



Government
of South Australia

Report
of the
Auditor-General
Supplementary Report
for the
year ended 30 June 2011

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Department of Health and
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April 2012

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Dear President and Speaker

**Report of the Auditor-General: Supplementary Report for the
year ended 30 June 2011: Agency audit report: Department of Health
and associated health service activities: April 2012**

Pursuant to the provisions of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my Supplementary Report for the year ended 30 June 2011 'Agency audit report: Department of Health and associated health service activities: April 2012'.

At the time of submission of my 2011 Annual Report which was tabled in Parliament on 28 October 2011, I indicated that the audited financial statements and audit commentary for the Department of Health would be included in a Supplementary Report to Parliament. I also indicated the inclusion in that Report of financial information and commentary for the health regions/services.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill'.

S O'Neill
Auditor-General

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Department of Health and associated health service activities

Functional responsibility

Establishment

The Department of Health (the Department) is an administrative unit established pursuant to the PSA.

The Department is responsible to the Minister for Health and Ageing (formerly the Minister for Health).

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *Health Care Act 2008* (the HC Act) is to ensure that there is proper allocation and use of resources between health regions and health services incorporated under the HC Act.

The incorporated hospitals and health services (the health services) that operated during the 2010-11 financial year were:

- Adelaide Health Service Incorporated
- Children, Youth and Women's Health Service Incorporated
- Country Health SA Hospital Incorporated
- SA Ambulance Service Inc.

Changes to health services from 1 July 2011

In August 2011 the Australian, State and Territory governments finalised the National Health Reform Agreement (NHRA). The NHRA provides for the implementation of major new governance and financial management arrangements for the delivery of public hospital services and other health services.

The NHRA requires the establishment of separate local health networks that operate under governing councils and are responsible for the management of the delivery of hospital and other health services. These changes are to place responsibility and accountability for health service delivery to local health areas.

In response to the reform agenda of the NHRA five local health networks were established from 1 July 2011 as follows:

- Central Adelaide Local Health Network Incorporated
- Northern Adelaide Local Health Network Incorporated
- Southern Adelaide Local Health Network Incorporated
- Women's and Children's Health Network Incorporated
- Country Health SA Local Health Network Incorporated.

In essence, the former Adelaide Health Service Incorporated has been disaggregated to form three local health networks namely:

- Central Adelaide Local Health Network Incorporated
- Northern Adelaide Local Health Network Incorporated
- Southern Adelaide Local Health Network Incorporated.

In addition the former Children, Youth and Women's Health Service Incorporated and Country Health SA Hospital Incorporated continue operations as separate local health networks under revised names of Women's and Children's Health Network Incorporated and Country Health SA Local Health Network Incorporated.

The SA Ambulance Service Inc was not affected by the requirements for change under the NHRA.

Purpose and structure of this Report

Delay in Department and health service financial reports

This supplementary report results from the delay in finalising the preparation and audit of the financial reports for the year ended 30 June 2011 for the Department and abovementioned health services that operated during 2010-11.

The Department was responsible for the preparation of the financial reports of the Department and health services for 2010-11. This important responsibility resulted from the centralisation of across-health sector finance functions to the Department, and also from the introduction from July 2010 of a new whole-of-health enterprise financial management and reporting system (Oracle corporate system (OCS)).

Prior to 30 June 2011 balance date, at balance date and subsequent to balance date, there existed inadequate financial account reconciliation and review processes. Certain material financial account balances and unexplained variances at 30 June 2011, relevant to certain financial reports, required additional management review and audit integrity testing of financial transactions and balances, prior to forming audit opinions (and providing independent auditor's reports (IARs)) on the true and fair nature of the relevant financial reports.

Unmodified IARs have been issued for the Department of Health, Children, Youth and Women's Health Service Incorporated and SA Ambulance Service Inc, albeit they include a specific comment indicating inadequate management control attention to the critical matter of financial accounts reconciliation and review. Further, modified IARs have been issued for Adelaide Health Service Incorporated and Country Health SA Hospital Incorporated, that identify and qualify certain financial report disclosures and, also indicate inadequate management attention to the critical matter of financial accounts reconciliation and review.

The delay in the completion of the financial reports of the Department and health services and the nature of the IARs issued on the financial reports is a matter of concern. More specific comment explaining the nature of the delay and IARs issued is provided in later sections of this Report.

Brief outline of this Report

This Report includes commentary and financial information for the following matters:

- comment on some significant challenges for the health sector
- audit commentary and findings arising from audits of the financial operations of the Department
- Department of Health financial report
- abridged financial reports of the incorporated hospitals and health services

- audit commentary and findings arising from audits of the incorporated hospitals and health services
- health sector staffing and patient activity data - unaudited.

Significant administrative and financial management challenges: Some audit observations and comments

The health sector is facing important changes and associated challenges. The 2010-11 audit has brought to heightened attention the significance of some of these matters and the need to properly address them to ensure health service delivery outcomes are achieved in a cost effective manner and within appropriate standards of financial transparency and management and accountability of resources. These matters are also consistent with requirements of the Australian, State and Territories health reform agenda.

Further brief comment on these challenges is provided below.

Structural change

As mentioned there has been a restructure of health services, effective 1 July 2011, in response to the requirements of the NHRA.

The five local health network bodies established under the restructure will operate with governing councils that have advisory functions consistent with the HC Act. It is also intended, consistent with the NHRA, that there be greater clinical involvement and decision making within these bodies.

This significant change necessitates the establishment or amendment of the governance, clinical and financial management policy and processes for these bodies, to adequately address performance responsibilities and accountabilities under the new structure and requirements of the NHRA.

The area of governance arrangements is a focus for audit in 2011-12.

Information technology and system change

The Department is managing the replacement, upgrade and implementation of health and financial management information systems.

One significant system project relates to the replacement of numerous legacy general ledger and financial systems across metropolitan and country health services with the new whole-of-health OCS. The other system project relates to the development and implementation of a new whole-of-health enterprise patient administration system (EPAS) to replace numerous legacy patient information systems.

The successful implementation of these systems is fundamental to the achievement of improved health service delivery performance and the financial management and control and accountability requirements under the health reform agenda. The timely and effective implementation and operation of the EPAS, for example, is critical for the new Royal Adelaide Hospital opening on time and operating effectively.

My Annual Report for the year ended 30 June 2011, tabled in Parliament in October 2011, included specific comment concerning the delay in the implementation and realisation of benefits associated with the introduction of the OCS.

The implementation delay and problems with the OCS, concurrent with the operation of the legacy systems, have resulted in continued operation and costs of the legacy systems. These matters have also limited the integrity and effectiveness of reporting of financial information for management purposes at the health services and for statutory reporting purposes.

The problems associated with the implementation and operation of the OCS need to be resolved quickly so that it operates to provide an effective system for the management of financial operations at both the Department and health service levels. The effectiveness of OCS operations will either constrain or advance the health service bodies in meeting requirements under the NHRA.

The management of the implementation of major information technology developments and systems and the audit of their operations will continue to be an area of audit focus.

Internal control

The recent structural and financial system changes confronting the health sector requires those officers in key governance and senior finance roles in the Department and health services to address the challenge of continually revisiting and adjusting (where appropriate) aspects of governance and control structures and processes.

This is particularly relevant, for example, where health services are significantly restructured giving rise to new health services, such as the Northern Adelaide Local Health Network Incorporated and the Southern Adelaide Local Health Network Incorporated.

An important element of the external audit process applied to the operations of the Department and health services is the provision of audit management letter communications to persons or parties in governance of these bodies. About 30 management letter communications were submitted for the 2010-11 audit year requesting formal consideration of audit findings and responses to the findings.

Many of the issues raised relate to weaknesses in financial accounting, record keeping and control processes. Basic weaknesses in systems of internal control (for example, policy and procedure update to reflect current practices, deficient financial approvals, inadequate reconciliation processes) can expose health sector agencies to adverse events, including loss of monies and other assets. I consider it appropriate at this time of structural and system change to emphasize the importance of health sector management (including senior finance management) of exercising diligence in the consideration of audit findings communicated to them and in proposing or implementing actions to address them.

Commentaries on the matter of communications of audit findings to the Department and health services for 2010-11 are provided later in this Report.

Financial reporting

As mentioned earlier, the delay in finalisation of the preparation and audit of the abovementioned entity financial reports is explained in later sections of this Report. A significant contributing factor to the delay resulted from inadequate management attention to the timely and effective implementation of financial accounts reconciliation and review processes associated with the introduction of the new OCS.

This deficiency resulted in the Department engaging external expertise to address financial account reconciliation issues, and external audit undertaking additional audit testing of disclosures in the various financial reports to confirm if the financial reports were materially correct.

Adequate resolution of system and control deficiencies, including the ongoing maintenance of effective financial account reconciliation processes, is required for avoidance of similar financial reporting issues for 2011-12. Audit will again place emphasis on this area for 2011-12.

Financial performance

The 2011-12 Mid-Year Budget Review announced the establishment of a Resource Unit within the Department to support the delivery of improved financial management and achievement of saving measures across the health sector. Funding of \$2.5 million per annum (indexed) has been provided in the Budget for the operation of the unit up to the end of 2014-15.

The mandate of the unit (called the Office of Business Review) is a significant challenge when considering the past trend performance of the Department of exceeding annual budgeted outlays and not meeting saving measures.

At the time of preparation of this Report the unit is in the progress of being resourced to fully undertake its mandate.

The annual audit of the Department will consider the scope of performance of the unit's operations.

Department of Health

Introduction

The Department of Health (the Department) is an administrative unit established pursuant to the PSA. It became the Department for Health and Ageing from 1 January 2012.

The Department is a funder or service purchaser, policy setter and strategic planner and provider of services. Note 1 to the financial statements provides details regarding the Department's objectives.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- implementation and operation of the new enterprise financial management and reporting system (OCS)
- insurance services
- payroll
- accounts payable
- accounts receivable
- funding to health services
- interstate patient transfers
- non-current assets
- revenues received from the Commonwealth
- grants to non-government organisations (NGOs)
- ICT developments and security
- financial management and compliance
- warehouse management
- fixed assets
- overseas travel.

Audit Committee and internal audit

The Department's Audit Committee has continued in operation throughout the 2010-11 financial year. An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

Audit findings and comments

Financial reports

The Department has centralised the finance functions of the health services within the Department. It also commenced the implementation from 1 July 2010 of the new OCS. As all new system components were not implemented legacy systems remained in operation at the health services.

Under the changed finance function and system arrangements the Department was responsible for the preparation of the Department's and health services' financial reports from 2010-11.

The implementation of the new OCS has resulted in the establishment and maintenance of a single general ledger for the Department and all health services. As a result there exists interconnectivity between these legal entities which was not in existence under the previous decentralised finance and legacy systems' arrangements.

The draft financial report of the Department for the year ended 30 June 2011 was received by 11 August as required by the PFAA. However the draft financial reports for the four health services were not submitted by that date.

In view of the interconnectivity described earlier, Audit formed the view that the integrity of the financial report of the Department could not be determined in isolation of the financial reports of the health services.

Financial reports for CYWHS and SAAS were received on 2 September 2011. The financial reports for AHS and CHSA were finally received on 28 October 2011.

Although the financial report for the Department was received by the legislative required date, the quality of supporting documentation and explanation was either not complete or poor in some areas. This was largely due to the new OCS being implemented and operating for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly the overarching monthly reconciliation between the general ledger and the Department's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the reporting period, at balance date, and subsequent to balance date.

The Department took action, including the engagement of a Chartered Accounting firm, to assist the Department in addressing certain matters.

The issues associated with the general ledger/bank account reconciliations together with limitations in the ability to trace transactional data in the new OCS general ledger back to the legacy financial systems and source data resulted in Audit performing more work to confirm if the disclosures in the financial reports were materially correct.

In respect of the financial report of the Department an unmodified IAR has been issued, albeit it includes a specific comment indicating inadequate management control attention to the critical matter of financial accounts reconciliation and review.

Auditor's report on the financial report

The following is an extract from the independent auditor's report.

Audit Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Department of Health as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Other Matter – New system and control deficiencies throughout the reporting period

The significant delay in the provision of the audited financial report reflects the considerable time that was required by the Department, and consequently I, to examine material general ledger/bank account reconciliation variances that existed at 30 June 2011.

The financial report of the Department is principally prepared from financial transaction information processed, and recorded, by the new enterprise financial management and reporting system that was implemented from 1 July 2010.

The new enterprise system was implemented and operated for some time without adequate management attention being given to the effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Department's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the reporting period, at balance date, and subsequent to balance date.

The Department undertook action to investigate the variances. Consistent with auditing standards, I undertook the necessary substantive testing of the variances to confirm the financial report disclosures were materially correct.

The additional work performed by the Department and audit testing undertaken have provided sufficient evidence to support my unqualified audit opinion.

Assessment of controls

In my opinion, the controls exercised by the Department of Health in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to funding to non-government organisations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Health have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. Responses to the management letters were generally considered to be satisfactory. The responses will be followed up for effectiveness in addressing the matters raised as part of the 2011-12 audit of the Department.

The following is a summary of headings in this section that contain commentary relating to areas of the Department's operations that have been the subject of audit attention:

- whole-of-health finance centralisation and the new OCS
- risk management
- implementation of TIs 2 and 28
- recurrent funding to health services
- capital funding to health services
- funding to NGOs
- Commonwealth Government grants
- payroll
- accounts payable
- accounts receivable
- Oracle warehouse management subsystem
- fixed assets
- overseas travel
- financial statement preparation issues
- telecommunication management arrangements.

Whole-of-health finance centralisation and new financial system

Since July 2010 the Department has implemented components of the new enterprise financial management and reporting system, Oracle Corporate Systems (OCS). The OCS is to replace the Department and health service legacy general ledger and financial systems with a whole-of-health integrated system.

Project implementation, including benefits realisation and status

Audit reviewed aspects of the project implementation during 2011 and specific commentary on that review was included in Part A of my Annual Report to Parliament for the year ended 30 June 2011.

In essence the review found that the OCS project achieved some objectives of rollout of certain financial management functionality to all sites within planned timeframes. However, problems and difficulties were being experienced and the rollout of full functionality remained incomplete. Further the review found that Cabinet had not been fully informed of whole-of-life costs and benefits, no benefit realisation plans had been prepared, the systems were not fully implemented and the legacy systems had not been decommissioned. Lastly, components of the project had been excluded and training, rollout and ongoing support for the implementation of the system had not been satisfactory to certain health and business units.

The problems being experienced with certain functionality and reporting were limiting the effectiveness of budget and financial management at health services.

The Annual Report specifically noted that the implementation of the OCS to health services was being undertaken in two phases.

- Phase 1 (Financials – principally some accounts payable and accounts receivable functions, general ledger maintenance and reporting, budgeting and forecasting)

- Phase 2 (Supply chain and some financials – principally inventory management, product information management, iProcurement, purchasing, order management, warehouse management, accounts payable and cash management).

Phase 1 was expected to be fully operational by 1 July 2010. Phase 2 was to be implemented through a number of separate releases to health services and expected to be fully operational by November 2010. Phase 1 was implemented on 1 July 2010 to all locations identified in the Project Plan, initially with a low user base.

Release 1 of Phase 2 implementation was implemented in December 2010 but only to five sites. Although it was originally intended for all subsequent Phase 2 releases to be implemented by November 2010, this did not happen.

At the time of the Audit review, the Department advised that the Phase 2 rollouts were being scoped, planned and costed and Cabinet would be updated as to any impacts that may be involved and how these will be managed. Continuation of Phase 2 rollout was planned to recommence in the second half of 2011-12.

The Phase 2 rollout would include a related benefits realisation plan. The Department further advised that it would provide Cabinet with a formal update on the current status of the project, including all costs and benefits attributable to the project.

At the time of preparation of this Report, the Phase 2 rollout had not recommenced and Cabinet had not been advised of updated costs and benefits since the 2009 business case. It had also not been provided with a formal update on the project status.

Audit comment

It is critical that the Department continue to treat the planning and recommencement of the Phase 2 rollout as a high priority. Until the legacy systems are decommissioned the Department will require significant resources to maintain concurrently both the OCS and legacy systems. In addition, the continued delay in full implementation of the system and associated processes and controls heightens the risk that appropriate standards of financial management, reporting and accountability are not able to be met by the Department and health services.

The delays in providing formal costs and benefits details to Cabinet also needs to be addressed. Proper project governance requires the Department to provide Cabinet such details in a timely manner.

Specific review of OCS financial and IT controls

In addition to the review undertaken of the project implementation status, Audit reviewed some important financial information and security control aspects of the OCS.

The review examined the completeness and accuracy of financial information and reporting from health service legacy systems through various mapping systems to the OCS general ledger and associated reports. It also considered the IT controls over the OCS (operating and application levels), and its environment. This included user access arrangements, and controls over the Oracle database at the external Data Centre. The review findings were forwarded to the Department in October 2011.

Certain controls were found to be in place over financial information and reporting, and other controls of an IT nature over system security and access. However, there were notable key areas of weakness identified in the review which are discussed below.

Financial information integrity and reporting

The review found that the Department had performed a series of opening balance reconciliations from legacy general ledger systems against the OCS. However, the final reconciliations of the 1 July 2010 opening balances were not performed until July 2011 and August 2011.

In addition the Department had not performed reconciliations of the monthly interface transfers back to the relevant legacy systems on a timely basis. The Department's reconciliation for all site interfaces at year end noted a number of discrepancies. Many of these arose from inconsistent cut-off between the site legacy system and the interface extract.

Other financial information and reporting issues included mapping variations between legacy systems and the OCS and a lack of formal documentation for processes developed to manage each of the interfaces to OCS. Also at each interface run a number of records typically failed the initial validation.

System controls

Audit testing of the Oracle database found a number of user access and system account management deficiencies. This included Oracle default accounts which had default or unchanged passwords and user access accounts that had either not been used for an extended period of time or appeared to belong to terminated staff and/or contractors.

The Department had not conducted a formal review over the OCS user access since the system go-live. At the time of the review there was no evidence that the initial user access deployment was approved and appropriate. There were also a number of user accounts with privileged access that were not consistent with the user's current responsibilities. Further, the Department did not appear to have developed a segregation of duties matrix which identified any incompatible OCS responsibility combinations.

The review also found the employee naming standard for OCS users to be inconsistent. This complicates the review process and matching of user access accounts against the employee listing within the Department's human resource system.

Other weaknesses identified were related to the OCS configuration settings, which had a large number of default field settings. Users also had access to the Central Data Warehouse mapping tables with system or generic named access accounts that were not clearly associated with an individual user or system process.

In relation to system change controls, the review found deficiencies in the Department's change documentation and the formal log containing all changes to the Central Data Warehouse mapping tables.

Lastly there were no periodic formal restore tests from backup media.

Audit comment

Review of the OCS has identified notable key areas of weakness in both areas of financial information and security control. The weaknesses have the potential for a detrimental impact on the completeness, accuracy and integrity of financial information and management reporting.

Further, and as discussed above, as the new OCS was not fully operational in the Department and all health services the legacy systems have yet to be decommissioned.

The overall increase in complexity of maintaining health service legacy systems and integrating data from those systems with the OCS will:

- require the use of continued significant resources from both health services and the Department
- increase support costs to maintain the OCS and multiple legacy systems and the complex mapping processes between the systems
- increase the risk of financial misstatement or inappropriate access or change to the system and its information
- delay/reduce the achievement of benefits envisaged for the project.

The above matters will not be fully remediated until the completion of the OCS 'roll out' to all health services as originally planned.

Department's response

The Department responded in January 2012 and advised that the 2010-11 financial year had seen considerable strategic financial change. In addition the partial rollout of OCS caused an increased level of interface complexity. This was primarily due to the continued use of legacy general ledger and procurement systems across most sites.

The Department also acknowledged that the vast majority of interface risks will not be completely removed until the OCS is fully rolled out. The interface risks related to elements such as the human resource system will however remain in the future and continue to be a key control focus area for the Department.

In the interim to assist in addressing the issues highlighted the Department was undertaking a number of individual reviews. These included the Central Data Warehouse upload and interface process, consolidated reconciliation and sign off process, the Chart of Accounts and a bank reconciliation process review. The Department was also in the process of restructuring its operational and finance support staff functions and had appointed a new technical support vendor for OCS.

Risk management

Risk Management and Audit Committee (the Committee)

An important element of the Department's risk management policy and framework is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this, a web-based application to record risks, ratings, controls and treatments has been implemented.

The Committee reviews quarterly strategic risk reports which cover material risks and controls (including financial, operational and compliance controls).

As part of the risk management framework the health services are also reporting to the Committee on a quarterly basis their strategic risks.

Implementation of TIs 2 and 28

The Department advised Audit of certain developments that have taken place during the year in progressing the principal elements of TIs 2 and 28. These have included the approval of the 'Financial Management Compliance Policy' and the expansion of the corporate governance questionnaire that provides key information on financial management and compliance and reinforces this area of overall governance and control.

Audit was also advised that work has commenced to unify all finance policies and procedures. The Finance Policies and Procedures Framework was endorsed by the Department's Executive along with the Finance Policies and Procedures Transition Strategy. Audit will monitor progress of the development of appropriate policies and procedures covering finance related activities during 2011-12.

In addition, internal audit has continued to review compliance with TIs as part of their program of internal audits across the Health portfolio.

Recurrent funding to health services

The Department has a key responsibility in managing and monitoring funding provided to health services within the State as the funder provider of health sector funds. In 2010-11 \$3.3 billion of recurrent funding was provided to health services, representing a major proportion of departmental expenditure. The control framework implemented by the Department to support this function is significant in the context of the monetary amounts involved as well as the impact on the achievement of departmental objectives and the Government's strategic plan objectives. The framework centres around the execution and performance obligations of health service agreements.

The 2010-11 audit was consistent in coverage to that undertaken last year. It included the following matters:

- performance agreements with health services are appropriately executed on a timely basis
- processes are in place to monitor compliance requirements of the performance agreements
- cash call payments are appropriately approved and are accurately processed into accounts payable
- budget variations are appropriately approved and supported
- key reconciliations of funding are regularly performed and independently reviewed
- progress status of the performance of Casemix audits.

This year's audit identified some opportunities for improvement in controls in the area of approval of cash call payments. These were communicated to the Department and a positive response was received.

Capital funding to health services

In 2010-11 \$227 million of capital funding was provided to health services.

Costs associated with major projects undertaken across the Health portfolio are funded and paid by the Department. The Department then advises the relevant health service monthly of all costs incurred. Each health service recognises costs incurred on its behalf as capital funding (revenue) received from the Department, and, depending on the nature of the payment, a corresponding expense or asset (work in progress) in its ledger.

The scope of the audit included an assessment of controls covering the following:

- purchasing/initiating projects – all projects have the appropriate approval
- project management – all projects are monitored on an ongoing basis
- update to general ledger – projects module is reconciled to the general ledger.

The audit identified some opportunities for improvement in processes and controls in the area of reconciliation between the OCS projects module and the OCS general ledger. These were communicated to the Department and a positive response was received.

Funding to non-government organisations

This significant area of funding has been subject to review by Audit and internal audit over recent years.

The reviews have identified a number of control deficiencies. Some of these include:

- funding agreements were not appropriately executed
- the lack of a central contracts register
- lack of documentation to support performance monitoring
- lack of formal evaluation of service providers to assess the effectiveness and accountability of funded programs
- lack of documented policies and procedures for a number of key areas of operation.

Funding and planning framework

The Department's Portfolio Executive approved the implementation of the Funding and Planning Framework for Non-Government Services in late 2007. This framework sets out the model proposed for adoption by the Department in the planning of funding for NGOs.

The 2007-08 Report indicated that this framework would be rolled out in 2008-09 and training would be provided to the appropriate staff.

The framework was not implemented in 2008-09. Audit was advised that a working group had been established to review the framework to make it easier to implement in day-to-day operations.

As emphasised in last year's Report, the delay in the implementation of the framework is considered inconsistent with its intended objective of achieving improvements in the funding and accountability arrangements for NGOs.

This year the Department advised that as a result of the implementation of the procurement and contract management system (PCMS) the plan to implement the framework is currently being revised and will be released during 2011-12.

Audit will monitor developments during 2011-12.

PCMS

The Department implemented the PCMS in January 2010. Audit review revealed that a number of the policies and procedures had not been updated to reflect changes in practices as a result of the new system. This was communicated to the Department who advised that relevant policies were being reviewed and updated and would be reissued during 2011-12.

Authorisation of payments

NGO payments are made pursuant to agreements that have been entered into between the Department and the NGO. In accordance with TI 8, a payment or disbursement can only be made if it is approved by an employee with the appropriate expenditure delegation. Audit review of a sample of transactions identified that a number of transactions were not appropriately approved.

Accordingly, the Department's controls opinion for 2010-11, as was the position in recent years, has been qualified in relation to grant funding to NGOs.

These matters were communicated to the Department and a positive response was received.

Commonwealth Government grants

The 2010-11 audit involved an update understanding of changed agreements and arrangements with the Commonwealth and included an assessment of controls covering the following:

- Execution of funding agreements – agreements are appropriately established and approved between the Commonwealth and the State Government prior to the State utilising funds received.
- Monitoring of revenue received – monitoring controls exist to ensure funding received is in accordance with amounts due as per funding agreements.
- Management over the use of grant funding – measures are put in place to effectively manage, monitor and account for specific purpose received funding.
- Performance reporting – grant agreements are appropriately managed ensuring all reporting requirements are adhered to.

The results of the audit were generally satisfactory.

Payroll

Salaries and wages expenditure processed through the payroll system represents a significant expenditure item for the Department.

Payroll processing for the Department is undertaken by Shared Services SA (SSSA).

The following control weaknesses were identified:

- absence of return of all bona fide certificates from departmental managers in the timeframe prescribed by the Department's policy
- performance of reconciliations between payroll system and general ledger not being performed in a timely manner
- the need to update policies and procedures.

These matters were raised with the Department and a positive response advising remedial action was received.

As a result of the control weaknesses identified, the Department's controls opinion for 2010-11 has been qualified in relation to payroll.

Accounts payable

Accounts payable services are provided to the Department by SSSA. The Department utilised the Masterpiece accounts payable system for the processing of transactions until early December 2010 at which point the OCS accounts payable subsystem went live for the Department.

The scope of the 2010-11 audit included consideration of the control arrangements relating to the Masterpiece online purchasing, Basware and the accounts payable systems and the OCS accounts payable subsystem.

In respect of the OCS accounts payable subsystem, the audit identified some areas of control weakness and opportunities for improvement in processes and controls in the area of:

- authorisation of invoices for payment
- the update of relevant policies and procedures.

Of significance is the absence of an effective reconciliation between the OCS accounts payable subsystem and the general ledger.

The Department identified that the implementation of the OCS accounts payable subsystem lead to a number of duplicate payments to creditors. The Department's investigation of this matter determined that the duplicate payments arose principally as a result of:

- duplicate vendors on the masterfile
- insufficient checks for potential duplicate payments during the new system transition period.

The Department has also identified that the transition to the new system has lead to a deterioration in the efficiency of payment of invoices from creditors.

As a result the Department's controls opinion in relation to accounts payable for 2010-11 has been qualified.

The matters raised by Audit with the Department have been responded to satisfactorily.

Accounts receivable

The results of the audit revealed a number of control weaknesses in the accounts receivable control environment. The control weaknesses noted and raised with the Department included:

- a number of policies and procedures require update to reflect current practice
- timely follow up of outstanding debtors
- not matching receipted amounts to relevant invoices.

Of significance is the absence of an effective reconciliation between the OCS accounts receivable subsystem and the general ledger.

As a consequence, the controls opinion in relation to the accounts receivable control environment has been qualified for 2010-11.

The Department responded positively to the audit findings advising actions to address the weaknesses.

OCS warehouse management system (WMS)

The 2010-11 audit mainly focussed on testing of controls to obtain reasonable assurance in respect of the:

- reconciliation between the WMS and the general ledger
- upload of opening balances to the WMS from the previous inventory system.

In addition, Audit sought to gain an understanding of the transaction flows that occur between the SA Health Distribution Centre (SAHDC) and the health services as a result of the implementation of the Oracle WMS subsystem at the SAHDC and limited health sites.

A number of controls weaknesses were identified. Of significance is the absence of an effective reconciliation between the WMS and the general ledger. This and other opportunities to improve controls were communicated to the Department. A positive response was received from the Department.

Fixed assets

Audit review of the OCS fixed assets subsystem focused on reviewing the controls and processes relating to:

- the reconciliation between the fixed assets register and the general ledger
- the upload of opening balances to the fixed assets register
- additions to the fixed assets register.

The findings of the audit identified certain control weaknesses. Of significance is the absence of an effective reconciliation between the OCS fixed assets subsystem and the general ledger.

A positive response was received from the Department.

Overseas travel

The audit reviewed compliance with certain requirements of the Commissioner for Public Employment's standards for such travel, including the following:

- maintenance of a register of overseas travel
- approval for business class travel
- preparation of a report on the overseas travel visitation.

The review noted the following matters which were raised with the Department in February 2012:

- The Department maintains two registers, one to meet FBT compliance obligations and the other to facilitate travel report obligations. There were a number of differences noted between the two registers.
- Reconciliations between the Overseas Travel Register and the general ledger were not being undertaken in a timely manner and in some instances were being prepared a number of months later.
- Instances where officers undertaking overseas travel were not providing all of the required travel documentation to the relevant responsible officer within the one month stipulated by the standards.

A response to the findings is expected shortly from the Department.

Financial statement preparation issues

Audit has recently forwarded an audit management letter to the Department conveying some observations arising from the audit of the financial reports of the Department and health services. A summary of those observations follows.

Planning and allocation of responsibility

The year-end planning process of the Department included a number of processes important to the preparation of financial reports. However, Audit considers that the process could be strengthened in the following areas:

- ensure timetables and milestones are actively monitored and managed
- plan and ensure appropriate resources and training
- allocate responsibility to officers ensuring that information, support and year end journals are processed by those with expertise and a conceptual understanding of the nature of the disclosure/balance
- ensure appropriate quality control and accountability processes are in place and signed off in accordance with relevant timetables and responsibilities.

Supporting working papers and reconciliations

Supporting work papers and reconciliations are necessary to give management and Audit the assurance that financial information is completed and available in a timely manner. Adequate support is also necessary for proper accountability and quality control.

Audit observed that there was no consistent process applied to ensuring that adequate documentation was available for appropriate circumstances to support financial account balances reported.

The absence of adequate supporting documentation and robust reconciliations has in some health services resulted in certain financial account disclosures and balances being qualified.

Documentation from SSSA

During the audit of the financial statements of a number of the health services considerable difficulty was encountered in obtaining information requested from SSSA in a timely manner. In some instances SSSA were not able to locate the information requested. I will be raising these issues with SSSA. I have recommended to the Department that they also take up these issues with SSSA.

Telecommunication management arrangements

In Part A of my Annual Report to Parliament for the year ended 30 June 2011 specific comment was included on Audit's 2011 review of the Department's fixed line voice services and data services arrangements. A particular focus was given to the arrangements via the whole-of-government Telecommunication Services Panel (TSP). Specifically, the 2011 review examined the initial procurement and ongoing management of the Department's customer agreements with two separate TSP service providers.

The Audit review revealed deficiencies in invoice administration and the Department was reliant on the accuracy of the telecommunication vendor invoices and their supporting reports. This was notwithstanding the potential for both supplier invoices and internal Department recharging errors to occur.

The Department advised in August 2011 that the matters raised had either been remediated or an action plan was in place. The Department further advised that it had initiated a high level review of its telecommunications systems and arrangements by an external telecommunication specialist firm.

The external review was to help the Department formulate a strategy for telecommunications management. In particular to understand the current state of telecommunication systems, associated services and management arrangements in the hospitals and other major health services. The aim was to also assist in identifying risks or issues that required priority attention in the management of the current telecommunication assets.

Many of the Department's action plan strategies to address Audit's 2011 findings were contingent on the outcome of the external review.

In January 2012 Audit requested a copy of the final external telecommunications report which had been completed in September 2011 and the Department's proposed actions in response to the Report.

External telecommunications report

The external review confirmed that the Department's management of telecommunications was in a challenging state. The report highlighted nine risks with a rating of either high or extreme and 13 risks with a rating of low or moderate. Some specific and important observations from the report were:

- billing management for telecommunications appeared to be in a state of confusion, with a number of hospitals not receiving any billing information at all, and many requiring that information to charge groups external to the Department who use the Department's services
- there was little management or information on mobile radio systems and some of those systems were used for critical or emergency/backup communications
- vendor engagement varied substantially across the hospitals
- there was little evidence of formal IT service management techniques, procedures and systems throughout the hospitals reviewed
- business continuity planning, disaster recovery planning and availability management through appropriate backup and redundancy was not satisfactory, and contributed to recent examples of prolonged service outages
- there was a significant difference in the age profiles of the metropolitan and country PABXs. The average age of the country PABX fleet reviewed was 10 years, presenting a potentially unplanned capital replacement project ahead
- more than half of the PABXs reviewed were reported to be at capacity under the current configuration.

The external review report attributed some of the findings to the recent centralisation of IT management and found that this centralisation did not sufficiently address telecommunications management. Many of the resources that had supported telecommunications at the sites did so informally. As a result this effort was not visible during the centralisation process and thus was not captured entirely.

The report noted that it appears in many cases the health services believed that certain telecommunications had been centralised when it had not. This resulted in the general level of understanding of roles and responsibilities for telecommunications being confused, considerable inconsistencies and gaps in service management and many systems and services not being managed at all.

The report confirmed the Department's need for reliance on the accuracy of the vendor invoices and challenges for the Department to accurately redistribute these charges.

In January 2012 Audit also requested an update on the remediation status of the TSP issues. This was provided in February 2012.

Department's response

Review of the responses to the matters raised by Audit and the external report shows that the Department had remediated some items and many other matters have plans for remediation by the end of 2012.

Remediation of some matters however had no specified completion date or have dependencies on factors such as the technical capability of the current and future telecommunication infrastructure and the remediation activities of local health services.

In addition for the matter raised by the external report, potential upgrades of the PABX infrastructure would be considered in liaison with the Office of the Chief Information Officer (OCIO). This liaison will include consideration of any consolidation of telephony infrastructure across whole-of-government.

Audit comment

The Department's commissioning of the September 2011 external review was a positive measure. The external report provided the results of a high level review. The scope included telecommunication systems and arrangements covering all major metropolitan hospitals, regional centres and a selection of smaller country hospitals. It also included telecommunication components of the SA Ambulance Service Inc.

The external review report has provided the Department with an immediate step in developing a strategy for telecommunications management.

In regard to the important matter of billing management and verification, the 2011 Audit review found that the Department was reliant on the accuracy of the telecommunication vendor invoices and their supporting reports. This has been confirmed by the external report which noted that billing management for telecommunications appeared to be in a state of confusion, with a number of hospitals not receiving any billing information at all.

Albeit the Department has advised that remediation activity for billing management would continue to be progressed to the end of 2012, Audit believes remediation activity for this matter should be progressed with some priority.

In particular, Audit is of the opinion that unless the Department is able to effectively review the accuracy of vendor invoices it is open to certain risks/exposures, notably:

- a high risk of being overcharged by external vendors for its telecommunication service provision
- payment to external vendors for telecommunication services that have not been provided
- ineffective on-charging for telecommunication services and costs to relevant internal entities
- risk of loss of recovery of total costs through the recharging of telecommunication services and costs to applicable external parties/users.

Audit understands that development of a comprehensive plan of remediation and its effective implementation may require the involvement of senior management, finance personnel and IT support staff resources at both the Department and health services.

Audit also considers it beneficial that the Department provide a copy of the September 2011 external report to the OCIO. This would assist the OCIO to better understand the importance and urgency of any consolidation of telephony infrastructure across whole-of-government. It would also help OCIO to further appreciate some of the challenges that agencies may experience in relation to invoice billing and verification.

IT Audit reviews in progress

At the time of preparation of this Report Audit was progressing other IT reviews. They relate to the procurement and warehouse management components of the new OCS, the EPAS and the SA Pathology Enterprise Laboratory Information System.

Further audit commentary

Departmental reviews

Ernst & Young efficiency review

This review was originally established in April 2009 to look at all divisions of the Department to improve the efficiency and effectiveness of the business and to identify areas of duplication.

The review focused on the finance and workforce/human resources functions in both the Department and the health services. Ernst & Young reported on their findings in August 2009. The major finding of the review was that the current service split between the Department and the regions could be significantly improved. The recommendations made by Ernst & Young included the development of a new finance and workforce/human services model across the Health Portfolio (SA Health) and the implementation of specific performance improvement projects within these areas with a focus on making processes consistent.

During 2009-10 the Department made progress toward the development of a portfolio structure for finance and human resources. The restructure was completed during 2010-11.

Framework for governance, planning, operational and performance responsibilities

During 2010-11 KPMG was engaged by the Department to review governance, planning, operational and performance responsibilities in the context of changes to the health system, including the new local health networks. KPMG observed that the Department is required to oversee a number of key state and national reforms which include significant changes to structures, systems, processes and funding arrangements over the next five years.

In July 2011, KPMG provided a report to the Department which suggested changes to structure and functions in order 'to create a high performing department which would be fully equipped to tackle our future challenges'. The KPMG report emphasises a joint partnership across SA Health with clarity required around the roles and responsibilities of both the Department and the local health networks to enable the achievement of better outcomes.

As a result of the findings of KPMG the Department implemented a number of changes to its structure.

Review of financial and management activities within SA Health

During 2010-11 the Department sought proposals for assistance to undertake a review of financial and management activities within SA Health. Deloitte were selected to assist in the review and completed their report in November 2011. One of their key recommendations centred around the establishment of

a 'Financial Strategy Project Management Office' to facilitate coordinated strategic change within SA Health that will improve the capability of SA Health to achieve its strategic objectives.

Office of Business Review

As a result of the review of financial and management activities within SA Health the Department established a resources unit called Office of Business Review in December 2011 to drive improved governance and to support the delivery of savings measures across the portfolio.

Public Private Partnership – the new Royal Adelaide Hospital project

In December 2007, Cabinet approved that the construction of a new hospital which would be delivered under a public private partnership procurement arrangement.

The Project involves the construction of a new, state of the art, purpose built hospital on the existing rail yards next to the Adelaide Railway Station.

Cabinet, in November 2009 approved a revised indicative capital cost of the new Royal Adelaide Hospital project of \$1.8 billion (nominal value).

Final bids to a request for proposal, issued in November 2009 were received in May 2010. The evaluation process concluded in November 2010 with selection of the preferred proponent, SA Health Partnerships (SAHP), approved by Cabinet in December 2010.

In June 2011 the Government announced financial close on a contract with SA Health Partnership (SAHP) to build, operate and maintain the new Royal Adelaide Hospital under a PPP arrangement. The Government agreed on a fixed price for the design, construction, risk management and running and maintenance costs of the new hospital. The total capital cost (inclusive of construction risk) of the new hospital at contractual close was \$2.09 billion, comprising SAHP's contracted design and construction cost of \$1.85 billion and \$244.7 million for state works including clinical equipment.

The new hospital is expected to be opened in 2016.

Project expenditure incurred by the Department during 2010-11 totalled \$10.5 million. Expenditure on this project to 30 June 2011 amounts to \$42.9 million.

Audit is in the process of reviewing aspects of the project and contract arrangements of this significant infrastructure development.

South Australian Health and Medical Research Institute

The South Australian Health and Medical Research Institute, has been established in Adelaide to ensure South Australia's strong position in health and medical research into the future.

The South Australian Health and Medical Research Institute was incorporated in December 2009, and during 2010-11 took over as the lead in the development and construction of the South Australian Health and Medical Research Institute facility. The South Australian Health and Medical Research Institute will be located next to the new Royal Adelaide Hospital site.

Project expenditure incurred by the Department during 2010-11 totalled \$42 million. Expenditure on this project to 30 June 2011 amounts to \$51.3 million.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 \$'million	2010 \$'million
Expenses		
Employee benefit expenses	171	119
Supplies, services and other expenses	291	242
Grants, subsidies and client payments	3 681	3 491
Total expenses	4 143	3 852
Income		
Rent, fees and charges	149	135
SA Government appropriations	3 506	3 223
Grants from SA Government agencies	123	156
Commonwealth Government grants	149	146
Other	36	19
Total income	3 963	3 679
Net result	(180)	(173)
Other comprehensive income		
Property, plant and equipment revaluation	-	-
Total comprehensive result	(180)	(173)
Net cash provided by (used in) operating activities	(186)	(128)
Assets		
Current assets	331	144
Non-current assets	165	141
Total assets	496	285
Liabilities		
Current liabilities	303	172
Non-current liabilities	148	125
Total liabilities	451	297
Total equity	45	(12)

Statement of Comprehensive Income

Income for 2010-11 amounted to \$4 billion (\$3.7 billion), and principally comprised SA Government appropriations of \$3.5 billion (\$3.2 billion) and Commonwealth Government grants of \$149 million (\$146 million).

Expenses were \$4.1 billion (\$3.9 billion), principally comprising grants, subsidies and client payments of \$3.7 billion (\$3.5 billion). Grants, subsidies and client payments includes funding to incorporated health services of \$3.6 billion (\$3.4 billion) and funding to NGOs of \$106.1 million (\$98.2 million). The increase in the funding provided to the incorporated health services relates mainly to increased activity in the public health system.

Statement of Financial Position

As at 30 June 2011, the Department has a net assets position of \$45 million compared to a net assets deficiency in 2009-10 of \$12 million. While the Department recorded a deficit (net result) for the year ending 30 June 2011 of \$180 million, this was offset by an equity contribution by the SA Government of \$253 million.

Current assets

A significant proportion of the Department's current assets comprises receivables that increased by \$140 million to \$235 million as at 30 June 2011. The increase is principally due to an increase in the amounts owed to the Department by other health services.

Statement of Cash Flows

In 2010-11 the Department recorded a net cash inflow of \$13 million compared with a net cash outflow of \$11 million during 2009-10.

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Net cash flows				
Operating	(185)	(128)	(111)	(41)
Investing	(54)	(30)	(26)	(4)
Financing	252	147	155	66
Change in cash	13	(11)	18	21
Cash at 30 June	54	41	52	34

Financial report

Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Expenses:			
Employee benefit expenses	6	170 069	118 967
Supplies and services	7	255 411	231 610
Depreciation and amortisation expense	8	10 463	8 028
Grants and subsidies	9	3 681 113	3 490 989
Borrowing costs	10	2 182	2 276
Net loss from disposal of non-current assets	16	-	20
Other expenses	11	23 482	(17)
Total expenses		<u>4 142 720</u>	<u>3 851 873</u>
Income:			
Revenues from fees and charges	12	149 257	134 778
Commonwealth Government grants	13	149 276	146 458
Interest revenue	14	2 482	2 596
Resources received free of charge	15	11 896	1 635
Net gain from disposal of non-current assets	16	1 187	-
Other income	17	19 122	14 170
Total income		<u>333 220</u>	<u>299 637</u>
Net cost of providing services		<u>3 809 500</u>	<u>3 552 236</u>
Revenues from SA Government:			
Revenues from SA Government	18.1	3 506 005	3 222 623
Grants from SA Government agencies	18.2	123 276	156 410
Total revenues from SA Government		<u>3 629 281</u>	<u>3 379 033</u>
Net result		<u>(180 219)</u>	<u>(173 203)</u>
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		-	(260)
Total comprehensive result		<u>(180 219)</u>	<u>(173 463)</u>

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
Current assets:			
Cash and cash equivalents	20	53 761	41 211
Receivables	21	235 258	94 822
Inventories	22	14 766	8 001
		303 785	144 034
Non-current assets classified as held for sale	23	27 392	-
Total current assets		331 177	144 034
Non-current assets:			
Receivables	21	26 785	28 697
Property, plant and equipment	24	87 277	74 795
Intangible assets	25	51 083	37 851
Total non-current assets		165 145	141 343
Total assets		496 322	285 377
Current liabilities:			
Payables	26	254 059	131 018
Borrowings	27	1 213	936
Employee benefits	28	29 382	21 376
Provisions	29	14 699	12 328
Other current liabilities	30	3 715	6 827
		303 068	172 485
Liabilities directly associated with non-current assets held for sale		-	-
Total current liabilities		303 068	172 485
Non-current liabilities:			
Payables	26	20 824	15 819
Borrowings	27	21 084	22 297
Employee benefits	28	26 080	15 888
Provisions	29	79 855	70 486
Other non-current liabilities	30	98	108
Total non-current liabilities		147 941	124 598
Total liabilities		451 009	297 083
Net assets		45 313	(11 706)
Equity:			
Contributed capital	31	831 445	578 813
Asset revaluation surplus		31 699	31 699
Retained earnings		(817 831)	(622 218)
Total equity		45 313	(11 706)
Total equity is attributable to the SA Government as owner			
Unexpended funding commitments	19		
Unrecognised contractual commitments	33		
Contingent assets and liabilities	35		

Statement of Changes in Equity for the year ended 30 June 2011

	Note	Asset			Total \$'000
		Contributed capital \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 30 June 2009		429 398	32 117	(439 727)	21 788
Error correction		-	(158)	(1 584)	(1 742)
Restated balance at 30 June 2009		429 398	31 959	(441 311)	20 046
Net result for 2009-10		-	-	(173 203)	(173 203)
Derecognition of assets during 2009-10		-	(260)	260	-
Total comprehensive result for 2009-10		429 398	31 699	(614 254)	(153 157)
Transactions with SA Government as owner:					
Equity contributions from DTF		149 415	-	-	149 415
Net assets received from an administrative restructure	34	-	-	(7 964)	(7 964)
Balance at 30 June 2010	31	578 813	31 699	(622 218)	(11 706)
Net result for 2010-11		-	-	(180 219)	(180 219)
Total comprehensive result for 2010-11		578 813	31 699	(802 437)	(191 925)
Transactions with SA Government as owner:					
Equity contributions from DTF	31	252 632	-	-	252 632
Net assets received from an administrative restructure	34	-	-	(15 394)	(15 394)
Balance at 30 June 2011	31	831 445	31 699	(817 831)	45 313

All changes in equity are attributable to the SA Government as owner

Statement of Cash Flows for the year ended 30 June 2011

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee benefit payments		(164 941)	(110 632)
Payments for supplies and services		(114 427)	(204 253)
Payments of grants and subsidies		(3 681 113)	(3 486 293)
Interest paid		(2 182)	(2 276)
GST payments on purchases		(54 561)	-
GST remitted to ATO		(2 729)	-
Other payments		(23 482)	-
Cash used in operations		(4 043 435)	(3 803 454)
Cash inflows:			
Fees and charges		15 320	120 738
Receipts from Commonwealth		149 235	129 649
Interest received		2 482	2 675
GST receipts on receivables		8 456	-
GST recovered from ATO		36 360	29 441
Other receipts		16 752	14 170
Cash generated from operations		228 605	296 673
Cash flows from SA Government:			
Receipts from SA Government		3 629 281	3 379 033
Cash generated from SA Government		3 629 281	3 379 033
Net cash provided by (used in) operating activities		(185 549)	(127 748)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(64 312)	(33 201)
Cash used in investing activities		(64 312)	(33 201)
Cash inflows:			
Proceeds from sale of property, plant and equipment		10 715	302
Proceeds from sale/maturities of investments		-	2 688
Cash generated from investing activities		10 715	2 990
Net cash provided by (used in) investing activities		(53 597)	(30 211)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		(936)	(2 219)
Cash provided by (used in) financing activities		(936)	(2 219)
Cash inflows:			
Capital contributions from government (not operations)		252 632	149 415
Cash generated from financing activities		252 632	149 415
Net cash provided by (used in) financing activities		251 696	147 196
Net increase (decrease) in cash and cash equivalents		12 550	(10 763)
Cash and cash equivalents at 1 July		41 211	51 974
Cash and cash equivalents at 30 June	20	53 761	41 211
Non-cash transactions	20		

Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2011

	(Activities - refer note 5)		S1		S2	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:						
Employee benefit expenses	151 523	100 182	12 542	12 112		
Supplies and services	237 782	172 692	11 397	29 159		
Depreciation and amortisation	10 463	7 947	-	74		
Grants and subsidies	285 199	213 569	6 328	6 573		
Borrowing costs	2 182	2 276	-	-		
Net loss from disposal of non-current assets	-	(7)	-	27		
Other expenses	667	(19)	22 815	2		
Total expenses	687 816	496 640	53 082	47 947		
Income:						
Revenues from fees and charges	96 048	84 353	1 848	1 599		
Commonwealth Government grants	20 910	19 545	63	(6)		
Interest revenues	2 482	2 596	-	-		
Resources received free of charge	8 786	-	3 110	-		
Net gain from disposal of non-current assets	1 187	-	-	-		
Other income	19 101	12 610	7	1 403		
Total income	148 514	119 104	5 028	2 996		
Net cost of providing services	(539 302)	(377 536)	(48 054)	(44 951)		
Revenues from SA Government:						
Revenues from SA Government	3 505 915	3 222 623	-	-		
Grants from SA Government agencies	116 664	148 170	12	-		
Total revenues from SA Government	3 622 579	3 370 793	12	-		
Net result	3 083 277	2 993 257	(48 042)	(44 951)		

	(Activities - refer note 5)		S3		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:						
Employee benefit expenses	6 004	6 673	170 069	118 967		
Supplies and services	6 232	29 759	255 411	231 610		
Depreciation and amortisation	-	7	10 463	8 028		
Grants and subsidies	3 389 586	3 270 847	3 681 113	3 490 989		
Borrowing costs	-	-	2 182	2 276		
Net loss from disposal of non-current assets	-	-	-	20		
Other expenses	-	-	23 482	(17)		
Total expenses	3 401 822	3 307 286	4 142 720	3 851 873		
Income:						
Revenues from fees and charges	51 361	48 826	149 257	134 778		
Commonwealth Government grants	128 303	126 919	149 276	146 458		
Interest revenues	-	-	2 482	2 596		
Net loss from disposal of non-current assets	-	-	11 896	-		
Resources received free of charge	-	1 635	1 187	1 635		
Other income	14	157	19 122	14 170		
Total income	179 678	177 537	333 220	299 637		
Net cost of providing services	(3 222 144)	(3 129 749)	(3 809 500)	(3 552 236)		
Revenues from SA Government:						
Revenues from SA Government	90	-	3 506 005	3 222 623		
Grants from SA Government agencies	6 600	8 240	123 276	156 410		
Total revenues from SA Government	6 690	8 240	3 629 281	3 379 033		
Net result	(3 215 454)	(3 121 509)	(180 219)	(173 203)		

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

	(Activities - refer note 5)		S1		S2	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets:						
Cash and cash equivalents	53 761	41 208	-	-	-	3
Receivables	235 258	94 822	-	-	-	-
Inventories	14 766	8 001	-	-	-	-
Non-current assets held for sale	27 392	-	-	-	-	-
Non-current assets:						
Receivables	26 785	28 697	-	-	-	-
Property, plant and equipment	138 360	112 401	-	-	-	212
Total assets	496 322	285 129	-	-	-	215
Current liabilities:						
Payables	254 059	131 018	-	-	-	-
Borrowings	1 213	936	-	-	-	-
Employee benefits	29 382	21 376	-	-	-	-
Provisions	14 699	12 328	-	-	-	-
Other current liabilities	3 715	6 827	-	-	-	-
Non-current liabilities:						
Payables	20 824	15 819	-	-	-	-
Borrowings	21 084	22 297	-	-	-	-
Employee benefits	26 080	15 888	-	-	-	-
Provisions	79 855	70 486	-	-	-	-
Other non-current liabilities	98	108	-	-	-	-
Total liabilities	451 009	297 083	-	-	-	-
Net assets	45 313	(11 954)	-	-	-	215

	(Activities - refer note 5)		S3		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets:						
Cash and cash equivalents	-	-	53 761	41 211	53 761	41 211
Receivables	-	-	235 258	94 822	235 258	94 822
Inventories	-	-	14 766	8 001	14 766	8 001
Non-current assets held for sale	-	-	27 392	-	27 392	-
Non-current assets:						
Receivables	-	-	26 785	28 697	26 785	28 697
Property, plant and equipment	-	33	138 360	112 646	138 360	112 646
Total assets	-	33	496 322	285 377	496 322	285 377
Current liabilities:						
Payables	-	-	254 059	131 018	254 059	131 018
Borrowings	-	-	1 213	936	1 213	936
Employee benefits	-	-	29 382	21 376	29 382	21 376
Provisions	-	-	14 699	12 328	14 699	12 328
Other current liabilities	-	-	3 715	6 827	3 715	6 827
Non-current liabilities:						
Payables	-	-	20 824	15 819	20 824	15 819
Borrowings	-	-	21 084	22 297	21 084	22 297
Employee benefits	-	-	26 080	15 888	26 080	15 888
Provisions	-	-	79 855	70 486	79 855	70 486
Other non-current liabilities	-	-	98	108	98	108
Total liabilities	-	-	451 009	297 083	451 009	297 083
Net assets	-	33	45 313	(11 706)	45 313	(11 706)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Health (the Department)

The Department is committed to protecting and improving the health of all South Australians by providing leadership in health reform, policy development and planning. The Department of Health became the Department for Health and Ageing from 1 January 2012.

The vision of the Department is the best health for South Australians. To achieve this vision the Department is:

- strengthening primary health care
- enhancing hospital care
- reforming mental health care
- improving the health of Aboriginal people.

The Department is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention and early intervention.

The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *Health Care Act 2008* (the Act), and other legislation as delegated by the Minister for Health and the Minister for Mental Health and Substance Abuse to the Chief Executive of the Department.

1.1 Departmental functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between health regions and health services incorporated under the Act.

The financial affairs of incorporated health services do not form part of the Department's financial statements. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

1.2 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in note 39.

1.3 Administrative restructures

2010-11

- Effective 1 July 2010, all in-scope employees and their associated employee benefits transferred from the health services and the SA Ambulance Service to the Finance and Administration and Workforce divisions within the Department (refer note 34).

2009-10

- On 6 December 2007, the SA Health Executive approved the centralisation of all ICT functions (excluding pathology) across the Health portfolio (under the control of the Chief Information Officer) to commence from 1 July 2008. Nothing progressed on this restructure however until 1 July 2009. The transfers included staff and their associated employee entitlements. This transition was noted by Cabinet on 15 May 2010 (refer note 34).
- SA Health Executive approved, on 2 October 2008, the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 1 July 2009, staff, their associated employee entitlements and any related fixed assets were transferred from the health services to the SA Distribution Centre division of the Department. This transfer was noted by Cabinet on 15 May 2010 (refer note 34).
- On 12 October 2009, a new Pharmaceutical Services and Strategy Unit was established within the Department. Staff and their employee entitlements were transferred from the Therapeutic Goods section of Drug and Alcohol Services South Australia, situated within the Southern Adelaide Health Service, to the Department (refer note 34).

1.4 Funding for the Department

Funding for the Department comes from two main sources:

- appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities
- payment and recoveries from portfolio agencies for business service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources, the Department receives amounts from other sources.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA and other mandatory professional reporting requirements in Australia.

Except for the amendments to AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2011. These are further outlined in note 4.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:
 - (a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and continuing appropriations by Parliament.

The accounting policies set out below have been applied in preparing the financial statements for the year ending 30 June 2011 and the comparative information presented.

2.3 Reporting entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific APSs or AASs have required change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.5 Rounding

All amounts in the financial statements are rounded to the nearest thousand dollars (\$'000).

2.6 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the ATO, is recognised as part of the cost of acquisition of an asset or is part of an item of expense
- where appropriate, receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

2.7 Income and expenses

Income and expenses are recognised in the Department's Statement of Comprehensive Income when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, and have not been offset unless required or permitted by another accounting standard.

Fees and charges

Revenues from fees and charges are derived from the provision of services to other SA Government agencies and to the public.

Disposal of non-current assets

Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, any identified revaluation increments are transferred to retained earnings.

Resources received/provided free of charge

Resources received/provided free of charge are recorded as income/expenditure in the Statement of Comprehensive Income at their fair value. Goods and services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate. The Department provides various anti-viral and highly specialised drugs to health providers to distribute free of charge to the South Australian community.

Contributions received/paid

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or non-government organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Borrowing costs

Borrowing costs are recognised immediately as an expense.

2.8 Revenues from SA Government

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon receipt and is accounted for in accordance with TI 3.

Where money has been appropriated in the form of a loan, the Department has recorded a loan payable.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

2.9 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.10 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash on hand, cash at bank and deposits at call that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and deposits at call that are readily converted into cash and are used in the management function on a day-to-day basis. Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash is measured at nominal value.

The Government has a policy to align agency cash balances with the appropriation and expenditure authority. During 2010-11 and 2009-10 the Department did not transfer any of its cash balance to the Consolidated Account.

2.11 Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Health service receivables

Health service deficits are recognised in the Department's financial statements as a receivable from health services. At each balance date the likelihood that the health services may not be able to repay the amounts is assessed by the Department.

Doubtful debts

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt.

2.12 Inventories

The Department predominately holds inventory for distribution (although some items are held for use) and is measured at the lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

2.13 Non-current asset acquisition and recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

The Department capitalises all non-current tangible assets with a value of \$10 000 or greater in accordance with APF III.

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

2.14 Revaluation of non-current assets

In accordance with APF III:

- all non-current tangible assets are valued at written down current cost (a proxy for fair value)
- revaluation of non-current assets or group of assets is performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years the Department revalues its land and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Asset classes that satisfied the criteria and are revalued include:

- vacant land
- site land
- buildings and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2009, based on independent valuations performed by Andrew Lucas, MBA, BAppSc(Val), DipAcc, AAPI, CPV, Valcorp Aust Pty Ltd.

Assets deemed to be at fair value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III as issued by DTF.

Assets deemed to be at fair value (continued)

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- leasehold improvements
- buildings and improvement in progress
- computing equipment
- other plant and equipment
- plant and equipment in progress.

2.15 Impairment

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation surplus for that same class of assets, to the extent that the impairment loss does not exceed the amount in the asset revaluation surplus for that class of asset.

2.16 Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by the Department are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and assets held for resale are not depreciated.

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Buildings and improvements	Straight-line	25-60
Leasehold improvements	Straight-line	Life of lease
Plant and equipment:		
Medical, surgical, dental and biomedical equipment	Straight-line	5-10
Computing equipment	Straight-line	3
Other plant and equipment	Straight-line	3-15
Intangibles	Straight-line	3-5

2.17 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to \$10 000, in accordance with departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of five years.

2.18 Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to normal operations of the Department.

Accrued expenses represents goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been processed/received.

All amounts are measured at their nominal amount and are normally settled within 30 days.

Employment on-costs include superannuation contributions and payroll tax with respect to the outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries, as the South Australian Superannuation Board has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the pertinent superannuation schemes.

2.19 *Employee benefits*

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Accrued salaries and wages

The liability for accrued salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

Sick leave

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Annual leave

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2011 and is measured at the nominal amount.

Long service leave

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119. The following assumptions were made by the Actuary when performing the assessment:

- salary increases of 2.5 percent per annum for the first year and 4 percent thereafter based on the current enterprise bargaining agreement and short-term forecasts
- discounting of 5.1 percent per annum based on the gross 10 year Commonwealth bond rate prevailing at 30 June 2011.

2.20 *Provisions*

Insurance

The Department is a participant in the State Government's insurance program. The Department pays a premium to SAICORP, a division of SAFA, for professional indemnity insurance, public liability and property insurance, and is responsible for the management claim for amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For professional indemnity claims after 1 July 1994 and general public liability and property claims after 1 July 1999 the deductible per claim is \$1 million. For claims incurred prior to these dates the deductible per claim is \$50 000.

The determination of the professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023, conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and current claim values.

The provision for claims for general public liability insurance and property is a management assessment.

Workers compensation

The Department is a self-insured employer within the WRCA, and has delegated powers pursuant to section 63 of the WRCA. As a consequence, the Department is responsible for the management of and all costs of workers compensation claims.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2010-11 financial year the Department has reflected a workers compensation provision of \$1.4 million (\$1.4 million) (refer note 29).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137, and the WorkCoverSA guidelines for actuarial assessments. The liability covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

The Department is directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

Workers compensation (continued)

From 1 July 2010, the Department devolved annual funding to all remaining safety net funded hospitals and health centres for workers compensation expenditure, excluding lump sum payments. The Department now only specifically funds workers compensation lump sum payments. Accordingly, the Department recognises a payable to health services equivalent to the liability for these specifically funded items which health services recognise as a provision in their financial statements. The workers compensation liability to health services as at 30 June 2011 is \$25.9 million (\$18.8 million) (refer note 26).

2.21 Leases

The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

Operating leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to the ownership of the leased items. Operating lease payments are charged to the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not recoverable from, or payable to, the ATO, the commitments or contingencies are disclosed on a gross basis.

2.23 SA Government/Non-SA Government disclosures

The Department has adopted the requirements of APF II where the Department must disclose by way of a note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

2.24 Continuity of operations

As at 30 June 2011, the Department had a net assets of \$45.3 million (\$11.7 million deficiency). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

3. Financial risk management

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Change in accounting policy

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 6.

4.1 Early adoption of accounting standards

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2011. The Department has assessed the impact of new and amended standards and interpretations and considers there will be no impact on the accounting policies or financial statements of the Department.

5. Activities of the Department

In achieving its objective the Department provides a range of services classified into the following activities:

Activity S1: Policy, Clinical Services and Administration

Central Office is responsible for health policy and promotion, clinical services and administration associated with the provision of health services across country and metropolitan South Australia.

Activity S2: Public Health

Public Health is responsible for the development and delivery of policy and programs in relation to health protection and illness prevention, as well as the provision of high level clinical advice to enhance departmental decision making.

Activity S3: Health Services

Health Services is responsible for hospital based tertiary care and other acute services as well as rehabilitation, mental health and other community health services within the metropolitan and country areas, the provision of grants to non-government organisations for the provision of health services, and responsibility for Aboriginal controlled primary health services in Ceduna, Port Augusta and surrounding areas.

6. Employee benefit expenses	2011 \$'000	2010 \$'000
Salaries and wages	122 163	83 344
TVSP (refer below)	5 140	3 939
Long service leave	5 619	5 506
Annual leave	10 832	6 373
Employment on-costs - superannuation	14 674	9 744
Employment on-costs - other	5 580	-
Workers compensation	4 763	5 599
Board and committee fees	506	537
Other employee related expenses	792	3 925
Total employee benefit expenses	170 069	118 967

TVSPs

Amount paid to these employees:

TVSPs	5 140	3 939
Annual leave and long service leave accrued over the period	1 601	1 100
	6 741	5 039
Recovery from DTF	(6 741)	(4 994)
Net cost to agency	-	45

The number of employees who received a TVSP during the reporting period was 42 (34).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	Executive Number	Admin Number	Other medical/ professional Number	2011 Total Number	2010 Total Number
\$127 500 - \$130 699*	1	8	2	11	2
\$130 700 - \$140 699	3	17	2	22	5
\$140 700 - \$150 699	1	7	-	8	5
\$150 700 - \$160 699	10	4	1	15	1
\$160 700 - \$170 699	4	3	-	7	5
\$170 700 - \$180 699	7	2	-	9	7
\$180 700 - \$190 699	7	-	1	8	2
\$190 700 - \$200 699	2	-	-	2	5
\$200 700 - \$210 699	6	1	-	7	2
\$210 700 - \$220 699	4	-	-	4	4
\$220 700 - \$230 699	3	1	-	4	3
\$230 700 - \$240 699	3	-	-	3	2
\$240 700 - \$250 699	1	2	-	3	2
\$250 700 - \$260 699	2	2	-	4	1
\$260 700 - \$270 699	-	-	1	1	1
\$270 700 - \$280 699	1	-	1	2	1

Remuneration of employees (continued)

	Executive Number	Admin Number	Other medical/ professional Number	2011 Total Number	2010 Total Number
\$280 700 - \$290 699	1	4	1	6	1
\$290 700 - \$300 699	-	2	-	2	2
\$300 700 - \$310 699	1	4	-	5	1
\$310 700 - \$320 699	-	-	-	-	4
\$320 700 - \$330 699	1	-	-	1	2
\$330 700 - \$340 699	1	1	-	2	-
\$340 700 - \$350 699	-	-	1	1	1
\$350 700 - \$360 699	-	-	-	-	-
\$360 700 - \$370 699	-	1	1	2	-
\$370 700 - \$380 699	1	-	-	1	-
\$380 700 - \$390 699	-	1	-	1	-
\$390 700 - \$400 699	1	1	-	2	3
\$400 700 - \$410 699	-	-	-	-	-
\$410 700 - \$420 699	1	-	-	1	-
\$420 700 - \$430 699	1	1	-	2	1
Total	63	62	11	136	63

The total remuneration received or due and receivable by employees included above was \$27.7 million (\$13.9 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

Where employees have left the Department, the remuneration reflects lump sum long service leave, annual leave and termination benefits.

For the purpose of this note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurrent for the benefit of the entity or a controlled entity.

Note: Private practice payments and fee for service arrangements are excluded as they do not form part of staff remuneration.

Accounting policy change

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 251 (107).

7. Supplies and services	2011 \$'000	2010 \$'000
Total supplies and services provided:		
Administration	4 937	-
Advertising	1 738	2 560
Communication	5 127	8 230
Computing	49 363	47 528
Contractors - contract management	35	5 479
Contractors - agency staff	47 944	34 563
Consultants	2 018	1 115
Cost of goods sold	27 319	14 530
Drug supplies	6 046	30 627
Fee for service	290	228
Health surveys	358	1 307
Insurance	41 129	21 504
Interstate patient transfers	31 090	25 795

7. Supplies and services (continued)	2011 \$'000	2010 \$'000
Legal	1 972	120
Medical, surgical and laboratory supplies	239	-
Minor equipment	6 052	8 194
Motor vehicle expenses	1 141	1 001
Occupancy rent and rates	12 240	12 564
Patient transport	80	-
Payments to shared services	1 251	938
Periodical, journals and publications	358	141
Postage	968	852
Printing and stationery	1 668	2 320
Rental expense on operating lease	2 139	-
Repairs and maintenance	1 997	1 698
Security	493	507
Staff training and development	2 857	2 846
Staff travel expenses	2 545	2 165
Other supplies and services	1 414	4 528
Total supplies and services	254 808	231 340
Audit fees paid/payable to the Auditor-General's Department	507	270
Auditor fees - other services	96	-
Total audit fees	603	270
Total supplies and services	255 411	231 610

Other services

No other services were provided by the Auditor-General's Department.

Supplies and services provided by entities within the SA Government:

Administration	223	-
Advertising	17	77
Communication	1 016	2 205
Computing	3 889	4 730
Contractors - agency staff	6 589	5 248
Cost of goods sold	-	-
Drug supplies	7	55
Fee for service	35	19
Insurance	40 382	21 238
Legal	882	14
Medical, surgical and laboratory supplies	7	-
Minor equipment	14	397
Motor vehicle expenses	800	946
Occupancy rent and rates	10 627	10 155
Payments to shared services	1 251	938
Periodicals, journals and publications	20	11
Postage	6	47
Printing and stationery	34	52
Rental expense on operating lease	77	-
Repairs and maintenance	251	608
Security	225	254
Staff training and development	257	410
Staff travel expenses	23	87
Other supplies and services	251	2 347
Total supplies and services - SA Government entities	66 883	49 838
Audit fees paid/payable to the Auditor-General's Department	507	270
Total audit fees - SA Government entities	507	270
Total supplies and services - SA Government entities	67 390	50 108

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

7. Supplies and services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011		2010	
	Number	\$'000	Number	\$'000
Below \$10 000	4	16	4	17
Between \$10 000 and \$50 000	11	307	8	202
Above \$50 000	10	1 695	7	896
Total paid/payable to the consultants engaged	25	2 018	19	1 115

8. Depreciation and amortisation

Depreciation:	Note	2011 \$'000	2010 \$'000
Buildings and improvements		164	166
Computing equipment		5 412	5 355
Medical, surgical, dental and biomedical equipment		6	6
Other plant and equipment		114	112
Total depreciation		5 696	5 639
Amortisation:			
Leasehold improvements		270	319
Intangible assets		4 497	2 070
Total amortisation		4 767	2 389
Total depreciation and amortisation		10 463	8 028

9. Grants and subsidies

Recurrent funding to incorporated health services	9.1	3 336 230	3 176 266
Capital funding to incorporated health services	9.2	227 313	191 669
Subsidies		219	-
Funding to not-for-profit organisations	9.3	106 120	98 248
Other		11 231	24 806
Total grants and subsidies		3 681 113	3 490 989

Grants and subsidies paid/payable to entities within the SA Government:

Recurrent funding to incorporated health services	9.1	3 336 230	3 176 266
Capital funding to incorporated health services	9.2	227 313	191 669
Subsidies		4	-
Other		8 451	15 207
Total grant, subsidies and client payments to entities within the SA Government		3 571 998	3 383 142

9.1 Recurrent funding to incorporated health services

Central Northern Adelaide Health Service	-	1 548 170
Southern Adelaide Health Service	-	715 267
Adelaide Health Service*	2 363 119	-
Children's, Youth and Women's Health Service	329 372	310 692
Country Health South Australia	546 845	514 075
South Australian Ambulance Service	96 894	88 062
Total recurrent funding to incorporated health services	3 336 230	3 176 266

* The administration of Southern Adelaide Health Service and Central Northern Adelaide Health Service merged to form Adelaide Health Service effective 1 July 2010.

9.2 Capital funding to incorporated health services

Central Northern Adelaide Health Service	-	83 807
Southern Adelaide Health Service	-	64 543
Adelaide Health Service*	160 481	-
Children's, Youth and Women's Health Service	16 731	6 813
Country Health South Australia	37 607	27 478
South Australian Ambulance Service	12 494	8 998
Other	-	30
Total capital funding to incorporated health services	227 313	191 669

* The administration of Southern Adelaide Health Service and Central Northern Adelaide Health Service merged to form Adelaide Health Service effective 1 July 2010.

9.3 Funding to not-for-profit organisations	2011	2010
	\$'000	\$'000
National Blood Authority	29 444	25 745
Royal District Nursing Service of SA Inc	7 931	11 015
SHINE - Sexual Health Information Network & Education SA Inc	5 684	4 699
South Australian Health and Medical Research Institute Ltd	5 208	-
Mind Australia	4 494	3 514
Uniting Care Wesley	4 272	3 594
Life without Barriers	3 825	3 906
Neami Limited	3 784	4 450
National Health Call Centre Network Ltd	2 997	1 798
The Flinders University of South Australia	2 973	2 182
General Practice SA	2 929	3 099
Aboriginal Health Council	2 618	2 222
Unity Housing Company Ltd	2 484	3 800
University of Adelaide	1 820	1 088
Australian Red Cross Society	1 992	2 036
Relationships Australia (SA) Inc	1 827	1 765
Southern Junction Community	1 776	2 365
The Aids Council of SA	1 352	1 341
University of South Australia	1 282	1 334
Mental Illness Fellowship of SA Inc	1 043	1 022
The Salvation Army	983	766
Catherine House Inc	975	100
Anglicare SA	936	1 103
Hepatitis-C Council	774	777
Centacare Catholic Family Services	738	1 073
National Heart Foundation of Australia	699	244
Helping Hand Aged Care Inc	553	537
Diabetes Australia - SA	537	525
Catholic Church Endowment Society Inc	519	95
Mental Health Coalition of SA Inc	479	450
Life Education SA Inc	476	461
Grow SA	464	450
Mission SA	455	439
Health Consumers Alliance of SA Inc	481	343
ACHPER (Australian Council for Health Physical Education & Recreation SA Branch Inc)	388	354
Australian Drug Treatment & Rehabilitation Program Inc	336	324
Survivors of Torture	335	325
Eating Disorders Association of SA Inc	332	320
South Australian Council of Churches	322	282
Beyond Blue Ltd	278	278
Clubhouse SA Inc	273	212
Adelaide Research & Innovation Pty Ltd	264	535
Positive Life South Australia Inc	228	-
People living with HIV/AIDS (SA) Inc	219	430
South East Drug and Alcohol Council Services Inc	181	210
Adelaide Central and East Division of General Practice	173	334
The Cancer Council South Australia	100	338
Community & Neighbourhood Houses & Centres Association Inc	19	208
Flinders Medical Centre Foundation	-	2 500
Other not-for-profit organisations	3 868	3 260
Total funding to not-for-profit organisations	106 120	98 248
10. Borrowing costs	2011	2010
Borrowing costs paid/payable:	\$'000	\$'000
Interest on borrowings	2 112	2 225
Other finance charges	70	51
Total borrowing costs	2 182	2 276

10. Borrowing costs (continued)	2011	2010
Borrowing costs paid/payable to entities within the SA Government:	\$'000	\$'000
Interest on borrowings	2 112	2 225
Other finance charges	70	51
Total borrowing costs - SA Government entities	2 182	2 276
11. Other expenses		
Other expenses paid/payable:		
Bad and doubtful debts	661	(31)
Fines and penalties	-	4
Assets donated free of charge	22 821	10
Total other expenses	23 482	(17)
Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	-	(54)
Assets donated free of charge	763	10
Total other expenses - SA Government entities	763	(44)
12. Revenues from fees and charges		
Fees and charges received/receivable:		
Business services	1 834	1 219
Fines, fees and penalties	1 049	1 249
Interstate patient transfers	50 684	47 268
Insurance recoveries from health services	29 507	29 090
Private practice fees	3 308	1 180
Recoveries	30 870	38 992
Rent	10	10
Sale of goods - medical supplies	28 457	15 770
Other user charges and fees	3 538	-
Total fees and charges	149 257	134 778
Fees and charges received/receivable from entities within the SA Government:		
Business services	-	543
Fines, fees and penalties	8	1 291
Insurance recoveries from health services	28 683	29 090
Recoveries	25 840	32 936
Sale of goods - medical supplies	28 457	15 736
Other user charges and fees	3 202	-
Total fees and charges - SA Government entities	86 190	79 596
13. Commonwealth Government grants		
Grants and contributions:		
Department of Veteran's Affairs	62 766	67 497
Highly specialised drugs	49 728	47 737
Woomera Hospital	1 262	1 242
GP super clinics	14 516	10 600
Early Intervention Pilot Program	204	2 001
Transition Care Program	14 482	10 413
Other	6 318	6 968
Total Commonwealth Government grants	149 276	146 458
14. Interest revenue		
Interest on loans	2 479	2 594
Interest on funds held	3	2
Total interest revenue	2 482	2 596
15. Resources received free of charge		
Resources received free of charge or for nominal value:		
Land and improvements	8 786	-
Inventory	3 110	1 635
Total resources received free of charge	11 896	1 635
Resources received free of charge or for nominal value from entities within the SA Government:		
Total resources received free of charge - SA Government entities	8 786	-

16. Net gain (loss) from the disposal of non-current assets and other assets	2011	2010
Land and buildings:	\$'000	\$'000
Proceeds from disposal	10 715	295
Net book value of assets disposed	(8 786)	(285)
Other costs of disposal	(38)	-
Net gain (loss) from disposal of land and buildings	<u>1 891</u>	<u>10</u>
Plant and equipment:		
Proceeds from disposal	-	7
Net book value of assets disposed	(704)	(35)
Other costs of disposal	-	(2)
Net gain (loss) from disposal of plant and equipment	<u>(704)</u>	<u>(30)</u>
Total assets:		
Total proceeds from disposal	10 715	302
Total value of assets disposed	(9 490)	(320)
Total other costs of disposal	(38)	(2)
Total net gain (loss) from disposal of non-current assets	<u>1 187</u>	<u>(20)</u>
17. Other income		
Other income received/receivable:		
Capital contributions	10 652	5 929
Commissions revenue	18	-
Private sector grants	-	442
SA Health and Medical Research Fund	4 738	5 989
Other	3 714	1 810
Total other income	<u>19 122</u>	<u>14 170</u>
Other income received/receivable from entities within the SA Government:		
Capital contributions	10 652	5 929
SA Health and Medical Research Fund	4 389	5 723
Other	888	514
Total other income - SA Government entities	<u>15 929</u>	<u>12 166</u>
18. Revenues from SA Government		
18.1 Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	3 420 865	3 147 301
Commonwealth grants received via DTF	85 140	75 322
Total SA Government appropriations	<u>3 506 005</u>	<u>3 222 623</u>
18.2 Grants from SA Government agencies		
Community Development Fund	6 600	6 600
DTF - contingency funds	109 073	141 373
TVSP recoveries	6 741	4 994
Other	862	3 443
Total grants from SA Government agencies	<u>123 276</u>	<u>156 410</u>
Total revenue from SA Government	<u>3 629 281</u>	<u>3 379 033</u>
19. Unexpended funding commitments		
The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. The Department had outstanding funding commitments to the following programs:		
	2011	2010
	\$'000	\$'000
Hospital and Health Workforce Reform - Emergency Department	8 322	8 231
Hospital and Health Workforce Reform - Activity Based Funding	5 209	768
Health and Medical Research Fund	3 540	-
Closing the Gap in Indigenous Health Outcomes	3 433	1 372
Housing Accommodation Support Program	3 363	7 627
Long Stay Older Patients	1 680	-

19. Unexpended funding commitments (continued)	2011 \$'000	2010 \$'000
Cancer Council SA - Cancer Registry Database	452	-
Integrated Regional Clinical Training Networks	427	-
CanNet Program	406	-
SA Clinical Supervision Support Program	310	-
Social Marketing - Preventative Health National Partnership	300	-
Australian Immunisation Agreement	259	7 978
Enabling Infrastructure - Preventative Health National Partnership	224	-
Hospital and Health Workforce Reform - Sub Acute Care	132	1 006
Immunisation Incentive Fund	-	670
Transitional Care Program	-	567
H1N1 Vaccine in South Australia	-	1 536
Other	708	1 580
Total unexpended funding commitments	28 765	31 335

20. Cash and cash equivalents		
Cash at bank or on hand - non-government financial institutions and deposits with the Treasurer	53 752	41 194
Cash on hand	9	17
Total cash and cash equivalents	53 761	41 211

* Included in the Special Deposit Account with the Treasurer is \$15.5 million (\$11.1 million) relating to the Health and Medical Research Fund which was established to support health and medical research activities in South Australia and \$7.2 million funds held in the Accrual Appropriation Excess Funds Account. The Accrual Appropriation Excess Funds Account balance is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

Cash on hand is non-interest bearing. Interest rate risk exposure is detailed in note 32. The carrying amount of cash represents fair value.

21. Receivables		2011 \$'000	2010 \$'000
Current:	Note		
Workers compensation provision recoverable		41	-
DH other receivables		324	-
Grants		9 638	18 132
Interstate patient transfers		40 782	33 271
Loans	21.2	1 567	1 330
Prepayments		5 874	4 460
Debtors		151 807	25 122
Allowance for doubtful debts	21.1	(668)	(7)
Sundry receivables and accrued revenue		17 173	9 025
GST recoverable from ATO		8 720	3 489
Total current receivables		235 258	94 822
Non-current:			
Loans	21.2	26 779	28 684
Sundry receivables and accrued revenue		6	13
Total non-current receivables		26 785	28 697
Total receivables		262 043	123 519
Receivables from SA Government entities:			
Workers compensation provision recoverable		41	-
DH other receivables		324	-
Grants		-	855
Loans		28 346	30 014
Prepayments		8	-
Debtors		135 296	19 181
Sundry receivables and accrued revenue		6 344	10 158
Total receivables from entities within the SA Government		170 359	60 208

Interest rate and credit risk

Receivables are raised for goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk

Maturity analysis of receivables

Refer note 32.

Categorisation of financial instruments and risk exposure information

Refer note 32.

Bad and doubtful debts

The Department has recognised a bad and doubtful debt expense of \$661 000 (\$31 000) in the Statement of Comprehensive Income.

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

21.1 Movements in the allowance for doubtful debts (impairment loss)	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	(7)	(105)
Amounts written off	-	67
Amounts recovered during the year	-	38
Increase (Decrease) in allowance recognised in profit or loss	(661)	(7)
Carrying amount at 30 June	<u>(668)</u>	<u>(7)</u>

21.2 Reconciliation of inter-health loans

As at 30 June 2011 the balance of loans to health services and related movements is as follows:

Balance at 1 July	30 014	32 702
Capitalised interest charges	418	366
Total repayable	<u>30 432</u>	<u>33 068</u>
Principal repayments received	(2 036)	(3 054)
Interest rebated	(50)	-
Balance at 30 June	<u>28 346</u>	<u>30 014</u>

The Department to 30 June 2011 has financed the health services with loans amounting to \$6 million (\$6.8 million) from departmental funds and \$22.3 million (\$23.2 million) from back-to-back loan arrangements with DTF.

The movements and status of the back-to-back loan arrangements are as follows:	2011	2010
	\$'000	\$'000
Balance at 1 July	23 233	25 452
Principal repayments	(936)	(2 219)
Balance at 30 June	<u>22 297</u>	<u>23 233</u>

22. Inventories

Current - held for distribution materials at cost:

Drug supplies	6 213	4 379
Other	8 553	3 622
Total current inventories - held for distribution	<u>14 766</u>	<u>8 001</u>

23. Non-current assets classified as held for sale

Land	27 392	-
Total non-current assets as held for sale	<u>27 392</u>	<u>-</u>

The Department has classified the former Hillcrest Hospital site land at Oakden as held for sale and expects this to be finalised within the next 12 months.

24. Property, plant and equipment	2011	2010
Land and buildings:	\$'000	\$'000
Land only holdings at fair value	5 039	32 431
Site land at fair value	6 249	6 249
Land at fair value	<u>11 288</u>	<u>38 680</u>
Buildings and improvements at fair value	9 164	9 165
Buildings and improvements under construction (work in progress)	52 100	9 976
Buildings at fair value	<u>61 264</u>	<u>19 141</u>
Accumulated depreciation - buildings and improvements	(4 991)	(4 827)
Accumulated depreciation	<u>(4 991)</u>	<u>(4 827)</u>
Total land and buildings	<u>67 561</u>	<u>52 994</u>
Leasehold improvements:		
Leasehold improvements at fair value	3 389	3 291
Accumulated amortisation	(1 796)	(1 526)
Total leasehold improvements	<u>1 593</u>	<u>1 765</u>
Plant and equipment:		
Computing equipment at cost (deemed fair value)	27 702	27 210
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	28	28
Other plant and equipment at cost (deemed fair value)	1 281	1 294
Plant and equipment under construction (work in progress)	5 536	3 158
Total plant and equipment at fair value	<u>34 547</u>	<u>31 690</u>
Accumulated depreciation - computing equipment	(15 797)	(11 134)
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(23)	(17)
Accumulated depreciation - other plant and equipment	(604)	(503)
Accumulated depreciation	<u>(16 424)</u>	<u>(11 654)</u>
Total plant and equipment	<u>18 123</u>	<u>20 036</u>
Total property, plant and equipment	<u>87 277</u>	<u>74 795</u>

Valuation of land and buildings

The valuation of land and buildings was performed by Andrew Lucas, an independent valuer from Valcorp Aust Pty Ltd as at 30 June 2009. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2011.

Reconciliation of land and improvements

	Land	Buildings & improvements	Leasehold improvements	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2011					
Carrying amount at 1 July	38 680	4 338	1 765	9 976	54 759
Additions	-	-	98	42 124	42 222
Assets received free of charge	6 515	2 271	-	-	8 786
Disposals	(6 515)	(2 271)	-	-	(8 786)
Depreciation and amortisation	-	(164)	(270)	-	(434)
Assets reclassified to assets held for sale	(27 392)	-	-	-	(27 392)
Other movements	-	(1)	-	-	(1)
Carrying amount at 30 June	<u>11 288</u>	<u>4 173</u>	<u>1 593</u>	<u>52 100</u>	<u>69 154</u>
2010					
Carrying amount at 1 July	38 950	4 503	2 060	9 976	55 489
Additions	-	-	39	-	39
Disposals	(270)	-	(15)	-	(285)
Depreciation and amortisation	-	(165)	(319)	-	(484)
Carrying amount at 30 June	<u>38 680</u>	<u>4 338</u>	<u>1 765</u>	<u>9 976</u>	<u>54 759</u>

Reconciliation of plant and equipment

	Medical, surgical, dental biomedical equipment \$'000	Computer equipment \$'000	Capital works in progress \$'000	Other plant and equipment \$'000	Total \$'000
2011					
Carrying amount at 1 July	11	16 076	3 158	791	20 036
Additions	-	190	2 378	12	2 580
Disposals	-	(691)	-	(13)	(704)
Depreciation and amortisation	(6)	(5 412)	-	(114)	(5 532)
Acquisition (disposal) from transfer	-	1 742	-	-	1 742
Other movements	-	-	-	1	1
Carrying amount at 30 June	5	11 905	5 536	677	18 123
2010					
Carrying amount at 1 July	17	16 793	1 661	488	18 959
Additions	-	113	29 918	294	30 325
Disposals	-	-	-	(35)	(35)
Depreciation and amortisation	(6)	(5 355)	-	(112)	(5 473)
Acquisition (disposal) through administrative restructuring	-	23	-	165	188
Acquisition (disposal) from transfer	-	4 502	(28 421)	(9)	(23 928)
Carrying amount at 30 June	11	16 076	3 158	791	20 036

25. Intangible assets	2011 \$'000	2010 \$'000
Computer software:		
Other computer software	31 428	30 945
Accumulated amortisation	(7 726)	(3 229)
Intangibles under construction (work in progress)	27 381	10 135
Total computer software	51 083	37 851
Total intangible assets	51 083	37 851

Impairment

There were no indications of impairment on intangible assets at 30 June 2011.

Reconciliation of intangibles

	Capital works in progress \$'000	Other computer software \$'000	Total \$'000
2011			
Carrying amount at 1 July	10 135	27 716	37 851
Additions	18 046	190	18 236
Depreciation and amortisation	-	(4 497)	(4 497)
Acquisition (disposal) from transfer	(800)	293	(507)
Carrying amount at 30 June	27 381	23 702	51 083
2010			
Cost carrying amount at 1 July	-	4 115	4 115
Additions	10 135	1 753	11 888
Depreciation and amortisation	-	(2 070)	(2 070)
Acquisition (disposal) from transfer	-	23 918	23 918
Carrying amount at 30 June	10 135	27 716	37 851

26. Payables	2011 \$'000	2010 \$'000
Current:		
Creditors and accrued expenses	209 692	103 457
Health service workers compensation	7 343	4 833
Interstate patient transfers	34 183	20 437
Employment on-costs	2 841	2 291
Total current payables	254 059	131 018

26. Payables (continued)	2011	2010
Non-current:	\$'000	\$'000
Creditors and accrued expenses	-	192
Health service workers compensation	18 545	14 012
Employment on-costs	2 279	1 615
Total non-current payables	<u>20 824</u>	<u>15 819</u>
Total payables	<u>274 883</u>	<u>146 837</u>
Payables to SA Government entities:		
Creditors and accrued expenses	151 119	82 943
Health service workers compensation	25 888	18 845
Employment on-costs	5 120	3 906
Total payables to SA Government entities	<u>182 127</u>	<u>105 694</u>

As a result of an actuarial assessment performed by DTF, the percentage of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent and the average factor for the calculation of employer superannuation cost on-cost in 2011 was 10.5 percent (10.5 percent). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$5000 and employee benefit expenses of \$3.3 million. The estimated impact on 2012 and 2013 is \$3.3 million and \$3.3 million respectively.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Maturity analysis of payables

Refer note 32.

Categorisation of financial instruments and risk exposure information

Refer note 32.

27. Borrowings	2011	2010
Current:	\$'000	\$'000
Loans - DTF	1 213	936
Total current borrowings	<u>1 213</u>	<u>936</u>
Non-current:		
Loans - DTF	21 084	22 297
Total non-current borrowings	<u>21 084</u>	<u>22 297</u>
Total borrowings	<u>22 297</u>	<u>23 233</u>
Repayable:		
Not later than one year	1 213	936
Later than one year but not later than five years	8 323	6 855
Later than five years	12 761	15 442
Total repayable	<u>22 297</u>	<u>23 233</u>
28. Employee benefits		
Current:		
Annual leave	13 561	9 020
Long service leave	6 461	5 158
Accrued salaries and wages	6 482	4 068
FBT	2 875	3 113
Other	3	17
Total current employee benefits	<u>29 382</u>	<u>21 376</u>
Non-current:		
Long service leave	26 066	15 872
Other	14	16
Total non-current employee benefits	<u>26 080</u>	<u>15 888</u>
Total employee benefits	<u>55 462</u>	<u>37 264</u>

28. Employee benefits (continued)

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2011 is \$32.2 million (\$23.7 million) and \$28.4 million (\$17.5 million) respectively.

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of long service liability has not changed from the 2010 benchmark of six years.

As a result of an actuarial assessment performed by Mercer Human Resource Consulting Pty Ltd this year, a benchmark for the measurement of long service leave liability was not used. The impact on the financial year and future periods is impracticable to estimate as the liability is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

29. Provisions		2011	2010
Current:	Note	\$'000	\$'000
Insurance	29.1	13 778	11 601
Provision for workers compensation	29.2	422	457
Other		499	270
Total current provisions		14 699	12 328
Non-current:			
Insurance	29.1	78 855	69 586
Provision for workers compensation	29.2	1 000	900
Total non-current provisions		79 855	70 486
Total provisions		94 554	82 814

29.1 Reconciliation of insurance

	Medical malpractice	Public liability	Property	Total
	\$'000	\$'000	\$'000	\$'000
2011				
Carrying amount at 1 July	78 579	1 146	1 462	81 187
Increase to provision due to new claims	12 253	277	1 831	14 361
Reduction due to payments	(7 082)	(821)	(1 171)	(9 074)
Net revision of estimates	5 888	525	(254)	6 159
Carrying amount at 30 June	89 638	1 127	1 868	92 633
2010				
Carrying amount at 1 July	85 725	1 865	1 262	88 852
Increase to provision due to new claims	3 270	402	958	4 630
Reduction due to payments	(7 141)	(598)	(866)	(8 605)
Net revision of estimates	(3 275)	(523)	108	(3 690)
Carrying amount at 30 June	78 579	1 146	1 462	81 187

29.2 Reconciliation of workers compensation

	2011	2010
	\$'000	\$'000
2011		
Carrying amount at 1 July	1 357	1 365
Increase to provision due to revision of estimates	4 873	5 657
Reduction due to payments	(4 808)	(5 665)
Carrying amount at 30 June	1 422	1 357

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries.

30. Other liabilities

	2011	2010
	\$'000	\$'000
Current:		
Unclaimed monies	249	1 001
Unearned revenue	3 373	5 826
Other	93	-
Total current other liabilities	3 715	6 827

30. Other liabilities (continued)		2011	2010
Non-current:		\$'000	\$'000
Unearned revenue		98	108
Total non-current other liabilities		98	108
Total other liabilities		3 813	6 935
Other liabilities within SA Government entities:			
Unclaimed monies		-	62
Unearned revenue		108	118
Other		39	-
Total other liabilities within SA Government entities		147	180
31. Equity			
Contributed capital		831 445	578 813
Asset revaluation surplus		31 699	31 699
Retained earnings		(817 831)	(622 218)
Total equity		45 313	(11 706)
31.1 Contributed capital			
Balance at 1 July		578 813	429 398
Receipt of equity contribution from DTF		252 632	149 415
Balance of 30 June		831 445	578 813
Retained earnings:			
Balance at 1 July		(622 218)	(441 311)
Net result after restructuring		(180 219)	(173 203)
Administrative restructure contribution		(15 394)	(7 964)
Transfers from asset revaluation surplus		-	260
Balance at 30 June		(817 831)	(622 218)
Asset revaluation surplus:			
Balance at 1 July		31 699	31 959
Transfers from asset revaluation surplus		-	(260)
Balance at 30 June		31 699	31 699

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

This accords with Department's policy on the revaluation of property, plant and equipment, as discussed in note 2.14.

32. Financial instruments/Financial risk management

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days.

(ii) Financial liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Categorisation of financial instruments

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets:					
Cash and cash equivalents	20	53 761	53 761	41 211	41 211
Loans and receivables	21	253 323	253 323	120 030	120 030
Total financial assets		307 084	307 084	161 241	161 241

(b) <i>Categorisation of financial instruments (continued)</i>	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities:					
Payables	26	274 883	274 883	146 837	146 837
Interest bearing liabilities	27	22 297	22 297	23 233	23 233
Non-interest bearing liabilities		3 813	3 813	6 935	6 935
Total financial liabilities at cost		300 993	300 993	177 005	177 005

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

(c) *Credit risk*

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

In accordance with TI 23 the Department entered into six forward exchange contracts through SAFA to cover the acquisition of hospital equipment. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign currency.

(d) *Ageing analysis of financial assets*

The following table discloses the ageing of financial assets, past due including impaired assets past due.

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2011				
Not impaired:				
Receivables	1 426	1 455	5 348	8 229
Impaired:				
Receivables	-	-	(668)	(668)
Total	1 426	1 455	4 680	7 561
2010				
Not impaired:				
Receivables	3 902	924	1 202	6 028
Impaired:				
Receivables	-	-	(7)	(7)
Total	3 902	924	1 195	6 021

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

(e) *Maturity analysis of financial assets and liabilities*

	Contractual maturity			
	Carrying amount \$'000	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2011				
Financial assets:				
Cash and cash equivalents	53 761	53 761	-	-
Receivables	253 323	226 538	9 749	17 036
Total financial assets	307 084	280 299	9 749	17 036

(e) **Maturity analysis of financial assets and liabilities (continued)**

	Contractual maturity			
	Carrying amount \$'000	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2011				
Financial liabilities:				
Payables	274 883	254 059	20 824	-
Borrowings	22 297	1 213	8 323	12 761
Other financial liabilities	3 813	3 715	98	-
Total financial liabilities	300 993	258 987	29 245	12 761
2010				
Financial assets:				
Cash and cash equivalents	41 211	41 211	-	-
Receivables	120 030	91 333	28 697	-
Total financial assets	161 241	132 544	28 697	-
Financial liabilities:				
Payables	146 837	131 018	15 819	-
Borrowings	23 233	936	6 855	15 442
Other financial liabilities	6 935	6 827	108	-
Total financial liabilities	177 005	138 781	22 782	15 442

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

(f) **Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by Parliament for the Department's administration and program delivery. The Department settles undisputed accounts within 30 days from the date of the invoice.

(g) **Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Department has borrowings from DTF that have a floating interest rate. Any exposure to foreign currency risks is managed by SAFA.

(h) **Sensitivity disclosure analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

33. Unrecognised contractual commitments

33.1 Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2011 \$'000	2010 \$'000
Not later than one year	9 255	9 125
Later than one year but not later than five years	18 889	3 628
Later than five years	7 229	1 069
Total operating lease commitments (including GST)	35 373	13 822

Included in the operating lease commitments above is \$1.9 million (\$1.3 million) which is the GST component of the operating lease payments.

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

33.2 Operating lease revenue commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets, are receivable as follows:

	2011 \$'000	2010 \$'000
Not later than one year	15 503	13 786
Later than one year but not later than five years	32 746	29 140
Total operating lease revenue commitments (including GST)	<u>48 249</u>	<u>42 926</u>

Included in the operating lease revenue commitments above is \$4.4 million (\$3.9 million) of GST. The operating lease relates to desktop PCs owned by the Department and leased to hospitals, health services and allied agencies. The lease is non-cancellable with a replacement of desktop PCs in a four year cycle.

33.3 Expenditure commitments*Capital commitments*

Capital expenditure contracted by the Department at the reporting date, but not recognised as liabilities in the financial statement, is payable as follows:

	2011 \$'000	2010 \$'000
Not later than one year	35 724	49 686
Later than one year but not later than five years	19 250	5 878
Total capital commitments (including GST)	<u>54 974</u>	<u>55 564</u>

The Department's capital commitments are for plant and equipment ordered but not received.

Included in capital expenditure commitments above is \$4.9 million (\$5 million) which is the GST component of the capital expenditure commitments.

Other commitments

Capital expenditure contracted by the Department on behalf of health services, at the reporting date but not recognised as liabilities in the financial statement, is payable as follows:

	2011 \$'000	2010 \$'000
Not later than one year	66 304	27 057
Later than one year but not later than five years	228 645	23 972
Total other commitments (including GST)	<u>294 949</u>	<u>51 029</u>

The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2011 has not been quantified.

34. Transferred functions*Transferred in***2010-11**

- Health Portfolio Executive approved a portfolio wide Finance and Workforce Integration process that commenced in October 2009. Effective 1 July 2010, all in-scope employees and their associated employee benefits transferred from the Health services and the SA Ambulance Service to the Finance and Administration and Workforce divisions within the Department.

Assets and liabilities transferred to the Department were:

	Total \$'000
Receivables	66
Total assets	<u>66</u>
Payables	1 041
Provisions	7
Employee benefit expenses	14 412
Total liabilities	<u>15 460</u>
Total net assets transferred	<u>(15 394)</u>

2009-10

- On 6 December 2007, the Health Portfolio Executive approved the centralisation of all ICT functions (excluding pathology) across the Health portfolio under the control of the Chief Information Officer to commence from 1 July 2008. However nothing progressed on this restructure until 1 July 2009. The transfers included staff and their associated employee entitlements. This transition was noted by Cabinet on 15 May 2010.
- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting, and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 1 July 2009, staff, their associated employee entitlements, and any associated fixed assets were transferred from the health regions to the SA Distribution Centre division of the Department. This transfer was noted by Cabinet on 15 May 2010.
- On 12 October 2009, a new Pharmaceutical Services and Strategy Unit was established within the Department. Staff and their employee entitlements were transferred from the Therapeutic Goods section of Drug and Alcohol Services South Australia, situated within the Southern Adelaide Health Services region, to the Department.

Total income and expenses attributable to the Pharmaceutical Services and Strategy Unit that transferred effective 1 October 2009 were:

	Pharmaceutical Services and Strategy Unit \$'000	Total \$'000
Revenue from services	1	1
Total income	<u>1</u>	<u>1</u>
Employee benefit expenses	79	79
Supplies and services	54	54
Total expenses	<u>133</u>	<u>133</u>
Net result	<u>(132)</u>	<u>(132)</u>

Assets and liabilities transferred to the Department were:

	ICT \$'000	Procurement and supply chain \$'000	Pharmaceutical Services and Strategy Unit \$'000	Total \$'000
2010				
Receivables	27	10	-	37
Property, plant and equipment	43	145	-	188
Total assets	<u>70</u>	<u>155</u>	<u>-</u>	<u>225</u>
Payables	335	249	4	588
Provisions	5	4	-	9
Employee benefit expenses	3 747	3 804	41	7 592
Total liabilities	<u>4 087</u>	<u>4 057</u>	<u>45</u>	<u>8 189</u>
Net assets transferred	<u>(4 017)</u>	<u>(3 902)</u>	<u>(45)</u>	<u>(7 964)</u>

Net assets assumed by the Department as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

35. Contingent assets and liabilities

During June 2010 the Minister entered into a contract to sell part of the Glenside campus to the Chapley Retail Group. A bank guarantee in lieu of a deposit has been provided. In accordance with the terms of the contract for sale, if the purchaser defaults prior to or at settlement (expected during 2011-12) the deposit is forfeited to the Department.

36. Cash flow reconciliations

	2011 \$'000	2010 \$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	<u>53 761</u>	<u>41 211</u>
Cash as per Statement of Financial Position	<u>53 761</u>	<u>41 211</u>
Balance as per Statement of Cash Flows	<u>53 761</u>	<u>41 211</u>

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2011 \$'000	2010 \$'000
Net cash provided by (used in) operating activities	(185 549)	(127 748)
SA Government appropriations	(3 506 005)	(3 222 623)
Grants from SA Government agencies	(123 276)	(156 410)
Non-cash items:		
Depreciation and amortisation of non-current assets	(10 463)	(8 028)
Assets acquired at no cost or nominal consideration	11 896	1 635
Gain (Loss) on disposal of non-current assets	1 187	(20)
Assets donated free of charge	(3 110)	(10)
Movement in assets and liabilities:		
Increase (Decrease) in receivables	138 456	38 343
Increase (Decrease) in inventories	6 765	(2 364)
Decrease (Increase) in employee benefits	(3 786)	(7 215)
Decrease (Increase) in payables and provisions	(138 738)	(66 308)
Decrease (Increase) in other liabilities	3 123	(1 488)
Net cost of providing services	<u>3 809 500</u>	<u>(3 552 236)</u>

37. Remuneration of board and committee members

DH Risk Management and Audit Committee

Allan Bolafi	John O'Connor	David Swan
Dr Stephen Christley	Robyn Pak-Poy	Derek Wright
Ross Haslam	Kym Piper	Jamin Woolcock
David Johnston	Dr Tony Sherbon	

Health Performance Council

Dr Michael Beckoff	Prof Michael Kidd	John Singer
Prof Justin Beilby	John Lewis	Thomas Paul Steeples
Rachel Bishop	Prof Robyn McDermott	Dr Tom Stubbs
James Dellit	Christopher Alan Overland	Dr Diane Wickett
Anne Dunn	Hon Carolyn Pickles	Ian Yates
Geoffrey Harris	Dr Michael Rice	Dr Tahereh Ziaian
Barbara Hartwig	Dr Melissa Sandercock	

Public and Environmental Health Council

Kaye Arnold	Fiona Harvey	Felicity-Ann Lewis
Kevin Buckett	Ian Hawkins	Susan Lonie
John Coombe	Deborah Hemmes	Stephen Saffin
Prof Nancy Cromar	Michael Henningsen	Rebekah Schubert
Dr John Cugley	Dr Christopher Lease	Helen Wright

Reproductive Technology Eligibility Review Panel

Annie Braendler-Phillips	Karen Fitzgerald	Dr Robert Pollnitz
Dr Donna Chung	Alan Jenkins	Bernadette Richards
Diana Dibden	Assoc Prof Sheryl de Lacey	Patricia Ryan
Rev Dr Andrew Dutney	Karla McCulloch	

SA Council on Reproductive Technology

Lisa Bedson	Lorna Hallahan	Steven Scroggs
Assoc Prof Sheryl De Lacey	Geraldine Hannon	Dr Jodie Semmler
Dr Terence Donald	Oswald Petrucco	Dr Peter Woolcock
Martyn Evans	Bernadette Richards	

CACAC - S & Q in Health Care Consumer and Community Advisory Committee

Sidique Bah	Carmen Gracia	Jeanette Mossop
Trevor Bower	Carolyn Gray	Stephanie Newell
Yvonne Buza	Philip Jackson	Diana O'Neil
Miriam Cocking	Anne Johnson	Debra Petrys
Robert Dempsey	Chris Jones	Ron Tan
Carolyn Donaghey	Annette McGrath	Jan Wallent
Juli Ferguson	Ashleigh Moore	Jill Wishart

South Australian Council for Safety and Quality in Health Care

Dr David Ben-Tovim
Dr Ken Fielke
Laureen Lawlor-Smith
Prof Villis Marshall
Stephanie Miller

Kathy Nagle
Steph Newell
Hans Ohff
Vanessa Owen

Phil Robinson
Dr David Rosenthal
Judy Smith
Rachel Strauss

SA Safety and Quality Clinical Governance Committee

Julie Bignall
Peter Chapman
Chris Farmer
Anne Hill
Jackie Howard

Damien Lloyd
Michele McKinnon
Alan McLean
Christy Pirone
Prof Richard Reed

Philip Robinson
Dianne Rogowski
Katherine Trowbridge

South Australian Medicines Advisory Committee

Stuart Conboy
Terry Crackett
Assoc Prof Chris Doecke
Vaughn Eaton
Eliana Della Flora
Dr Stephen Hedger

Dr Margaret Honeyman
Helen Mikolaj
Steve Morris
Kathy Nagle
Sinead O'Brien
Prof Paddy Phillips

Debra Pratt
Dr David Rosenthal
Prof Lloyd Sansom
Prof Nigel Stocks
Sean Turner

Clinical Senate

Peter Anastassiadis
Elaine Ashworth
Philip Aylward
Kym Bannister
Peter Bardy
Heather Baron
Justin Beilby
Taryn Bessen
Libby Birchmore
John Bonifant
Phill Brock
Christopher Cain
Simon Carney
Peter Chapman
Derek Chew
Stephen Christley
Maria Crotty
Ray Creen
Cate Curry
Jodie Dodd
Chris Doecke
Ken Fielke
Janice Fletcher

Karen Grimmer-Somers
Christine Holiday
Matt Hooper
Geoff Hughes
Jim Jannes
Sue Johanson
Dorothy Keefe
Sharon Liberali
Lesley Long
Guy L Ludbrook
Guy Maddern
Michele Mckinnon
Gail Mondy
David Morris
Steve Morris
Belinda Moyes
David Nielsen
Di Norris
Sinead O'Brien
Robert Padbury
David Panter
Karen Parish

Paddy Phillips
John Pierides
Deb Pratt
Michael Rice
Graeme Russ
Jeffrey Robinson
Dianne Rogowski
Cathy Sanders
Dinesh Selva
Sepehr Shakid
Judy Smith
David Swan
Michael Taylor
Jo Thomas
Catherine Turnbull
Martin Turner
Debra Walker
Lucia Walters
David Watson
Gavin Wheaton
Craig Whitehead
Derek Wright

Clinical Networks - Cancer

Jacqui Adams
Peter Bardy
Peter Chapman
Alwin Chong
Greg Crawford
Tracey Doherty
Juli Ferguson
Oliver Frank
Meryl Horsell

Dorothy Keefe
Ngara Keeler
Bogde Koczwarra
Jude Lees
Kristin Linke
Julie Marker
Ashleigh Moore
James Moxham
Rahul Mukherjee

Michael Penniment
Tom Revesz
David Roder
Megan Sataneck
Heather Tapp
Tracey Wade
David Watson
Brenda Wilson
Graeme Young

Clinical Networks - Renal

Kym Bannister
 Jeff Barbara
 Chris Doecke
 Fiona Donnelly
 Paul Henning
 Shelley Horne

Gay Martin
 Stephen McDonald
 Anthony Meade
 Caroline Milton
 Betty Nobes
 Prof Graeme Russ

Mary Sladek
 Peter Uppington
 Tiffany Whittington
 Andrew Zoerner

Clinical Networks - Cardiology

Margaret Arstall
 Prof Phil Aylward
 Richard Bates
 Jayme Bennetts
 Rachel Bishop

Alwin Chong
 Prof John Horowitz
 Dr Peter Joyner
 Leo Mahar
 Robyn McDermott

Colin Purvis
 Deborah Rowett
 Peter Steel
 Gavin Wheaton
 Chris Zeitz

Clinical Networks - Maternal and Neonatal

Chad Anderson
 Julie Bernardo
 Cheryl Boles
 Judy Coffey
 Jodie Dodd
 Carolyn Donaghey Harris
 Meredith Hobbs

Helen Hriskin
 Noelene Hudson
 Richard MacKinnon
 Geoff Matthew
 Julie Pratt
 Peter Richbieth

Marion Rix
 Jeffrey Robinson
 Steven Scroggs
 Jolie Thomas
 Janet Vermeeren
 Colin Weatherill

Clinical Networks - Child Health

Peter Baghurst
 Phil Brock
 Chris Caudle
 Alex Centofanti
 Glenise Coulthard
 David Everett

Kristy Glimour
 Di Hetzel
 Deepa Jeyaseelan
 Yvonne Parry
 Dr Michael Rice
 Dr Cathy Sanders

Nigel Stewart
 Trish Strachan
 Michael Taylor
 Emma Thompson
 Gavin Wheaton

Clinical Networks - Mental Health

Karen Bates
 Mike Beckoff
 Mary Buckskin
 Robert Dann
 Dan Donaghey
 Sylvia Ebert

Rachel Edwards
 Dr Ken Fiekle
 Karl Hass
 Maureen Healey
 Adriana Lattanzio
 Michael Loder

Prue McEvoy
 Sujata Mylvaganam
 Heather Nowak
 Wayne Oldfield
 Clive Skene
 Jorg Strobel

Clinical Networks - Orthopaedic

Mathew Beard
 Chris Butcher
 Chris Cain
 Mellick Chehade
 Nancy Cullen
 Peter Cundy
 Karen Dixon

Pat Graske
 Tony Hewitt
 Shelley Horne
 Cheryl Kimber
 Joe Levy
 Graham Mercer
 George Potter

Trevor Pozza
 Andrew Saies
 Michael Sandow
 Simon Spedding
 Marie Sutherland
 Peter Viiret

Clinical Networks - Rehabilitation

Sharyn Broer
 Alwin Chong
 Carolyn Coombs
 Amanda Crockett-Naini
 Maria Crotty
 Graham Fleming
 Wendy Forster
 Carlie Hopkins

Vicki Hume
 Yvonne Hyndman
 Miranda Jelbart
 Meredith Jolly
 Marcy Loprior
 Ruth Marshall
 Kae Marting
 Charitha Perera

Ann Price
 Nigel Quadros
 James Rice
 Ray Russo
 Victoria Shtangey
 Judy Smith
 Sally Sobels
 Heather Vogelzang

Clinical Network - Older People

Loueen Bainger	Dianne Halliday	Lee Sando
Dale Cleaver	Sue Jarrad	John Sniatynskj
Jeff Faunt	Karen Parish	Stephan Van Eeden
Amy Foote	Bob Penhall	Renuka Visvanathan
Alan Graham	Justin Prendergast	Craig Whitehead

Clinical Network - Palliative Care

Meg Brassil	Bill Lees	Kate Swetenham
Peter Chapman	Alison McLeod	Helen Walker
Gregory Crawford	Di Moncrieff	Tracey Waters
Julie Duffield	Lawrie Palmer	Francis Watkins
Karen Glaetzer	Bruce Rounsefell	
Roger Hunt	Adrienne Stoddart	

Clinical Network - Stroke

Peter Anastassiadis	Hugh Grantham	Di King
Chris Bollen	Susan Hillier	Simon Koblar
Trevor Burchall	Dirk Hoffman	Simon Lane
Steve Chryssidis	Jim James	Andrew Lee
Maria Crotty	Peter Joyner	Julie Luker
Lizzie Dodd	Tom Kimber	Annette McGrath

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$0	338	256
\$1 - \$9 999	64	72
\$10 000 - \$19 999	9	10
\$20 000 - \$29 999	7	4
\$30 000 - \$39 999	-	2
\$40 000 - \$49 999	1	-
\$50 000 - \$59 999	-	-
\$60 000 - \$69 999	-	-
\$70 000 - \$79 999	1	-
\$80 000 - \$89 999	-	1
Total	420	345

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$566 000 (\$609 000).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

38. Events after balance date

There are no events after balance date to disclose.

39. Schedules of administered funds

The following income, expenses, assets and liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with APF II, APS 3.11, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

**Schedule of Administered Expenses and Income
for the year ended 30 June 2011**

	SA Medical Board		HACDSMC	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employee benefit expenses	-	-	572	476
Supplies and services	-	-	374	438
Grants and subsidies	1 500	-	17 194	31 465
Depreciation and amortisation	-	-	1	1
Total administered expenses	1 500	-	18 141	32 380
Income:				
Revenues from SA Government	-	-	5 005	4 791
Grants and contributions	-	-	9 622	2 974
Revenues from fees and charges	-	-	-	12 347
Interest	-	-	1 130	1 097
Other revenue	715	1 500	-	-
Total administered income	715	1 500	15 757	21 209
Net result	(785)	1 500	(2 384)	(11 171)

	Minister's salary		Total	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employee benefit expenses	235	232	807	708
Supplies and services	-	-	374	438
Grants and subsidies	-	-	18 694	31 465
Depreciation and amortisation	-	-	1	1
Total administered expenses	235	232	19 876	32 612
Income:				
Revenues from SA Government	235	246	5 240	5 037
Grants and contributions	-	-	9 622	2 974
Revenues from fees and charges	-	-	-	12 347
Interest	-	-	1 130	1 097
Other revenue	-	-	715	1 500
Total administered income	235	246	16 707	22 955
Net result	-	14	(3 169)	(9 657)

**Schedule of Administered Assets and Liabilities
as at 30 June 2011**

	SA Medical Board		HACDSMC	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Current assets:				
Cash and cash equivalents	990	1 500	14 628	20 237
Receivables	353	-	-	-
Other	-	-	55	-
Total administered current assets	1 343	1 500	14 683	20 237
Non-current assets:				
Property, plant and equipment	-	-	5	6
Total administered non-current assets	-	-	5	6
Total administered assets	1 343	1 500	14 688	20 243
Current liabilities:				
Payables	628	-	642	3 770
Employee benefits	-	-	79	78
Other current provisions/liabilities	-	-	20	15
Total administered current liabilities	628	-	741	3 863
Non-current liabilities:				
Employee benefits	-	-	103	152
Total administered non-current liabilities	-	-	103	152
Total administered liabilities	628	-	844	4 015
Net administered assets	715	1 500	13 844	16 228

**Schedule of Administered Assets and Liabilities
as at 30 June 2011 (continued)**

	Minister's salary		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets:				
Cash and cash equivalents	-	-	15 618	21 737
Receivables	-	21	353	21
Other	-	-	55	-
Total administered current assets	-	21	16 026	21 758
Non-current assets:				
Property, plant and equipment	-	-	5	6
Total administered non-current assets	-	-	5	6
Total administered assets	-	21	16 031	21 764
Current liabilities:				
Payables	-	-	1 270	3 770
Borrowings	-	21	-	21
Employee benefits	-	-	79	78
Other current provisions/liabilities	-	-	20	15
Total administered current liabilities	-	21	1 369	3 884
Non-current liabilities:				
Employee benefits	-	-	103	152
Total administered non-current liabilities	-	-	103	152
Total administered liabilities	-	21	1 472	4 036
Net administered assets	-	-	14 559	17 728

**Schedule of Administered Changes in Equity
for the year ended 30 June 2011**

	SA Medical Board		HACDSMC	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at 1 July	1 500	-	16 228	27 399
Net income (expenses) recognised directly in equity	1 500	-	16 228	27 399
Net result	(785)	1 500	(2 384)	(11 171)
Total recognised income and expenses for the period	(785)	1 500	(2 384)	(11 171)
Balance at 30 June	715	1 500	13 844	16 228

	Minister's salary		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at 1 July	-	(14)	17 728	27 385
Net income (expenses) recognised directly in equity	-	(14)	17 728	27 385
Net result	-	14	(3 169)	(9 657)
Total recognised income and expenses for the period	-	14	(3 169)	(9 657)
Balance at 30 June	-	-	14 559	17 728

**Schedule of Administered Cash Flows
for the year ended 30 June 2011**

	SA Medical Board		HACDSMC	
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Cash inflows:				
Receipts from SA Government	-	-	5 005	1 623
Interest revenue	-	-	1 130	1 096
Other revenue	361	1 500	9 622	18 489
Total cash inflows	361	1 500	15 757	21 208
Cash outflows:				
Employee benefit payments	-	-	(622)	(455)
Grants and subsidies	(871)	-	(20 312)	(29 335)
Goods and services	-	-	(432)	(353)
Total cash outflows	(871)	-	(21 366)	(30 143)
Net cash inflows (outflows) from operating activities	(510)	1 500	(5 609)	(8 935)
Cash flows from financing activities:				
Cash inflows:				
Total cash inflows	-	-	-	-
Cash outflows:				
Repayment of borrowings	-	-	-	-
Total cash outflows	-	-	-	-
Net cash inflows (outflows) from financing activities	-	-	-	-
Net increase (decrease) in cash held	(510)	1 500	(5 609)	(8 935)
Cash at 1 July	1 500	-	20 237	29 172
Cash at 30 June	990	1 500	14 628	20 237

	Minister's salary		Total	
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Cash inflows:				
Receipts from SA Government	256	245	5 261	1 868
Interest revenue	-	-	1 130	1 096
Other revenue	-	-	9 983	19 989
Total cash inflows	256	245	16 374	22 953
Cash outflows:				
Employee benefit payments	(235)	(245)	(857)	(700)
Grants and subsidies	-	-	(21 183)	(29 335)
Goods and services	-	-	(432)	(353)
Total cash outflows	(235)	(245)	(22 472)	(30 388)
Net cash inflows (outflows) from operating activities	21	-	(6 098)	(7 435)
Cash flows from financing activities:				
Cash inflows:				
Total cash inflows	-	-	-	-
Cash outflows:				
Repayment of borrowings	21	-	21	-
Total cash outflows	21	-	21	-
Net cash inflows (outflows) from financing activities	(21)	-	(21)	-
Net increase (decrease) in cash held	-	-	(6 119)	(7 435)
Cash at 1 July	-	-	21 737	29 172
Cash at 30 June	-	-	15 618	21 737

Health and associated health service activities

Administered expenses and administered cash outflows

The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department since they are made at the discretion of the Government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered income and administered cash inflows

The Department collects various revenues and grants on behalf of the Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

Administered assets and liabilities

The Department manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered assets and liabilities.

Changes in administered equity

All changes in equity relate to the administered asset revaluation reserve. The opening balance for administered retained earnings has not been restated for Australian equivalents to International Financial Reporting Standards because there has not been any impact.

Administered contingent assets and liabilities

The Department has no administered contingent assets and liabilities.

Incorporated hospitals and health services

Introduction

The incorporated hospitals and health services (the health services) are body corporates established pursuant to the *Health Care Act 2008* (the HC Act).

The health services are responsible to the Minister for Health and Ageing (formerly Minister for Health) and the Chief Executive of the Department for Health and Ageing.

During 2010-11, the health services comprised:

- Adelaide Health Service Incorporated (AHS)

The principal units within AHS were Royal Adelaide Hospital, Hampstead Rehabilitation Centre, Queen Elizabeth Hospital, Flinders Medical Centre, Repatriation General Hospital, Noarlunga Hospital, Lyell McEwin Hospital, Modbury Hospital, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area.

- Children, Youth and Women's Health Service Incorporated (CYWHS)

The principal unit within CYWHS was the Women's and Children's Hospital.

- Country Health SA Hospital Incorporated (CHSA)

CHSA provided a network of hospitals and health services located throughout regional South Australia.

- SA Ambulance Service Inc (SAAS).

The incorporated hospitals are charged with establishing, providing, maintaining and enhancing hospital, medical and allied health services in their local area.

SAAS is the principal provider of emergency ambulance services in South Australia.

Audit mandate and coverage

Audit authority

Audit of the financial reports

Subsection 36(2) and subsection 55(2) of the HC Act provides for the Auditor-General to audit the accounts of the health services for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the health services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls. In carrying out the audits of the health services, I was assisted by three Chartered Accounting firms.

During 2010-11, specific areas of audit attention included:

- revenues from fees and charges
- grants and contributions
- payroll
- grants and subsidies paid
- supplies and services
- accounts payable
- accounts receivable
- non-current assets
- borrowings
- financial management and compliance
- health unit non-operating funds.

Audit committee and internal audit

Each of the health services had an audit committee and an internal audit function in operation throughout the 2010-11 financial year.

An understanding of internal audit activities was obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

Audit findings and comments

Financial reports and independent auditor's reports (IARs)

As mentioned earlier in this Report the Department was responsible, under changed finance function and system arrangements, for the preparation of the financial reports of the health services. A significant system change was the commencement of the implementation of the new enterprise financial management and reporting system (OCS) from 1 July 2010.

Under the heading 'Financial reports' on page 7 of this Report, I provide specific explanatory comment on the preparation and audit of the financial reports, including the circumstances that resulted in the delay of their finalisation.

In respect of the financial reports for the health services modified IARs have been issued for AHS and CHSA that identify and qualify certain financial report disclosures. However all IARs for the health services include specific comment regarding inadequate management attention to the critical matter of financial accounts reconciliation and review.

The following provides salient financial information and commentary for the four health services together with extracts from the respective IARs.

AHS - Abridged financial report

**Abridged Statement of Comprehensive Income
for the period ended 30 June 2011**

	Consolidated 2011 \$'000	Parent 2011 \$'000
Expenses:		
Staff benefit expenses	1 863 643	1 859 146
Supplies and services	852 650	845 832
Depreciation and amortisation	84 948	84 575
Other expenses	47 553	45 152
Total expenses	2 848 794	2 834 705
Income:		
Revenue from fees and services	261 703	249 854
Grants and contributions	85 935	85 935
Other income	65 426	64 084
Total income	413 064	399 873
Net cost of providing services	2 435 730	2 434 832
Revenues from SA Government	2 522 989	2 523 223
Total revenues from SA Government	2 522 989	2 523 223
Net result	87 259	88 391
Other comprehensive income	-	-
Total comprehensive income for the year	87 259	88 391

Staff benefit expenses represent 65.4 percent of the AHS's total expenses. The number of staff whose remuneration received/receivable exceeded \$130 700 (base executive level) totalled 1697. Supplies and services included consultants expenses totalling \$2 million (88 consultancies).

**Abridged Statement of Financial Position
for the period ended 30 June 2011**

	Consolidated 2011 \$'000	Parent 2011 \$'000
Current assets	462 729	438 128
Non-current assets	1 656 461	1 645 425
Total assets	2 119 190	2 083 553
Current liabilities	492 027	474 553
Non-current liabilities	298 386	298 350
Total liabilities	790 413	772 903
Net assets	1 328 777	1 310 650

Current assets includes \$118.8 million cash. Of the \$118.8 million cash, \$114 million was specific purpose funds controlled by AHS. Specific uses can be determined by the grantor or donor. Non-current assets include property, plant and equipment totalling \$1629 million.

Total assets include receivables totalling \$240.9 million of which \$128.2 million represents amounts owed to AHS by the Department and other health services.

Total liabilities include \$225.7 million of payables of which \$113 million represents amounts owed by AHS to the Department and other health services.

At the 30 June 2011, AHS had a working capital deficiency of \$29.3 million.

AHS - Auditor's report on the financial report

The following is an extract from the 2010-11 IAR, which details the qualification to the AHS's financial statements.

Basis for Qualified Opinion

The significant delay in the provision of the audited financial report reflects the considerable time that was required by the Department for Health and Ageing, as principal processor of financial transaction information and preparer of the financial report, and consequently I, to examine material general ledger/bank account reconciliation variances that existed at 30 June 2011.

The financial report of the Service is principally prepared from financial transaction information processed, and recorded, by the new enterprise financial management and reporting system that was implemented from 1 July 2010. The new enterprise system general ledger records primary financial data sourced from operating legacy financial systems.

The new enterprise system was implemented and operated for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Service's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the reporting period, at balance date, and subsequent to balance date.

While the Department undertook action to investigate these variances and adjust the financial report, at the date of signing this Report, unexplained variances still remained.

In addition, the Service continued to utilise legacy financial systems throughout the reporting period to process initial transactional data before that data was uploaded into the new enterprise financial management and reporting system. There are limitations in the ability to trace transactional data in the new enterprise system general ledger back to the legacy financial systems and source data.

As a result of these matters, I was unable to obtain sufficient audit evidence to conclude that the following balances in the financial report were not materially misstated:

- *Supplies and services*
- *Payables*
- *Revenues from fees and charges*

- *Receivables*
- *Cash and cash equivalents*

It is not possible to quantify the financial effects, if any, on the financial report as a result of these matters.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of the Adelaide Health Service and its controlled entities as at 30 June 2011, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

CHSA - Abridged financial report

Abridged Statement of Comprehensive Income for the period ended 30 June 2011

	Consolidated 2011 \$'000	Parent 2011 \$'000
Expenses:		
Staff benefit expenses	425 557	425 557
Supplies and services	250 690	250 529
Depreciation and amortisation	22 457	16 392
Other expenses	37 379	69 541
Total expenses	<u>736 083</u>	<u>762 019</u>
Income:		
Revenue from fees and charges	73 804	73 823
Grants and contributions	113 904	113 877
Other income	4 976	4 446
Total income	<u>192 684</u>	<u>192 146</u>
Net cost of providing services	<u>543 399</u>	<u>569 873</u>
Revenues from SA Government	584 471	584 471
Total revenues from SA Government	<u>584 471</u>	<u>584 471</u>
Net result	<u>41 072</u>	<u>14 598</u>
Other comprehensive income	-	-
Total comprehensive income for the year	<u>41 072</u>	<u>14 598</u>

Staff benefit expenses represent 57.8 percent of the CHSA's total expenses. The number of staff whose remuneration received/receivable exceeded \$130 700 (base executive level) totalled 65. Supplies and services included consultants expenses totalling \$394 000 (32 consultancies).

**Abridged Statement of Financial Position
for the period ended 30 June 2011**

	Consolidated 2011 \$'000	Parent 2011 \$'000
Current assets	166 113	154 782
Non-current assets	679 840	440 488
Total assets	845 953	595 270
Current liabilities	172 866	173 281
Non-current liabilities	96 380	96 380
Total liabilities	269 246	269 661
Net assets	576 707	325 609

Current assets includes \$69.4 million cash. Of the \$69.4 million cash, \$17.9 million was specific purpose funds controlled by CHSA. Specific uses can be determined by the grantor or donor. Non-current assets include property, plant and equipment totalling \$672.8 million.

Total assets include receivables totalling \$68.9 million of which \$28.9 million represents amounts owed to CHSA by the Department and other health services.

Total liabilities include \$78.2 million of payables of which \$39.4 million represents amounts owed by CHSA to the Department and other health services.

At the 30 June 2011, CHSA had a working capital deficiency of \$6.8 million.

CHSA - Auditor's report on the financial report

The following is an extract from the 2010-11 IAR, which details the qualification to the CHSA's financial statements.

Basis for Qualified Opinion

The significant delay in the provision of the audited financial report reflects the considerable time that was required by the Department for Health and Ageing, as principal processor of financial transaction information and preparer of the financial report, and consequently I, to examine material general ledger/bank account reconciliation variances that existed at 30 June 2011.

The financial report of the Service is principally prepared from financial transaction information processed, and recorded, by the new enterprise financial management and reporting system that was implemented from 1 July 2010. The new enterprise system general ledger records primary financial data sourced from operating legacy financial systems.

The new enterprise system was implemented and operated for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Service's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the reporting period, at balance date, and subsequent to balance date.

While the Department undertook action to investigate these variances and adjust the financial report, at the date of signing this Report, unexplained variances still remained.

In addition, the Service continued to utilise legacy financial systems throughout the reporting period to process initial transactional data before that data was uploaded into the new enterprise financial management and reporting system. There are limitations in the ability to trace transactional data in the new enterprise system general ledger back to the legacy financial systems and source data.

As a result of these matters, I was unable to obtain sufficient audit evidence to conclude that the following balances in the financial report were not materially misstated:

- Staff benefit expenses
- Supplies and services
- Payables
- Revenues from fees and charges
- Receivables
- Cash and cash equivalents

It is not possible to quantify the financial effects, if any, on the financial report as a result of these matters.

Qualified opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of the Country Health SA Hospital Incorporated and its controlled entities as at 30 June 2011, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

CYWHS - Abridged financial report

Abridged Statement of Comprehensive Income for the period ended 30 June 2011

	2011 \$'000
<hr/>	
Expenses:	
Staff benefit expenses	274 047
Supplies and services	92 451
Depreciation and amortisation expense	6 248
Other expenses	7 581
Total expenses	380 327
 Income:	
Revenue from fees and charges	28 278
Grants and contributions	11 119
Other income	6 700
Total income	46 097
Net cost of providing services	334 230

**Abridged Statement of Comprehensive Income
for the period ended 30 June 2011 (continued)**

	2011 \$'000
Revenues from SA Government	346 199
Total revenues from SA Government	346 199
Net result	11 969
Other comprehensive income	(67)
Total comprehensive income for the year	11 902

Staff benefit expenses represent 72 percent of the CYWHS's total expenses. The number of staff whose remuneration received/receivable exceeded \$130 700 (base executive level) totalled 210. Supplies and services included consultants expenses totalling \$32 000 (three consultancies).

**Abridged Statement of Financial Position
for the period ended 30 June 2011**

	2011 \$'000
Current assets	62 100
Non-current assets	207 759
Total assets	269 859
Current liabilities	76 211
Non-current liabilities	38 645
Total liabilities	114 856
Net assets	155 003

Current assets includes \$21.8 million cash. Of the \$21.8 million cash, \$12.3 million was specific purpose funds controlled by CYWHS. Specific uses can be determined by the grantor or donor. Non-current assets include property, plant and equipment totalling \$192.3 million.

Total assets include receivables totalling \$39.9 million of which \$25 million represents amounts owed to CYWHS by the Department and other health services.

Total liabilities include \$45.6 million of payables of which \$28.6 million represents amounts owed by CYWHS to the Department and other health services.

At the 30 June 2011, CYWHS had a working capital deficiency of \$14.1 million.

CYWHS - Auditor's report on the financial report

The IAR for CYWHS was unmodified. However I did include specific comment on the new OCS and inadequate management attention to financial accounts reconciliation and review processes throughout the reporting period in the IAR.

The following is an extract from the 2010-11 IAR.

Audit Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Children, Youth and Women's Health service as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Other Matter – New system and control deficiencies throughout the reporting period

The significant delay in the provision of the audited financial report reflects the considerable time that was required by the Department for Health and Ageing, as principal processor of financial transaction information and preparer of the financial report, and consequently I, to examine material general ledger/bank account reconciliation variances that existed at 30 June 2011.

The financial report of the Service is principally prepared from financial transaction information processed, and recorded, by the new enterprise financial management and reporting system that was implemented from 1 July 2010.

The new enterprise system was implemented and operated for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Service's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the reporting period, at balance date, and subsequent to balance date.

The Department undertook action to investigate the variances. Consistent with auditing standards, I undertook the necessary substantive testing of the variances to confirm the financial report disclosures were materially correct.

The additional work performed by the Department and audit testing undertaken have provided sufficient evidence to support my unqualified audit opinion.

SAAS - Abridged financial report

**Abridged Statement of Comprehensive Income
for the period ended 30 June 2011**

	2011 \$'000
<hr/>	
Expenses:	
Staff benefit expenses	119 968
Supplies and services	43 656
Depreciation and amortisation expense	9 618
Other expenses	12 228
Total expenses	185 470
Income:	
Revenue from fees and charges	88 352
Grants and contributions	655
Other income	2 444
Total income	91 451
Net cost of providing services	94 019
Revenues from SA Government	110 639
Total revenues from SA Government	110 639
Net result	16 620
Other comprehensive income	-
Total comprehensive income for the year	16 620

Staff benefit expenses represent 64.7 percent of the SAAS's total expenses. The number of staff whose remuneration received/receivable exceeded \$130 700 (base executive level) totalled 173. Supplies and services included consultants expenses totalling \$63 000 (12 consultancies).

**Abridged Statement of Financial Position
for the period ended 30 June 2011**

	2011 \$'000
Current assets	50 154
Non-current assets	65 665
Total assets	115 819
Current liabilities	42 176
Non-current liabilities	39 448
Total liabilities	81 624
Net assets	34 195

Current assets includes \$8 million cash. Of the \$8 million cash, \$5.4 million was specific purpose funds controlled by SAAS. Specific uses can be determined by the grantor or donor. Non-current assets include property, plant and equipment totalling \$63.4 million.

Total assets include receivables totalling \$42.9 million of which \$24.8 million represents amounts owed to SAAS by the Department and other health services.

Total liabilities include \$22.2 million of payables of which \$14.9 million represents amounts owed by SAAS to the Department and other health services.

At the 30 June 2011, SAAS had a working capital surplus of \$8 million.

SAAS - Auditor's report on the financial report

The IAR for SAAS was unmodified. However I did include specific comment on the new OCS and inadequate management attention to financial accounts reconciliation and review processes throughout the reporting period in the IAR.

The following is an extract from the 2010-11 IAR.

Audit Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Ambulance Service as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Other Matter – New system and control deficiencies throughout the reporting period

The significant delay in the provision of the audited financial report reflects the considerable time that was required by the Department for Health and Ageing, as principal processor of financial transaction information and preparer of the financial report, and consequently I, to examine material general ledger/bank account reconciliation variances that existed at 30 June 2011.

The financial report of the Service is principally prepared from financial transaction information processed, and recorded, by the new enterprise financial management and reporting system that was implemented from 1 July 2010.

The new enterprise system was implemented and operated for some time without adequate management attention being given to effective reconciliation of financial accounts, including importantly, the overarching monthly reconciliation between the general ledger and the Service's bank account.

The reconciliation process and control deficiencies resulted in material unexplained general ledger/bank account variances throughout the reporting period, at balance date, and subsequent to balance date.

The Department undertook action to investigate the variances. Consistent with auditing standards, I undertook the necessary substantive testing of the variances to confirm the financial report disclosures were materially correct.

The additional work performed by the Department and audit testing undertaken have provided sufficient evidence to support my unqualified audit opinion.

Assessment of controls

In my opinion, the controls exercised by the health services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, balance sheet reconciliations, payroll, accounts payable and accounts receivable as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the health services have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audits of health services were detailed in management letters to the respective Chief Executive Officers of health services and/or to the Chief Executive of the Department. Responses to the management letters will be followed up for effectiveness in addressing the audit matters raised as part of the 2011-12 audit of the health services.

The following is a summary of headings in this section that contain commentary relating to areas of health services' operations that have been the subject of audit attention:

- policies and procedures
- bank reconciliations
- balance sheet reconciliations
- payroll
- accounts payable
- accounts receivable
- health unit non-operating funds.

As a result of a number of the issues outlined below, it was necessary to issue qualified IARs for AHS and CHSA.

Policies and procedures

During the audit of the health services, it was noted that the Department and the health services policies, procedures and system documentation had not been updated as a result of the financial integration

project and the implementation of the new OCS. This resulted in a lack of clear direction in the implementation of procedures and controls at both the health service and Department level.

Bank reconciliations

Audit noted severe weaknesses in the controls over the bank reconciliation processes associated with the health services particularly in the following areas:

- bank reconciliations were not performed on a regular and timely basis
- transactions were recorded in the general ledger that were not linked to the bank accounts where the transactions were processed
- transactions recorded 'off ledger'
- significant reconciling items not resolved and recorded in the general ledger
- reconciliations not performed between related reconciling items on different bank reconciliations.

As previously conveyed, the cash and cash equivalents balances for both AHS and CHSA have been qualified. The bank reconciliation at 30 June 2011 for these two entities are continuing.

Balance sheet reconciliations

Audit noted the following deficiencies associated with the reconciliations of key balance sheet accounts such as payroll, fixed assets, accounts receivable, patient receivables and accounts payables:

- some reconciliations were not being consistently performed at the end of each month
- some reconciliations were not being documented, filed and retained
- some unreconciled balances were not investigated
- some balances not being reconciled at all.

Difficulties arose in the reconciliation process due to the mix of processes for posting transactions, with some transactions being reflected in the new OCS but not in the legacy systems and vice versa. Audit also noted that the roles and responsibilities of the health services in relation to the monthly reconciliations were not well understood by staff, and a range of differing practices had been adopted across the health services.

Payroll

Salaries and wages expenditure processed through the payroll systems represents a significant expenditure item for the health services.

Payroll processing for the health services is undertaken by Shared Services SA (SSSA).

This year's audits revealed the following weaknesses:

- timesheets were not always reviewed and approved by appropriate level of staff
- bona fide reports were not being consistently prepared, reviewed, certified and retained
- payroll reports received from SSSA were not being adequately reviewed by health services or individual sites

- incompatible user access rights within the payroll system
- changes to payroll masterfile data were not regularly reviewed by health service management
- payroll clearing account reconciliations were not being performed in a timely manner and were not being independently reviewed
- the process for identifying overpayments appeared to be ad hoc and lacked consistent procedures
- the ability of SSSA to provide source documentation in a timely manner
- the need to update policies and procedures.

Accounts payable

Accounts payable services are provided to the health services by SSSA.

The scope of the 2010-11 audit included consideration of the control arrangements relating to the various legacy accounts payable systems.

The audit identified some areas of control weakness and opportunities for improvement in processes and controls in the area of:

- authorisation of invoices for payment
- the update of relevant policies and procedures
- reconciliations between the system subledger and the general ledger
- the ability to trace transactional data from the general ledger to source documents
- review of reports from SSSA of proposed or completed payments
- the ability of SSSA to provide source documentation in a timely manner
- lack of a clear audit trail indicating a review of fee-for-service claims.

Accounts receivable

The results of the audits revealed a number of control weaknesses in the accounts receivable control environment. The control weaknesses noted and raised with the health services included:

- a number of policies and procedures require update to reflect current practice
- lack of appropriate authorisation of invoice forms by appropriate managers
- reconciliations of legacy accounts receivable systems to the general ledger were not being performed in a timely manner
- accounts receivable ageing reports were not being reviewed in a timely manner
- for both patient debtors and sundry debtors, receipts were entered into a financial system which did not manage the master reconciliation for the bank account used to bank the money
- the difficulty in tracing transactional data from the general ledger to source documents.

Health unit non-operating funds

Health services administer significant monies in non-operating funds. These funds include private practice funds, specific research grants, and funds received through fund raising activities undertaken by hospitals or voluntary organisations closely affiliated with the hospitals.

These funds need to be subject to good administration and accountability practices.

During 2010-11, the implementation of the new OCS and the financial integration project brought about significant changes in how non-operating funds are reported and the responsibilities of each health service for these funds.

Audit review of non-operating funds identified that:

- policies and procedures had not been updated to reflect the revised arrangements and responsibilities
- reconciliations between the general ledger and the legacy systems are not performed in a timely manner
- project reports provided to managers are not appropriate for an adequate review of transactions processed to ensure the accuracy and completeness of non-operating fund balances in the general ledger.

As previously mentioned it is the intention of Audit to follow-up for effectiveness in the 2011-12 cycle of audits the actions being taken by the Department and health services to address the audit findings raised during 2010-11.

Health sector staffing and patient activity data – Unaudited

The following staffing and patient activity information was provided by the Department in response to Audit request and is unaudited.

Health sector staffing statistics

The following table details the staffing levels, as at 30 June, in the health sector, excluding staff of the Department and SA Ambulance Service Inc, over the past three years. It is important to know that this data is unaudited.

Health sector FTE mix (unaudited)

	2011 Number	2010 Number	2009 Number
Staff categories:			
Nurses	12 039	11 870	11 337
Medical staff	2 687	2 571	2 528
Scientific and technical	1 157	1 188	1 188
Administrative and clerical	4 296	4 824	5 078
Allied health, hotel and other staff	6 853	6 705	6 681
Total staff	<u>27 032</u>	<u>27 158</u>	<u>26 812</u>
Increase	(126)	346	941
Percentage increase	<u>(0.5)</u>	<u>1</u>	<u>4</u>

Department staffing statistics

The following table details the staffing levels, as at 30 June, of the Department over the past three years.

Department of Health FTE (unaudited)

	2011 Number	2010 Number	2009 Number
Total staff	<u>1 859</u>	<u>1 273</u>	<u>938</u>

The increase in the Department of Health FTE is mainly attributable to the workforce and finance integration across SA Health.

SA Ambulance Service Inc staffing statistics

The following table details the staffing levels, as at 30 June, of the SA Ambulance Service Inc over the past three years.

SA Ambulance Service Inc FTE (unaudited)

	2011 Number	2010 Number	2009 Number
Total staff	<u>1 132</u>	<u>1 167</u>	<u>1 138</u>

Hospital activity statistics

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

Inpatient activity (unaudited)

	2011 Number	2010 Number	2009 Number
Metropolitan hospitals:			
Overnight stay	161 191	157 873	154 521
Same day	134 253	134 243	132 787
Total	<u>295 444</u>	<u>292 116</u>	<u>287 308</u>
Country hospitals:			
Overnight stay	51 183	51 749	51 791
Same day	43 354	39 115	34 665
Total	<u>94 537</u>	<u>90 864</u>	<u>86 456</u>

Average length of overnight hospital stay (unaudited)

	2011 Days	2010 Days	2009 Days
Metropolitan hospitals	7.1	7	7.1
Country hospitals	<u>5.8</u>	<u>6.1</u>	<u>6.6</u>

Outpatient activity (unaudited)

	2011 Number	2010 Number	2009 Number
Metropolitan hospitals:			
Emergency Department attendances	383 992	373 700	357 418
Outpatient occasions of service	<u>1 045 231</u>	<u>1 039 300</u>	<u>1 053 897</u>
Country hospitals:			
Emergency Department attendances	179 889	181 183	174 199
Outpatient occasions of service	<u>135 347</u>	<u>138 790</u>	<u>135 244</u>

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	<i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSA	<i>Public Sector Act 2009</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

Acronyms

Reference	Title
AASs	Australian Accounting Standards ¹
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

