



Victorian Auditor-General's Report Tabled 28 November 2013

Public Hospitals: Results of the 2012–13 Audits

Background and quality

2

- 112 entities comprising 87 public hospitals and 25 controlled entities
 - Unqualified opinions were issued for all entities.
- Time lines for reporting—similar to last year—took on average 9.1 weeks compared to 12 week statutory deadline.
- Quality of financial reports—slight improvement from 2011–12.

Sector financial results for 2012–13

- Combined operating deficit of \$4 million (2011–12: \$43 million deficit).
- Total revenue \$12.0 billion—up 3 per cent from 2011–12.
- Total assets \$12 billion (2011–12: \$11.7 billion).
- Total liabilities \$4.5 billion (2011–12: \$4.3 billion).

Financial sustainability

4

pages
16–26

Financial sustainability risk for the sector was medium, consistent with 2011–12.

Key findings:

- Number of hospitals with underlying deficit result reduced from 62 to 60.
- 66 per cent of hospitals had cash holdings equivalent to less than 30 days operating cash outflows.
- 28 hospitals had a letter of support from the Department of Health (31 in 2011–12).

Internal controls

Effectiveness of internal controls

- Internal controls relevant to the preparation of the financial report each year—with a cyclical approach to a more comprehensive review of elements of the control framework.

Overall conclusion:

- Internal controls are adequate for financial reporting purposes, but some opportunities to strengthen them.

Common findings:

- deficiencies in the preparation and review of key account reconciliations
- master file standing data changes not independently reviewed.

Focus areas 2012–13

6

pages
29–34

Internal controls related to risk management

All hospitals had some form of risk management framework in place. They were generally adequate, however, could be further strengthened.

Key findings:

- **21** per cent did not have a requirement for their risk management policy to be reviewed annually
- **17** did not report 'critical' or 'extreme' risks to their board quarterly, in line with better practice.

Focus areas 2012–13 – *continued*

7

pages
34–38

Controls over private patient revenue

Internal controls relating to private patient revenue were generally adequate. Opportunities to improve the use of internal audit in the review of private patient revenue were identified.

Key findings:

- **71** per cent had specific policies related to private patient revenue—these policies typically covered all expected key elements
- **55** per cent had not had an internal audit of their private patient revenue practices in the past three years.

Recommendations

Public hospitals should:

1. adjust all errors identified during audits so that their financial statements are of the highest possible quality
2. review their financial reporting processes to address the better practice report preparation elements, including the timely preparation of shell financial statements
3. review their risk management frameworks and policies, at least annually
4. report on 'critical' or 'extreme' risks and associated mitigation strategies to their board or audit committee, at least quarterly
5. use internal audit to review practices in relation to private patient revenue and compliance with established policies.



Contact details

For further information please contact:

Victorian Auditor-General's Office

[p] 8601 7000

[w] www.audit.vic.gov.au/about_us/contact_us.aspx