excluded disputed payments. We noted that at 30 June 2007, the disputed creditors reported by South Eastern Sydney and Illawarra Area Health Service which are over 45 days, amounted to \$16.9 million. During 2007-08 we will examine the levels of disputed payments across all Areas to ensure the general (trade) creditors reported are a true reflection of creditor levels.

Last year there were no creditors greater than 45 days at 30 June 2006 and 31 August 2006; there were \$1.7 million at 30 September 2006; and no creditors greater than 45 days at 31 October 2006. The corresponding statistics 12 months later are no creditors greater than 45 days at 30 June 2007; \$16.0 million creditors greater than 45 days at 31 August 2007; \$8.8 million at 30 September 2007; and \$14.5 million at 31 October 2007.

Operational Performance and Activity Levels

The Department also uses indicators to monitor operational performance and activity levels. These indicators include bed occupancy rates, average length of stay and the time taken to treat and admit emergency department patients.

Bed Occupancy Rate

The bed occupancy rate is the percentage of available beds that are occupied, and is a measure of the use of hospital resources by inpatients. The bed occupancy rate is based on major facilities.

The bed occupancy rate ranged from a high of 95.1 per cent (South Eastern Sydney and Illawarra) to a low of 71.8 per cent (Greater Southern). It also indicates that the metropolitan bed occupancy rate is significantly higher than most rural areas.

Average Length of Stay

The State wide average length of stay for acute separations in acute hospitals was consistent with the previous year at 3.6 days. Generally metropolitan areas registered a slightly higher average length of stay than rural areas.

Emergency Department Patients

▪ Triage

Triage is a mechanism used to assess and treat emergency department patients. Triage ensures that patients are treated in a timely manner according to clinical urgency.

The Department sets triage targets that align with those recommended by the Australasian College of Emergency Medicine (ACEM).

Critical care triage categories T1 to T3 relate to life threatening situations (see previous table for explanations of T1 to T3). All Areas met the T1 and T2 benchmarks. Five Areas did not meet the benchmark for the other life threatening category (T3) in 2007. The following table indicates the number of Areas achieving the individual triage benchmarks.

Triage Category	2006	2007
Triage Category 1	8	8
Triage Category 2	8	8
Triage Category 3	3	3
Triage Category 4	6	6
Triage Category 5	8	8

▪ Emergency Admission Performance

Emergency Admission Performance measures the ability to move patients from the emergency department to an inpatient bed. It is expressed as a percentage of patients admitted to an inpatient bed (who require to be admitted) within eight hours of first being seen by a doctor or nurse.

Metropolitan health services typically record a lower emergency admission performance than rural services. Northern Sydney and Central Coast, and Sydney South West recorded the lowest emergency admission performance (70 per cent and 76 per cent respectively). The highest were Greater Southern, Greater Western and Hunter New England (88 per cent, 86 per cent and 86 per cent respectively).

Interstate Comparisons

The following information compares performance indicators for public acute hospitals for New South Wales with other jurisdictions. Each jurisdiction has different complexities, salary structures and accounting mechanisms. The information provided is based on 2005-06 statistics. The data should be considered in this context.

		NSW*	National
Average available beds per 1,000 population		2.7	2.6
Average length of stay (including day surgery) (days)		4.0	3.7
Emergency Department Waiting Times by Triage	T1	100	99
Category (percentage of patients treated within	T2	81	77
benchmark time)	T3	61	64
	T4	66	65
	T5	87	87

Source: Australian Institute of Health and Welfare (AIHW) 2006 Australian Hospital Statistics 2005-06.

* These statistics differ from the Department's statistics, partly because they are based on a selection of hospitals only.

The AIHW continues to maintain that 'the concept of an available bed is also becoming less important, particularly in the light of increasing same day hospitalisations and the provision of hospital in the home care'. AIHW also considers that different case mixes in hospitals affect the comparability of bed numbers.

Both nationally and in New South Wales, there tends to be more beds per 1,000 population in rural areas than in metropolitan areas.

The New South Wales average length of stay decreased slightly to 4.0 days (4.1), compared with the National average that remained constant at 3.7 days.

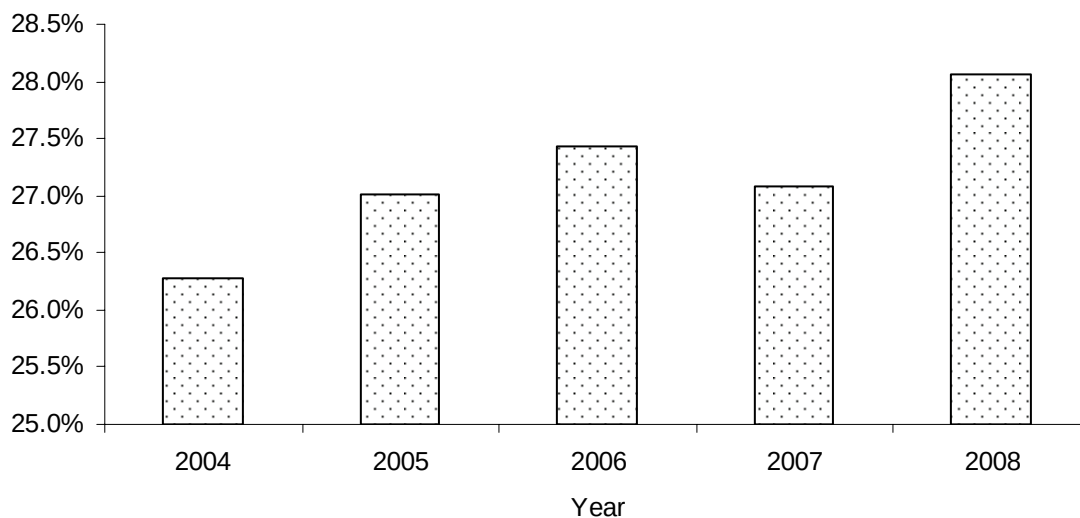
New South Wales triage performance is equal to or better than the National average in four of the five categories. It continues to be marginally behind the National average for category T3. Significant improvement has been made in category T2, with NSW now comparing favourably to the National average.

New South Wales Budgeted Health Expenditure

The budgeted expenditure for the New South Wales Health Service has increased steadily over the past five years from \$9.5 billion in 2003-04 to an estimated \$12.5 billion in 2007-08. As a percentage of total budgeted New South Wales state spending, New South Wales Health expenditure has increased from 26.3 per cent in 2003-04 to an estimated 28.1 per cent for 2007-08.

The following graph illustrates New South Wales Health expenditure as a percentage of total State expenditure. The 2007-08 percentage is based on current budget estimates. Other years are based on revised budget estimates for the year.

Budgeted Health Expenditure as a % of Total State Expenditure



Source: New South Wales Budget Papers.

OTHER INFORMATION

Annual leave On-costs

In 2006-07, the Department determined the need for all Health Services to include annual leave on-costs in the provision for annual leave so as to comply with Accounting Standards. These on-costs should have also been included in Health Service accounts in the previous year. As a result, a prior period adjustment of \$125 million was made to the consolidated entity's opening equity, and appropriate adjustments to affected controlled entities.

Orange Base Hospital, Bathurst Base Hospital and redevelopment

In 2006-07, HAC requested expressions of interest from a private sector provider for the financing, design, construction and support services for Orange Base Hospital and Tertiary Mental Health Services. The process of selecting a private sector provider is near completion. Further details regarding this contract are included in the Greater Western Area Health Service comment within this volume.

Royal North Shore Redevelopment Project

In 2006-07, HAC short listed three private sector provider groups to finance, design and construct the redevelopment of the Royal North Shore Hospital and Community Health Service. The successful private sector provider is expected to be announced in mid-2008 with construction on the main building to commence in late 2008.

Non-compliance with Treasurer's Directions

We have previously reported instances of apparent non-compliance with payment of account requirements contained in the Public Finance and Audit Regulation 2005, Treasurer's Directions and annual reporting legislation. The Department told us that Treasurer's Directions did not apply to AHSs, and undertook to obtain legal advice to clarify the matter. The Department is still considering the issue.

FINANCIAL INFORMATION

The following information relates to the Department's consolidated finances.

Abridged Consolidated Operating Statement

Year ended 30 June	2007 \$'000	2006 \$'000
Employee related	7,391,428	6,961,015
Other expenses	4,648,878	4,309,257
TOTAL EXPENSES	12,040,306	11,270,272
TOTAL REVENUE	1,701,745	1,505,194
Other losses	12,985	23,489
NET COST OF SERVICES	10,351,546	9,788,567
Add: Government Contributions		
Recurrent appropriation	9,800,594	9,226,042
Capital appropriation	385,735	481,079
Acceptance by the Crown Entity of employee benefits	147,061	150,477
Total Government Contributions	10,333,390	9,857,598
RESULT	(18,156)	69,031

The increase in employee related expenses is largely due to higher award rates and employee entitlements.

The increase in other expenses largely reflects higher costs for drugs and other medical supplies, maintenance expenses and visiting medical officers.

Government Contributions

The Consolidated Fund appropriation to the Department increased by \$479 million, a rise of 4.9 per cent, to \$10.2 billion in 2006–07. Government contributions included Commonwealth assistance of \$3.3 billion (\$3.1 billion), the major component being the \$2.9 billion (\$2.8 billion) paid under the Australian Health Care Agreement.

Abridged Consolidated Balance Sheet

Year ended 30 June	2007 \$'000	2006 \$'000
Current assets	1,307,288	1,238,118
Non-current assets	9,141,479	8,781,716
TOTAL ASSETS	10,448,767	10,019,834
Current liabilities	2,840,752	2,672,160
Non-current liabilities	167,386	164,246
TOTAL LIABILITIES	3,008,138	2,836,406
NET ASSETS	7,440,629	7,183,428

Abridged Program Information

The table below details the Department's consolidated net cost of services by program:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	690,520	4,892,880	4,205,298	3,892,121
Outpatient services	112,311	1,267,149	1,154,491	1,086,266
Rehabilitation and extended care services	264,861	1,028,952	763,609	764,064
Primary and community based services	81,871	896,260	814,082	802,146
Aboriginal health services	10,889	53,138	42,228	42,503
Emergency services	121,307	1,256,610	1,147,506	1,070,432
Same day acute inpatient services	89,716	717,362	627,778	581,008
Mental health services	71,171	964,440	892,709	855,142
Population health services	50,979	402,581	351,583	319,209
Teaching and research	208,120	560,934	352,262	375,676
Total all programs	1,701,745	12,040,306	10,351,546	9,788,567

Program Statement

All controlled entities within New South Wales Health are required to measure expenses and revenues in accordance with a standard methodology developed by the Department. This is to ensure consistency in reporting. The Department requires the use of the most current activity data in apportioning overheads over the ten program areas.

PUBLIC HEALTH SECTOR ACTIVITIES

The Department advises the Government on the strategic direction, policy and planning of the State's health system. It also monitors and evaluates health activities.

The *Health Administration Act 1982* empowers the Department's Director-General as a Corporation Sole (Health Administration Corporation) to enter into various legal contracts such as the purchase, sale or lease of property. This Act also enables the Director-General to determine that the Health Administration Corporation may exercise any of the Director-General's functions. These functions include the provision of ambulance services to the New South Wales community and the provision of health support services to the public health system.

Area Health Services are Public Health Organisations constituted under the *Health Services Act 1997*. The Services are subject to the control and direction of the Director-General. They provide health services for the residents of New South Wales within their respective geographical areas.

Justice Health, Royal Alexandra Hospital for Children, Clinical Excellence Commission and HealthQuest are Statutory Health Corporations, which are also Public Health Organisations constituted under the *Health Services Act 1997*. These corporations are subject to the control and direction of the Director-General.

The Ambulance Service of New South Wales was previously constituted under the *Ambulance Services Act 1990*. In March 2006 the *Ambulance Services Act 1990* was repealed and the Director-General of Health became directly responsible for the provision of ambulance services under the *Health Services Act 1997*. The Director-General subsequently determined that the operation of the Ambulance Service would be part of HAC.

The Director-General also established other units to provide various services to the public health sector as part of HAC. These include HealthTechnology which was established during 2004-05 to provide information and health technology services to the public health system. During 2005-06 the Director-General also established HealthSupport and the NSW Institute of Medical Education and Training as units of HAC to exercise the Director-General's functions of providing corporate services to the public health system and coordinating post graduate medical education and training.

Department of Health

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Inventory Recognition

We recommend the Department implement appropriate policies and procedures to ensure all inventory items are captured in the financial report.

The Department has not been correctly recognising some drugs and medical supplies in its financial report. The items were treated as expenses rather than as inventory assets. The impact has been that the operating results for past years were understated. The error was corrected in the current year with the Department recognising \$38.7 million as inventory.

Accounting Treatment of Asset Sales

We recommend the Department develop and communicate appropriate policies and procedures on the accounting treatment of asset sales in both the Department and its controlled entities.

The Department manages the sale of Area Health Service (AHS) properties. In 2006-07, the accounting treatment of some of these property sales was not correct. This included treating some sale proceeds that should have been recognised by the relevant AHS, as revenues of the Department. In addition, the Department recognised the proceeds from the sale of a property that had not been recorded in its books, or in the books of any AHS.

OTHER INFORMATION

We identified other opportunities for improvement to accounting and internal control procedures and will report them to management.

Interstate Patient Flows Arbitration Hearing

On 14 September 2007, an arbitration hearing for the determination of interstate patient flows to and from the Australian Capital Territory (ACT) resulted in an after balance date adjustment to the financial report. The hearing determined in the ACT's favour and this resulted in the Department's obligation to the ACT being increased by \$13.0 million. The financial report was adjusted accordingly.

FINANCIAL INFORMATION

The following information relates to the Department's finances.

Abridged Operating Statement

Year ended 30 June	2007 \$'000	2006 \$'000
Employee related	113,447	107,026
Grants and subsidies	9,873,606	9,329,889
Other expenses	442,826	387,927
TOTAL EXPENSES	10,429,879	9,824,842
TOTAL REVENUE	230,042	211,413
Other losses	123	1,296
NET COST OF SERVICES	10,199,960	9,614,725
Add Government Contributions	10,230,108	9,716,599
RESULT	30,148	101,874

Grants and subsidies payments rose by \$544 million. This included payments to controlled entities (mainly AHSs), which increased by \$507 million.

The increase in other expenses is mainly the result of an increase in medical and surgical supplies and general expenses.

Revenue increased largely because of an increase in grants received from the Commonwealth Department of Health and Ageing, the Cancer Institute, and the New South Wales Department of Ageing, Disability and Home Care.

Abridged Balance Sheet

At 30 June	2007 \$'000	2006 \$'000
Current assets	300,579	261,286
Non-current assets	184,533	165,122
TOTAL ASSETS	485,132	426,408
Current liabilities	135,044	141,131
Non-current liabilities	2,558	2,796
TOTAL LIABILITIES	137,602	143,927
NET ASSETS	347,530	282,481

The increase in current assets was largely the result of \$32.0 million in cash received for the sale of Royal Newcastle Hospital.

Non-current assets rose largely because of a revaluation of land and buildings.

ENTITY ACTIVITIES

For further information on the Department of Health, refer to www.health.nsw.gov.au.

Greater Southern Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' section earlier in this Volume.)

The average length of stay in acute hospitals in the Greater Southern Area was 2.9 days (3.0 days in 2006). This is the lowest in the State.

The Service's bed occupancy rate was 71.8 per cent (73.6 per cent). It remains the lowest in the State.

The Service met or exceeded the Department of Health's benchmarks for timeliness in treating emergency patients in all five triage categories, as it did in 2006.

The Service's emergency admission performance of 88 per cent achieved the Department of Health's benchmark of 80 per cent and was the highest in the State.

OTHER INFORMATION

We identified some opportunities for improvement to accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION**Abridged Consolidated Operating Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	391,060	386,683	--	270,993
Personnel services	--	--	391,060	115,690
Visiting medical officers	54,445	52,909	54,445	52,909
Other expenses	337,034	348,650	337,034	348,650
TOTAL EXPENSES	782,539	788,242	782,539	788,242
TOTAL REVENUE	127,187	112,861	137,241	115,753
Other losses	1,163	168	1,163	168
NET COST OF SERVICES	656,515	675,549	646,461	672,657
Add Government Contributions				
NSW Health Department recurrent allocations	623,576	638,538	623,576	638,538
NSW Health Department capital allocations	38,132	13,450	38,132	13,450
Acceptance by the Crown Entity of employee benefits	10,054	10,053	--	7,161
Total Government Contributions	671,762	662,041	661,708	659,149
RESULT	15,247	(13,508)	15,247	(13,508)

The capital allocation increased, largely due to the redevelopment of the Queanbeyan Hospital, \$17.5 million.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	32,447	29,840
Non-current assets	520,461	299,998
TOTAL ASSETS	552,908	329,838
Current liabilities	158,406	142,226
Non-current liabilities	17,912	23,605
TOTAL LIABILITIES	176,318	165,831
NET ASSETS	376,590	164,007

The increase in non-current assets was mainly due to the revaluation of the Service's land and buildings as at 30 June 2007.

Abridged Consolidated Program Information

The table below details the net cost of services on a program basis:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	60,375	381,557	321,681	332,397
Emergency services	2,331	77,867	75,536	87,862
Rehabilitation and extended care services	29,030	95,789	66,924	73,287
Same day acute inpatient services	14,585	63,913	49,827	52,430
Primary and community based services	18,276	60,906	42,630	48,662
Other	2,590	102,507	99,917	80,911
Total all programs	127,187	782,539	656,515	675,549

SERVICE ACTIVITIES

For further information on the Service, refer to www.gsaahs.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
Greater Southern Area Health Service Special Purpose Service Entity

Greater Western Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' earlier in this Volume.)

The average length of stay in acute hospitals in the Greater Western area in June was 3.2 days (3.2 in 2006). This is lower than the State average of 3.6 days.

The Service's bed occupancy rate increased from 64.0 per cent in 2006 to 73.8 per cent in 2007. This is lower than the State average of 86.2 per cent.

The Service met or exceeded the Department of Health's benchmarks for timeliness in treating emergency patients in all five triage categories.

OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

Public Private Partnership

The Health Administration Corporation (HAC) has sought expressions of interest for the finance, design and construction, and support services for the Orange Base Hospital and Tertiary Mental Health Services. Bathurst Hospital, Oberon Hospital and Blayney Hospital will also use the contracted support services. The selection process is near completion.

FINANCIAL INFORMATION**Abridged Consolidated Income Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	361,432	353,249	--	248,250
Personnel services	--	--	361,432	104,999
Visiting medical officers	45,347	39,339	45,347	39,339
Other expenses	258,771	238,350	258,771	238,350
TOTAL EXPENSES	665,550	630,938	665,550	630,938
TOTAL REVENUE	83,888	84,030	91,516	86,496
Other losses	784	705	784	705
NET COST OF SERVICES	582,446	547,612	574,818	545,146
Add Government Contributions				
NSW Health Department recurrent allocations	540,744	506,609	540,744	506,609
NSW Health Department capital allocations	61,489	32,311	61,489	32,311
Acceptance by the Crown Entity of employee benefits	7,628	8,209	--	5,743
Total Government Contributions	609,861	547,129	602,233	544,663
RESULT	27,415	(483)	27,415	(483)

The transfer of Orana and Central West Linen Services to HealthSupport resulted in a decrease of revenue of approximately \$6.1 million. This decline in revenue has been offset by higher patient fees due to increased activities.

The increase in expenditure is attributable to \$10.0 million increase in Inter Area Patient Outflows and a five per cent rate increase in general salaries and wages and visiting medical officer fees.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	19,841	19,966
Non-current assets	446,284	417,795
TOTAL ASSET	466,125	437,761
Current liabilities	142,849	124,546
Non-current liabilities	13,173	15,987
TOTAL LIABILITIES	156,022	140,533
NET ASSETS	310,103	297,228

Non-current assets increased by \$28.4 million. The increase is a combination of approximately \$58.8 million for rebuilding the Bathurst Base Hospital and other additions of \$7.8 million offset by the transfer of Orana and Central West Linen Services of \$14.1 million to HealthSupport and depreciation expense of \$23.0 million.

The increase in current liabilities is largely due to capital works creditors of \$5.4 million and higher employee benefit provisions of \$14.8 million.

Abridged Program Information

The table below details the Service's net cost of services by program:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	36,582	282,268	246,062	223,080
Outpatient services	6,868	52,583	45,810	40,193
Rehabilitation and extended care services	21,605	86,636	65,094	65,481
Primary and community based services	6,152	58,195	52,096	50,200
Aboriginal health services	1,132	7,167	6,042	5,361
Emergency services	2,588	45,232	42,690	46,204
Same day acute inpatient services	3,175	48,075	44,959	43,626
Mental health services	1,831	65,262	63,499	57,901
Population health services	2,777	15,663	12,901	11,723
Teaching and research	1,178	4,469	3,293	3,843
Total all programs	83,888	665,550	582,446	547,612

SERVICES ACTIVITIES

For further information on the Service's activities, refer to www.gwahs.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

Greater Western Area Health Service Special Purpose Service Entity
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Hunter New England Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' earlier in this Volume.)

The average length of stay in acute hospitals in the Hunter and New England area in June was 3.8 days (3.7 days in 2006) and slightly higher than the State average of 3.6 days.

The Service's bed occupancy rate in June was 81.9 per cent in 2007 (84.0 per cent). This is lower than the State average of 86.2 per cent.

The Service met or exceeded the Department of Health's benchmarks for timeliness in treating emergency patients in all five triage categories.

OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

New Mater Hospital at Newcastle

During 2005-06 the Health Administration Corporation entered into a contract with a private sector provider for the financing, design, construction, commissioning and facilities management of a new Mater Hospital and a mental health facility. The contract also includes the refurbishment of some existing buildings on the Mater Hospital campus. The developer will complete the work in three stages with full service commencement anticipated in 2009. The service provider will manage the facility until November 2033.

FINANCIAL INFORMATION**Abridged Consolidated Income Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	839,976	805,329	--	547,988
Personnel services	--	--	839,976	257,341
Visiting medical officers	59,476	57,197	59,476	57,197
Other expenses	526,325	478,334	526,325	478,334
TOTAL EXPENSES	1,425,777	1,340,860	1,425,777	1,340,860
TOTAL REVENUE	227,932	210,240	246,075	216,328
Other gains/(losses)	10,411	(537)	10,411	(537)
NET COST OF SERVICES	1,187,434	1,131,157	1,169,291	1,125,069
Add Government Contributions				
NSW Health Department recurrent allocations	1,112,935	1,053,878	1,112,935	1,053,878
NSW Health Department capital allocations	49,017	72,336	49,017	72,336
Asset Sale Proceeds transferred to the NSW Health Department	(27,859)	--	(27,859)	--
Acceptance by the Crown Entity of employee benefits	18,143	19,754	--	13,666
Total Government Contributions	1,152,236	1,145,968	1,134,093	1,139,880
RESULT	(35,198)	14,811	(35,198)	14,811

Total revenue rose largely due to the increases in Inter Area Patient Inflows of \$10.0 million.

Net Cost of Services included a gain of approximately \$5.8 million on the sale of the Royal Newcastle Hospital. The Service transferred the sale proceeds, on this transaction, of \$27.8 million to the Department of Health.

Other expenses increased due to the costs associated with Inter Area Patient Outflows. More patients were treated by other Area Health Services compared with 2005-06.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	117,240	110,142
Non-current assets	954,543	972,645
TOTAL ASSETS	1,071,783	1,082,787
Current liabilities	325,792	296,434
Non-current liabilities	11,100	10,308
TOTAL LIABILITIES	336,892	306,742
NET ASSETS	734,891	776,045

Current assets increased due to a higher level of debtors of \$2.9 million and an increase of \$4.3 million owed from the Department of Health.

Current liabilities increased largely due to the inclusion of on-costs in employee provisions and a four per cent pay increase.

Abridged Program Information

The table below details the Service's net cost of services by program:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	118,979	607,696	484,284	459,627
Outpatient services	14,799	145,149	129,217	118,164
Rehabilitation and extended care services	37,398	156,320	117,750	109,171
Primary and community based services	7,458	99,463	91,381	90,630
Aboriginal health services	196	6,090	5,860	4,149
Emergency services	12,832	114,690	100,880	95,860
Same day acute inpatient services	14,793	109,481	93,722	91,570
Mental health services	8,290	127,870	118,638	117,508
Population health services	6,399	16,772	10,322	12,425
Teaching and research	6,788	42,246	35,380	32,053
Total all programs	227,932	1,425,777	1,187,434	1,131,157

AGENCY ACTIVITIES

The Service is responsible for providing medical services to the residents of the Hunter and New England area.

For further information on the Service's activities, refer to www.hnehealth.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

Hunter New England Area Health Service Special Purpose Service Entity

North Coast Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Drugs Inventory Variances

We noted that known variances in drugs inventories of approximately \$130,000 at the Lismore Base Hospital Pharmacy, had not been notified to the Director-General of Health. Notification is required under Schedule 4 Appendix D of the 'Handling of Medication in NSW Public Hospitals Policy', issued in 2005. The policy requires the Director-General of Health (or the Duty Officer, Pharmaceuticals Branch) to be notified when Schedule 8 or Schedule 4 Appendix D drugs have been lost, or there is a concern of inventory misappropriation. The Service has indicated that the appropriate officers have subsequently been notified.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' section earlier in this Volume.)

The average length of stay in acute hospitals in the North Coast Area decreased slightly from 3.4 days in 2006 to 3.3 days. It remains amongst the lowest in the State.

The Service's bed occupancy rate increased from 78.9 per cent in 2006 to 90 per cent. The State average is 86.2 per cent.

The Service met or exceeded the Department of Health's benchmarks for timeliness in treating emergency patients in three of the five triage categories. This is a fall from the previous year when it achieved four of the five benchmarks.

The Service did not achieve its emergency admissions performance target of 80 per cent. There was a slight decrease from 80 per cent in 2006 to 78 per cent in 2007.

OTHER INFORMATION

We identified some opportunities for improvement to accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION**Abridged Consolidated Operating Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	471,964	431,632	--	298,083
Personnel Services	--	--	471,964	133,549
Visiting medical officers	71,453	67,314	71,453	67,314
Other expenses	300,092	277,650	300,092	277,650
TOTAL EXPENSES	843,509	776,596	843,509	776,596
TOTAL REVENUE	129,824	116,632	138,856	119,095
Other losses	939	1,190	939	1,190
NET COST OF SERVICES	714,624	661,154	705,592	658,691
Add Government Contributions				
NSW Health Department recurrent allocations	668,185	619,560	668,185	619,560
NSW Health Department capital allocations	47,002	35,330	47,002	35,330
Acceptance by the Crown Entity of employee benefits	9,032	8,573	--	6,110
Total Government Contributions	724,219	663,463	715,187	661,000
RESULT	9,595	2,309	9,595	2,309

Employee related expenses increased due to award increases, increases in staff numbers, and an actuarial adjustment for annual leave on-costs.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	41,958	49,936
Non-current assets	602,754	573,794
TOTAL ASSETS	644,712	623,730
Current liabilities	172,149	156,132
Non-current liabilities	5,420	6,449
TOTAL LIABILITIES	177,569	162,581
NET ASSETS	467,143	461,149

Abridged Consolidated Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	80,718	411,345	331,378	302,027
Same day acute inpatient services	7,991	76,228	68,268	57,401
Emergency services	7,375	93,097	85,727	73,967
Rehabilitation and extended care services	13,583	63,782	50,321	54,257
Primary and community based services	13,059	66,833	53,789	55,964
Other	7,098	132,224	125,141	117,538
Total all programs	129,824	843,509	714,624	661,154

SERVICE ACTIVITIES

For further information on the Service, refer to www.ncahs.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
North Coast Area Health Service Special Purpose Service Entity

Northern Sydney and Central Coast Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Financial Report

We recommend the Service continue its efforts towards improving the financial report and supporting documentation.

In Volume One of our 2007 Report to Parliament, we stated that inadequacies in financial reporting processes contributed to delays in the preparation and audit of the Service's 2005-06 financial report.

While we noted some improvement over the previous year, the financial reporting process for 2006-07 was again delayed. The Service submitted its financial report on 20 July 2007. Deficiencies in supporting documentation included significant unidentified deposits in the bank reconciliation and inconsistencies in the program statement. These matters required substantial additional analysis and contributed to the Service not achieving its statutory reporting requirements.

Asset Management

The Service should review the useful life of its assets. It should also replace fully depreciated assets if their continued use might affect the efficient and effective operation of the hospital.

Volume One of our 2007 Report to Parliament also commented on shortcomings in the management of assets. Information systems do not appear to facilitate strategic decision making regarding assessment of whether assets are able to support service delivery objectives. Specific asset details are not always recorded in the asset register and the Service continues to utilise fully depreciated assets with an original cost of \$101 million.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' section earlier in this Volume.)

The average length of stay in acute hospitals in the Northern Sydney and Central Coast area in June was 4.1 days (4.0 days in 2006). It was the highest in the state.

The Service's bed occupancy rate in June was 88.2 per cent in 2007 (85.5 per cent in 2006). This is higher than the State average of 86.2 per cent.

The Service exceeded the Department of Health's benchmarks for timeliness in treating emergency patients in four of the five triage categories.

The Service's emergency admission performance at 70 per cent was similar to last year's results of 71 per cent. The target is 80 per cent.

OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION**Abridged Consolidated Income Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	969,498	917,445	--	649,555
Personnel services	--	--	969,498	267,890
Visiting medical officers	49,363	46,685	49,363	46,685
Other expenses	539,453	485,771	539,453	485,771
TOTAL EXPENSES	1,558,314	1,449,901	1,558,314	1,449,901
TOTAL REVENUE	308,059	281,419	326,676	286,551
Other losses	2,613	3,166	2,613	3,166
NET COST OF SERVICES	1,252,868	1,171,648	1,234,251	1,166,516
Add Government Contributions				
NSW Health Department recurrent allocations	1,170,810	1,100,487	1,170,810	1,114,052
NSW Health Department capital allocations	80,281	62,368	80,281	62,368
Asset sale proceeds transferred to the NSW Health Department	(4,753)	--	(4,753)	--
Acceptance by the Crown Entity of employee benefits	18,617	18,697	--	--
Total Government Contributions	1,264,955	1,181,552	1,246,338	1,176,420
RESULT	12,087	9,904	12,087	9,904

Employee related expenses moved up with the general pay rise. Other expenses increased mainly due higher medical and surgical supplies expense (\$10.5 million) and inter area patient outflows (\$14.0 million).

Total revenue rose primarily due to increased Patient Fees (\$9.0 million) from higher bed occupancy and inter-area patient inflows (\$7.2 million).

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	135,144	153,992
Non-current assets	1,212,673	1,172,152
TOTAL ASSETS	1,347,817	1,326,144
Current liabilities	344,762	332,368
Non-current liabilities	17,983	19,101
TOTAL LIABILITIES	362,745	351,469
NET ASSETS	985,072	974,675

Current assets include cash and cash equivalents of \$88.0 million (\$112 million at 30 June 2006). The decrease of \$24.0 million in cash and cash equivalents reflects the construction of buildings and other capital works.

Abridged Program Information

The table below details the Service's net cost of services by program:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	196,328	807,905	613,072	571,859
Outpatient services	17,878	115,450	97,795	92,142
Rehabilitation and extended care services	19,617	131,550	111,977	100,754
Primary and community based services	7,008	101,022	94,184	93,049
Aboriginal health services	45	853	809	805
Emergency services	13,004	97,999	85,283	77,295
Same day acute inpatient services	24,949	75,232	50,506	49,662
Mental health services	3,923	144,155	140,314	128,855
Population health services	7,439	21,082	13,650	13,347
Teaching and research	17,868	63,066	45,278	43,880
Total all programs	308,059	1,558,314	1,252,868	1,171,648

SERVICE ACTIVITIES

For further information on the Service's activities, refer to www.nsccahs.health.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

Northern Sydney and Central Coast Area Health Service Special Purpose Service Entity
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South Eastern Sydney and Illawarra Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' section earlier in this Volume.)

The average length of stay in acute hospitals in the South Eastern Sydney and Illawarra Area remained unchanged from the prior year at 3.6 days, equal to the State average.

The Service's bed occupancy rate increased from 90.6 per cent in 2006 to 95.1 per cent. It remains amongst the highest in the State. Service management told us that this reflects the Service having the second highest level of same day separations in the State.

The Service met or exceeded the Department of Health's benchmarks for timeliness in treating emergency patients in four of the five triage categories (three in 2006). The Service was marginally below the benchmark for Triage Three.

While the Service did not achieve its Emergency Admissions performance target of 80 per cent, it improved from 70 per cent in 2006 to 79 per cent.

OTHER INFORMATION

Fraudulent Overtime Claims

The Service during the year uncovered fraudulent activity at the Prince of Wales Hospital. The fraud involved claims for payment of overtime shifts not actually worked. This activity went unnoticed due to a breakdown in the controls over processing of pay claims by medical officers, and the lack of a review or monitoring of salary payments by cost centre managers. The fraudulent claims were detected after a review of overtime was undertaken by service executive staff. The Service believes that the fraudulent activity began as far back as June 2003, and it estimates it cost the Service approximately \$100,000 in payments. The Service is reviewing policies and procedures around the approving of pay claims by medical officers, and the review of wages and salary expense by cost centre managers.

We identified other opportunities for improvement to accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION**Abridged Consolidated Operating Statements**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	1,172,469	1,111,255	--	787,143
Personnel services	--	--	1,172,469	324,112
Visiting medical officers	60,577	58,528	60,577	58,528
Other expenses	861,710	812,350	861,710	812,350
TOTAL EXPENSES	2,094,756	1,982,133	2,094,756	1,982,133
TOTAL REVENUE	503,412	430,444	522,669	436,978
Other losses	516	2,092	516	2,092
NET COST OF SERVICES	1,591,860	1,553,781	1,572,603	1,547,247
Add Government Contributions				
NSW Health Department recurrent allocations	1,511,611	1,460,583	1,511,611	1,460,583
NSW Health Department capital allocations	10,775	22,691	10,775	22,691
Asset Sale Proceeds transferred to the NSW Health Department	(4,624)	--	(4,624)	--
Acceptance by the Crown Entity of employee benefits	19,257	22,399	--	15,865
Total Government Contributions	1,537,019	1,505,673	1,517,762	1,499,139
RESULT	(54,841)	(48,108)	(54,841)	(48,108)

Some of the reasons for the increase in other expenses included increased grants and subsidies, information management costs, and medical and surgical supplies. The increase in grants and subsidies was largely due to a one off payment to the Children's Cancer Institute, \$15.0 million.

The increase in revenue reflects a general rise in activity and an increase in patient fees.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	166,948	171,144
Non-current assets	1,444,231	1,486,313
TOTAL ASSETS	1,611,179	1,657,457
Current liabilities	478,210	460,603
Non-current liabilities	44,000	49,280
TOTAL LIABILITIES	522,210	509,883
NET ASSETS	1,088,969	1,147,574

Abridged Consolidated Program Information

The table below details the net cost of services on a program basis:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	326,611	940,371	614,031	604,426
Outpatient services	18,430	283,016	264,624	251,682
Emergency services	20,246	161,239	141,003	135,249
Mental health services	3,945	118,346	114,409	131,705
Primary and community based services	6,674	124,722	118,062	112,405
Other	127,506	467,062	339,731	318,314
Total all programs	503,412	2,094,756	1,591,860	1,553,781

SERVICE ACTIVITIES

For further information on the Service, refer to www.sesiahs.health.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
South Eastern Sydney and Illawarra Area Health Service Special Purpose Service Entity

Sydney South West Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entities' financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' section earlier in this Volume.)

The average length of stay in acute hospitals in the Sydney South West Area was 3.8 days (3.9 days in 2006) and remains amongst the highest in the State.

The Service's bed occupancy rate was 92.3 per cent (91.5 per cent) and the second highest in the State.

The Service met or exceeded the Department's benchmarks for timeliness in treating emergency patients in four of the five triage categories (four).

The Service's emergency admission performance improved from 67 per cent in 2006 to 76 per cent. However, this was lower than the target of 80 per cent and was the second lowest in the State.

OTHER INFORMATION

We identified opportunities to improve internal control and reported them to management.

FINANCIAL INFORMATION**Abridged Consolidated Operating Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	1,363,594	1,299,425	--	920,443
Personnel services	--	--	1,360,745	376,706
Visiting medical officers	77,628	73,951	77,628	73,951
Other expenses	834,327	759,217	832,131	757,064
TOTAL EXPENSES	2,275,549	2,132,593	2,270,504	2,128,164
TOTAL REVENUE	478,408	412,032	496,830	413,928
Other losses	3,159	5,217	3,159	5,217
NET COST OF SERVICES	1,800,300	1,725,778	1,776,833	1,719,453
Add Government Contributions				
NSW Health Department recurrent allocations	1,747,751	1,612,674	1,747,751	1,612,674
NSW Health Department capital allocations	31,658	35,684	31,658	35,684
Acceptance by the Crown Entity of employee benefits	25,113	24,887	--	17,659
Total Government Contributions	1,804,522	1,673,245	1,779,409	1,666,017
RESULT	4,222	(52,533)	2,576	(53,436)

Abridged Consolidated Balance Sheet

At 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets	242,989	204,087	229,823	193,253
Non-current assets	1,673,637	1,665,441	1,667,415	1,659,290
TOTAL ASSETS	1,916,626	1,869,528	1,897,238	1,852,543
Current liabilities	531,320	510,055	530,434	509,600
Non-current liabilities	29,680	30,145	29,620	30,115
TOTAL LIABILITIES	561,000	540,200	560,054	539,715
NET ASSETS	1,355,626	1,329,328	1,337,184	1,312,828

Abridged Consolidated Program Information

The table below details the net cost of services on a program basis:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	294,172	1,078,667	787,654	739,602
Outpatient services	11,082	288,701	277,619	262,856
Primary and community based services	15,910	155,177	139,267	142,279
Same day acute inpatient services	25,857	159,959	134,102	123,122
Rehabilitation and extended care services	43,018	149,547	106,529	109,399
Other	88,369	443,498	355,129	348,520
Total all programs	478,408	2,275,549	1,800,300	1,725,778

SERVICE ACTIVITIES

For further information on the Service, refer to www.sswahs.nsw.gov.au.

CONTROLLED ENTITIES

The following controlled entities have not been separately reported on as they are not considered material by their size or the nature of their operations to the consolidated entity.

For further financial and other information on these entities we have listed the entities' websites.

Entity Name	Website
ANZAC Health and Medical Research Foundation and ANZAC Health and Medical Research Foundation Trust Fund	www.anzac.edu.au
Ingham Health Research Institute	*
Sydney South West Area Health Service Special Purpose Service Entity	www.sswahs.nsw.gov.au

* This entity does not have a website.

Sydney West Area Health Service

AUDIT OPINION

The audits of the Service and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Financial Report

We recommend the Service improve its quality control procedures over preparation of its financial report and supporting documentation.

The Service submitted its financial report on 20 July 2007. Deficiencies in supporting documentation included unreconciled plant and equipment, incomplete bank reconciliation and incorrect recognition of commonwealth grant. These matters required substantial additional analysis and contributed to the Service not achieving statutory reporting requirements within the required timeframe.

Asset Management

The Service should review the useful life of its assets. It should also replace fully depreciated assets if their continued use might affect the efficient and effective operation of the hospital.

The Information systems do not facilitate strategic decision making regarding assessment of whether assets are able to support service delivery objectives. Specific asset details are not always recorded in the asset register and the Service continues to utilise fully depreciated assets totalling \$144 million.

PERFORMANCE INFORMATION

(Comparative performance data on all Area Health Services appears in the 'Health Overview' section earlier in this Volume.)

The average length of stay in the Sydney West Area was 3.7 days (3.6 days in 2006). It is amongst the highest in the State.

The bed occupancy rate for the Service fell from 84.4 per cent in 2006 to 73.6 per cent. This was well below the State average of 86.2 per cent.

The Service met or exceeded benchmarks for timeliness in treating emergency patients in three of the five triage categories (three).

The Service's emergency admission performance was 78 per cent. This was slightly less than its 80 per cent target.

OTHER INFORMATION

We identified areas for the Service to improve its internal controls. We have advised the Service of these matters and will be reporting to management shortly.

FINANCIAL INFORMATION

Abridged Consolidated Operating Statement

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related expenses	1,054,402	984,575	--	698,643
Personnel services	--	--	1,054,402	285,932
Depreciation and amortisation	61,146	62,433	61,146	62,433
Other expenses	652,698	564,261	652,698	564,261
TOTAL EXPENSES	1,768,246	1,611,269	1,768,246	1,611,269
Sale of goods and services	231,213	236,192	231,213	236,192
Investment income	11,059	11,632	11,059	11,632
Grants and contributions	47,283	41,634	66,906	47,088
Other revenue	20,124	12,035	20,124	12,035
TOTAL REVENUE	309,679	301,493	329,302	306,947
Other (losses)/gains	2,458	(3,082)	2,458	(3,082)
NET COST OF SERVICES	1,456,109	1,312,858	1,436,486	1,307,404
Add Government Contributions				
NSW Health Department recurrent allocations	1,324,194	1,240,588	1,324,194	1,240,588
NSW Health Department capital allocations	73,387	88,512	73,387	88,512
Acceptance by the Crown Entity of employee benefits	19,623	18,779	--	13,325
Total Government Contributions	1,417,204	1,347,879	1,397,581	1,342,425
RESULT	(38,905)	35,021	(38,905)	35,021

The other expenses were higher than last year largely due to \$21.1 million increase in inter area patient outflows for acute inpatients, emergency, rehabilitation and extended care by other Area Health Services. Other expenses also include write offs of \$24.9 million for minor plant and equipment.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	213,814	222,236
Non-current assets	1,397,835	1,421,158
TOTAL ASSETS	1,611,649	1,643,394
Current liabilities	379,933	353,787
Non-current liabilities	55,317	50,319
TOTAL LIABILITIES	435,250	404,106
NET ASSETS	1,176,399	1,239,288

Abridged Program Information

The table below details the Service's net cost of services by program:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	157,991	766,684	608,693	551,770
Outpatient services	12,069	149,732	137,663	121,815
Rehabilitation and extended care services	20,316	139,520	119,204	103,702
Primary and community based services	9,282	159,864	150,582	138,277
Aboriginal health services	43	1,710	1,667	1,315
Emergency services	8,076	122,387	114,311	96,396
Same day acute inpatient services	15,786	129,606	113,820	98,646
Mental health services	7,964	130,068	122,104	120,068
Population health services	5,661	68,576	62,915	58,283
Teaching and research	74,949	100,099	25,150	22,586
Total all programs	312,137	1,768,246	1,456,109	1,312,858

SERVICE ACTIVITIES

The Service is responsible for providing medical services to the residents of Western Sydney, including the localities of Parramatta up to the Blue Mountains.

For further information on the Service's activities, refer to www.wsahs.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

Sydney West Area Health Service Special Purpose Service Entity

Clinical Excellence Commission

AUDIT OPINION

The audits of the Commission and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

FINANCIAL INFORMATION

Abridged Consolidated Operating Statement

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	3,917	3,060	--	2,167
Personnel services	--	--	3,917	893
Other expenses	2,504	3,115	2,504	3,115
TOTAL EXPENSES	6,421	6,175	6,421	6,175
TOTAL REVENUE	565	176	620	192
NET COST OF SERVICES	5,856	5,999	5,801	5,983
Add Government Contributions				
NSW Health Department recurrent allocations	7,870	7,436	7,870	7,436
Acceptance by the Crown Entity of employee benefits	55	56	--	40
Total Government Contributions	7,925	7,492	7,870	7,476
RESULT	2,069	1,493	2,069	1,493

Employee related expenses increased because of higher staff numbers following expansion of activities, leave on-cost adjustments, and increased payments to board members.

The decrease in other expenses reflects a reduction in the level of grants and subsidies payments.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	1,539	798
Non-current assets	3,022	1,384
TOTAL ASSETS	4,561	2,182
Current liabilities	968	685
Non-current liabilities	66	39
TOTAL LIABILITIES	1,034	724
NET ASSETS	3,527	1,458

The increase in net assets is due to the acquisition of the Incident Information Management System software.

COMMISSION ACTIVITIES

The Commission's mission is to identify issues of a systemic nature that affect patient safety and clinical quality in the New South Wales health system, and to develop and advise on implementation strategies to address these issues.

For further information on the Commission, refer to www.cec.health.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
Clinical Excellence Commission Special Purpose Service Entity

Health Administration Corporation

AUDIT OPINION

The audits of the Corporation and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Shared services provided by HealthSupport

We recommend the Corporation develop and document policies and procedures for HealthSupport transaction centres. We also recommend that Service Partnership Agreements (SPAs) between HealthSupport and the health entities it provides services to are finalised and signed.

HealthSupport was established as a division of the Corporation to provide shared services to health entities controlled by the Department of Health. These services include financial transactions processing, payroll and linen services. We are concerned that there is no documentation of the policies and procedures used by HealthSupport to provide these services. This could result in inconsistent application of processes, leading to erroneous transactions and internal control weaknesses. In addition, SPAs between HealthSupport and the relevant entities were not finalised during the year.

Control weaknesses within HealthSupport systems and procedures may not be identified and/or rectified without clearly established and agreed accountabilities and responsibilities. We found that there was no clear distinction between the activities to be performed by HealthSupport, and those by its clients. The extent of service performed by HealthSupport differs for individual clients.

Key Performance Indicators for HealthSupport services

We recommend that the Corporation develops methods for measuring Key Performance Indicators (KPIs) included in HealthSupport SPAs. We also recommend that an exercise be performed, at an appropriate time in the life of HealthSupport, to assess the efficiency and effectiveness of the HealthSupport operating model.

We are concerned that HealthSupport cannot measure some KPIs included in the draft SPAs with the health entities it services. These KPIs relate to the completeness and timeliness of processing. HealthSupport does not currently have systems in place to capture this information. Without such information, it is difficult to measure the true benefit of the services provided.

Once HealthSupport has been operating for a period of time, it is important that the costs/benefits of its operations are evaluated, as compared to what was envisaged when it was established.

OTHER INFORMATION

We identified some opportunities for improvement to accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION**Abridged Consolidated Operating Statement**

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	371,866	93,197	--	5,093
Personnel services	--	--	371,866	88,104
Other expenses	229,326	83,706	229,326	83,706
TOTAL EXPENSES	601,192	176,903	601,192	176,903
TOTAL REVENUE	242,812	61,668	253,298	64,470
Other losses	(16,134)	(2,689)	(16,134)	(2,689)
NET COST OF SERVICES	374,514	117,924	364,028	115,122
Add Government Contributions				
NSW Health Department recurrent allocations	315,896	93,824	315,896	93,824
NSW Health Department capital allocations	62,313	55,703	62,313	55,703
Asset sale proceeds transferred to the NSW Health Department	--	(125)	--	(125)
Acceptance by the Crown Entity of employee benefits	10,486	2,848	--	46
Total Government Contributions	388,695	152,250	378,209	149,448
RESULT	14,181	34,326	14,181	34,326

Comparison of amounts to the previous year is not appropriate, for the following reasons:

- HealthSupport was established in November 2005. However, due to limited operations, it did not commence reporting within the Corporation until 2006-07. Any activities relating to 2005-06 were assessed as immaterial and reported within the Department of Health.
- Ambulance Services did not commence reporting within the Corporation until mid March 2006, and hence the 2005-06 balances are only for some three and a half months.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	90,302	59,785
Non-current assets	351,877	272,924
TOTAL ASSETS	442,179	332,709
Current liabilities	185,081	156,839
Non-current liabilities	6,855	2,516
TOTAL LIABILITIES	191,936	159,355
NET ASSETS	250,243	173,354

Abridged Consolidated Program Information

The table below details the net cost of services on a program basis:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Primary and community based services	3,125	4,839	1,800	2,422
Aboriginal health services	203	259	61	128
Same day acute inpatient services	8,205	10,547	2,602	2,284
Rehabilitation and extended care services	9,312	11,271	2,273	(555)
Teaching and research	2,011	12,774	10,837	4,403
Outpatient services	13,716	17,686	4,416	3,179
Overnight acute inpatient services	54,977	69,888	16,674	5,614
Mental health services	10,503	13,139	2,987	2,101
Population health services	1,050	1,524	503	1,344
Emergency services	139,710	459,265	332,361	97,004
Total all programs	242,812	601,192	374,514	117,924

The following table provides a summary of financial information for 2007 by business units (inter-entity transactions have not been eliminated):

Year ended 30 June	Ambulance Services	Other business units*
	2007 \$'000	2007 \$'000
Expenses	451,943	153,993
Revenue	127,944	119,612
Net cost of services	336,367	38,147
Government contributions	337,631	51,064
Result	1,264	12,917
Total assets	243,511	198,802
Total liabilities	130,222	61,848
Net assets	113,289	136,954

* Ambulance Services is reported separately as it is the largest Corporation unit, and provides an individual service to the health sector. Other business units comprise Health Technology, HealthSupport and the NSW Institute of Medical Education and Training (IMET). They provide shared services to other Area Health Services.

CORPORATION ACTIVITIES

The Health Administration Corporation comprises Ambulance Services, Health Technology, HealthSupport and IMET.

The Ambulance Service of New South Wales was previously constituted under the *Ambulance Services Act 1990*. In March 2006 the *Ambulance Services Act 1990* was repealed and the Director-General of Health became directly responsible for the provision of ambulance services under the *Health Services Act 1997*. The Director-General subsequently determined that the operation of the Ambulance Service would be part of the Corporation.

The Director-General also established other units to provide various services to the public health sector as part of the Corporation. These include HealthTechnology which was established during 2004-05 to provide information and health technology services to the public health system. During 2005-06 the Director-General also established HealthSupport and IMET as units of the Corporation to exercise the Director-General's functions of providing corporate services to the public health system and the coordination of post graduate medical education and training.

For further information on the Health Administration Corporation, refer to the Department of Health website at www.health.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
Health Administration Corporation Special Purpose Service Entity

HealthQuest

AUDIT OPINION

The audits of HealthQuest and its controlled entity's financial reports for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related expenses	1,837	1,995	--	1,412
Personnel services	--	--	1,837	583
Other expenses	2,272	2,462	2,272	2,462
Revenue	3,862	3,844	3,862	3,857
Net cost of services	247	613	247	600
Government contribution	756	658	756	645
Net assets (at 30 June)	1,874	1,402	1,874	1,402

HEALTHQUEST ACTIVITIES

HealthQuest was established on 1 July 2003 as a statutory health corporation under Schedule 2 of the *Health Services Act 1997*.

HealthQuest provides workforce health management services for public and private sector employees throughout New South Wales. Its focus is to assist employers and employees to achieve the best possible relationships between health and work.

For further information on the Institute, refer to www.healthquest.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported separately on as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

HealthQuest Special Purpose Service Entity

Justice Health

AUDIT OPINION

The audits of Justice Health and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

New Forensic and Prison Hospitals

Justice Health, in conjunction with the Department of Corrective Services, Department of Health and Treasury, is overseeing the building of new hospital facilities. These hospitals are being built as Privately Funded Projects. PPP Solutions (Long Bay) Pty Ltd consortium was engaged to finance, design and construct an 85 bed prison hospital, a 135 bed high security forensic hospital and an operations building. It will also maintain them until 19 July 2034. Construction is expected to be completed by February 2009, with full service commencing shortly thereafter. The forensic hospital will be managed by the Department of Health and the prison hospital will be managed by the Department of Corrective Services (with the clinical services provided by Justice Health).

Justice Health has assessed its capital commitments on this project at \$279 million.

PERFORMANCE INFORMATION

Facilities and Service Deliveries

The opening of a Mental Health Screening Unit during the year contributed to a 4.3 per cent increase in the total number of bed days available. The increase of inmate numbers also led to the daily average number of inpatients increasing by 4.8 per cent.

OTHER INFORMATION

We identified some minor opportunities for Justice Health to improve internal control and reported them to management.

FINANCIAL INFORMATION

Abridged Consolidated Operating Statement

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	71,368	65,017	--	46,162
Personnel services	--	--	71,368	18,855
Other expenses	21,423	18,992	21,423	18,992
TOTAL EXPENSES	92,791	84,009	92,791	84,009
TOTAL REVENUE	1,319	1,552	2,309	1,677
Other losses	91	108	91	108
NET COST OF SERVICES	91,563	82,565	90,573	82,440
Add Government Contributions				
NSW Health Department recurrent allocations	88,088	79,208	88,088	79,208
NSW Health Department capital allocations	1,301	3,837	1,301	3,837
Acceptance by the Crown Entity of employee benefits	990	430	--	305
Total Government Contributions	90,379	83,475	89,389	83,350
RESULT	(1,184)	910	(1,184)	910

Employee related expenses rose due to higher staff levels needed to meet increased patient numbers and rises in award rates.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets	4,390	5,133	13,417	8,639
Non-current assets	9,397	7,886	9,397	7,886
TOTAL ASSETS	13,787	13,019	22,814	16,525
Current liabilities	20,434	18,005	29,411	21,413
Non-current liabilities	503	980	553	1,078
TOTAL LIABILITIES	20,937	18,985	29,964	22,491
NET LIABILITIES	7,150	5,966	7,150	5,966

The Department of Health has provided assurances that it will help ensure Justice Health can pay its liabilities as and when they fall due.

Abridged Consolidated Program Information

The table below details Justice Health's net cost of services on a program basis:

Year ended 30 June	2007			2006
	Revenue \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Outpatient services	1,319	48,672	47,444	42,799
Mental health services	--	28,914	28,914	25,123
Primary and community based services	--	10,053	10,053	9,521
Overnight acute inpatient services	--	1,275	1,275	1,289
Population health services	--	2,316	2,316	2,234
Teaching and research	--	804	804	917
Aboriginal health services	--	757	757	682
Total all programs	1,319	92,791	91,563	82,585

AGENCY ACTIVITIES

Justice Health is responsible for providing health care in adult correctional and juvenile detention facilities, courts, police cells and the community.

For further information on Justice Health, refer to www.justicehealth.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
Justice Health Special Purpose Service Entity

The Royal Alexandra Hospital for Children

AUDIT OPINION

The audits of the Hospital and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

The Hospital should review the useful life of its assets. It should also replace fully depreciated assets if their continued use might affect the efficient and effective operation of the hospital.

The Hospital is at an age where many of the assets acquired when it was built 12 years ago have reached the end of their useful lives, and are now fully depreciated. We noted that many of these assets are still in use.

PERFORMANCE INFORMATION

The average length of stay in the Hospital for 2007 remained consistent with 2006 at 3.2 days.

The bed occupancy rate for the Hospital was 85.3 per cent, while the number of patients admitted increased to 27,625 (26,763 in 2006).

The Hospital met or exceeded benchmarks for timeliness in treating the two most urgent categories of emergency patients in 2007, as well as the Triage Five benchmark (less urgent cases). The Hospital was marginally below the benchmark for the remaining triage category (potentially life threatening). The Hospital's emergency admission performance was 79 per cent, slightly less than its 80 per cent target.

The Hospital met its benchmark of no creditors over 45 days (excluding amounts owing to visiting medical officers, government agencies and contracted patient services) at 30 June 2007. It also registered a favourable net cost of services result when compared to the Department of Health's budget expectations. The Department told us that this was mainly because of the success of performance improvement initiatives implemented throughout the Hospital. The Department advised they will continue to monitor the Hospital's financial performance.

OTHER INFORMATION

Fixed Assets Reconciliation

We recommend that the Hospital reconcile its fixed assets register to the general ledger on a regular basis, and identify and clear any reconciling items.

A reconciliation of the fixed assets register was not performed on a monthly basis from the period July 2006 to January 2007. Reconciliations performed between February 2007 and June 2007 were not done on a timely basis, and contained numerous reconciling items. This impacts the reliability of the reconciliation, and may result in incorrect reporting of fixed assets.

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

Processing of Transactions

We recommend the Hospital liaise closely with HealthSupport to ensure transitional problems are kept to a minimum. The Hospital should ensure all responsibilities are clearly assigned in the Service Partnership Agreement with HealthSupport going forward.

The processing of financial transactions and payroll was transferred to HealthSupport during the year. The Hospital has concerns over the internal control framework at HealthSupport. A number of transitional problems occurred during the transfer, including incorrect salary payments in the first pay run, and difficulty in accurately transferring the fixed assets register.

Blood Product Expenses

There was a higher demand for blood and blood products during the year, resulting in an increase in costs of \$4.9 million. The increase includes \$3.8 million relating to the treatment of two patients with severe haemophilia A.

FINANCIAL INFORMATION

Abridged Consolidated Operating Statement

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee related	204,612	190,467	--	134,915
Personnel services	--	--	204,612	55,552
Visiting medical officers	4,652	4,676	4,652	4,676
Other expenses	88,998	81,411	88,998	81,331
TOTAL EXPENSES	298,262	276,554	298,262	276,554
TOTAL REVENUE	208,108	174,972	210,780	175,705
Other (losses)/gains	(330)	3,568	(330)	3,568
NET COST OF SERVICES	90,484	98,014	87,812	97,281
Add Government Contributions				
NSW Health Department recurrent allocations	82,263	80,776	82,263	80,776
NSW Health Department capital allocations	309	7,505	309	7,505
Acceptance by the Crown Entity of employee benefits	2,672	2,514	--	1,781
Total Government Contributions	85,244	90,795	82,572	90,062
RESULT	(5,240)	(7,219)	(5,240)	(7,219)

Other expenses increased because of higher demand for blood and blood products, explained previously.

Total revenue increased largely because of an increase in the number of patients treated.

Abridged Consolidated Balance Sheet

At 30 June	Consolidated and Parent	
	2007 \$'000	2006 \$'000
Current assets	56,797	53,757
Non-current assets	381,601	386,152
TOTAL ASSETS	438,398	439,909
Current liabilities	83,089	78,812
Non-current liabilities	4,203	4,751
TOTAL LIABILITIES	87,292	83,563
NET ASSETS	351,106	356,346

Abridged Consolidated Program Information

The table below details the net cost of services on a program basis:

Year ended 30 June	2007		2006	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Primary and community based services	4,523	7,940	3,417	3,140
Aboriginal health services	--	126	126	150
Same day acute inpatient services	24,061	15,971	(8,090)	(5,613)
Rehabilitation and extended care services	4,258	6,728	2,470	3,580
Teaching and research	31,184	35,675	4,491	(240)
Outpatient services	7,418	62,306	54,888	55,066
Overnight acute inpatient services	119,587	134,871	15,284	20,293
Mental health services	260	9,051	8,791	8,787
Population health services	4,599	9,659	5,060	7,660
Emergency services	12,218	16,265	4,047	5,191
Total all programs	208,108	298,592	90,484	98,014

HOSPITAL ACTIVITIES

For further information on the Hospital, refer to <http://www.chw.edu.au>.

CONTROLLED ENTITIES

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name

Royal Alexandra Hospital for Children Special Purpose Service Entity
--

Minister for Ports and Waterways

Refer to Appendix 1 for:

Marine Parks Authority

Minister for Sport and Recreation

Refer to Appendix 1 for:

Newcastle International Sports Centre Trust

Premier

Refer to Appendix 1 for:

Cowra Japanese Garden Maintenance Foundation Limited

Cowra Japanese Garden Trust

Treasurer

Residual Business Management Corporation

Residual Business Management Corporation

AUDIT OPINION

The audits of the Corporation and its controlled entities' financial reports for the year ended 30 June 2006 resulted in unqualified Independent Auditor's Reports.

KEY ISSUES

Oversight and Delays in Financial Reporting

We recommend The Treasury's oversight of the Corporation and its entities be increased to compensate for the limited internal controls, and to ensure the financial reports of the entities are submitted for audit within statutory time frames.

The governance and operations of the Corporation and its controlled entities, Pacific Power (Subsidiary No. 1) Pty Ltd and Pacific Solar Pty Limited, is undertaken by a very small team resulting in limited internal controls and exposes the entities to financial risks.

There were significant delays in the submission of the financial reports of the Corporation and Pacific Power (Subsidiary No. 1) Pty Ltd for audit, and in the provision of appropriate work papers to support the financial report disclosures.

The delay in the finalisation of the 2006 financial reports has resulted in delays in the submission of the 2007 financial reports for audit. A new Business Manager was recently appointed and action is underway to improve the accounting and reporting processes.

FINANCIAL INFORMATION

Abridged Consolidated Income Statement

Year ended 30 June	Consolidated		Parent	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total revenue	4,031	7,593	519	6,680
Total expenditure	3,967	1,972	3,208	285
Total tax expense	--	--	--	--
Profit/(loss) after tax	64	5,621	(2,689)	6,395

Abridged Consolidated Balance Sheet

At 30 June	Consolidated		Parent	
	2006 \$'000	2005* \$'000	2006 \$'000	2005* \$'000
Current assets	16,092	22,884	4,681	10,329
Non-current assets	10,928	11,877	5,747	5,767
TOTAL ASSETS	27,020	34,761	10,428	16,069
Current liabilities	5,763	13,363	2,573	5,552
TOTAL LIABILITIES	5,763	13,363	2,573	5,552
NET ASSETS	21,257	21,398	7,885	10,544

* Figures stated reflect restated AIFRS comparatives.

Current assets include \$12.2 millions of cash and investments.

CORPORATION ACTIVITIES

The Corporation is a statutory authority constituted by the *Pacific Power (Dissolution) Act 2003*. It is responsible for the management of the residual assets, rights and liabilities of the former Pacific Power, and has no role in undertaking new business activities.

CONTROLLED ENTITIES

The Corporation is the parent entity of Pacific Power (Subsidiary No. 1) Pty Ltd and the majority shareholder of Pacific Solar Pty Limited.

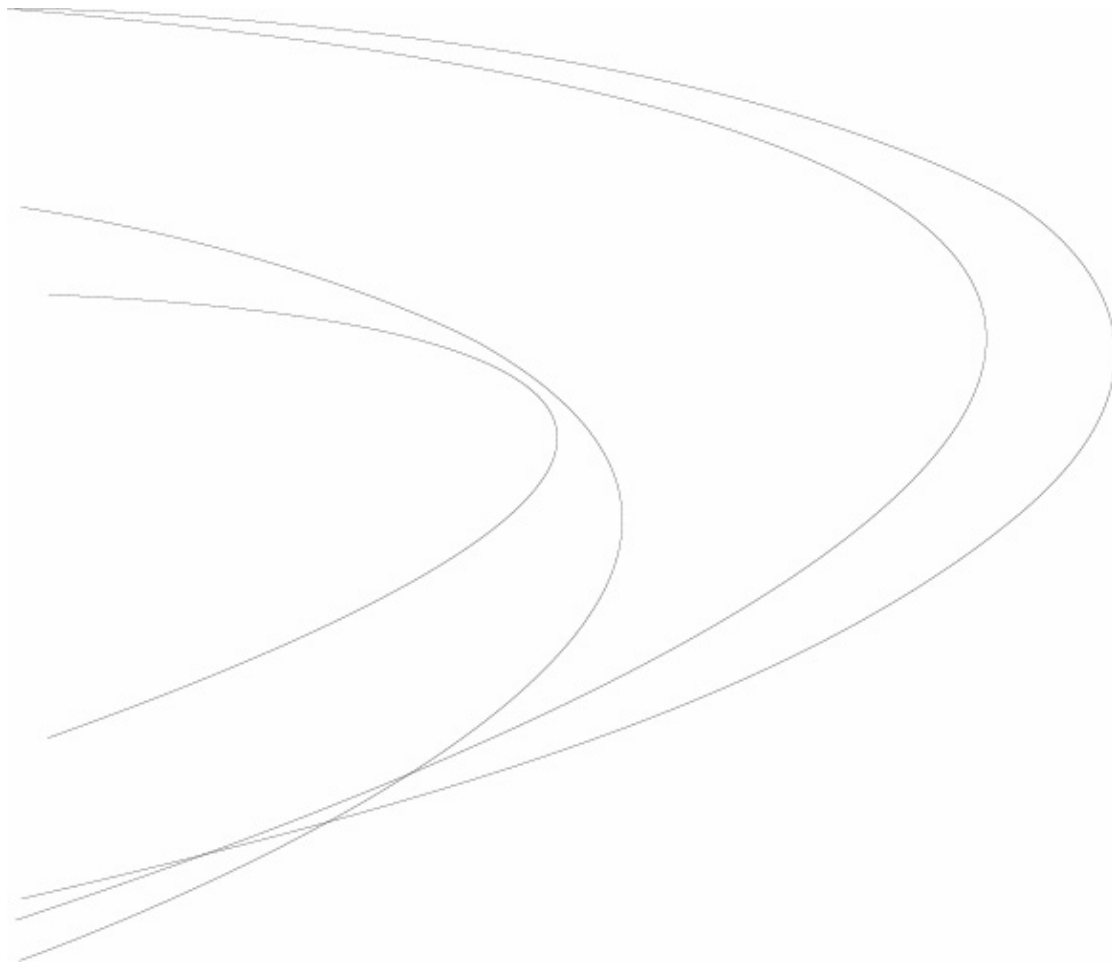
These entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Website
Pacific Power (Subsidiary No. 1) Pty Ltd	*
Pacific Solar Pty Limited	www.pacsolar.com.au

* This entity does not have a website.

Appendices

Appendix 1 Agencies not reported elsewhere in this Volume



Appendix 1 - Agencies not reported elsewhere in this Volume

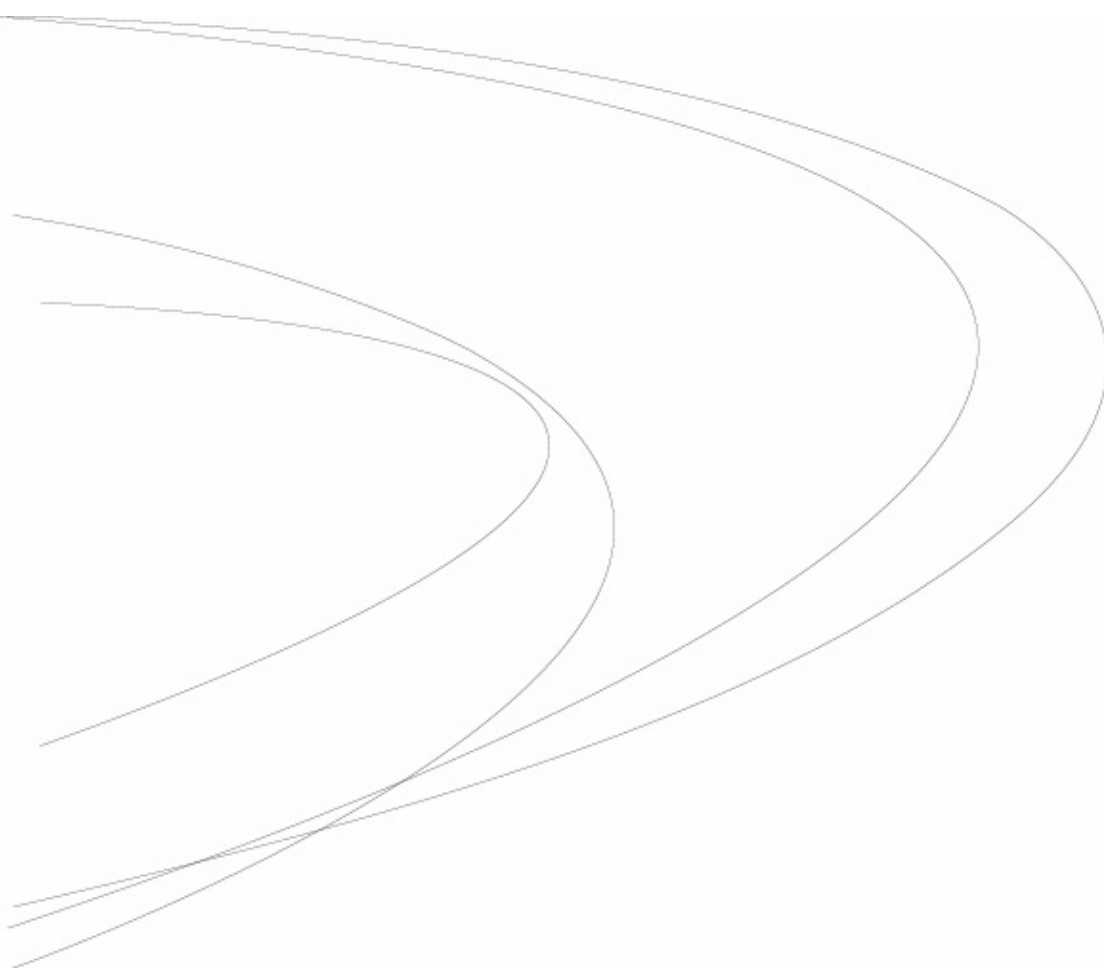
The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

For further financial and other information on these entities we have listed the entities' websites.

Entity Name	Website
Cowra Japanese Garden Maintenance Foundation Limited	*
Cowra Japanese Garden Trust	*
Dental Board of New South Wales	www.dentalboardnsw.org.au
Marine Parks Authority	www.mpa.nsw.gov.au
Newcastle International Sports Centre Trust	www.hunterisc.com
Pharmacy Board of New South Wales	www.pbnsw.org.au

* These entities do not have websites

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