
Home Care Service of New South Wales

AUDIT OPINION

The audits of Home Care Service of New South Wales (Home Care) and its controlled entity's financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

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

KEY ISSUES

Ageing of Staff

I recommend Home Care develop and implement effective policies to address and manage its ageing workforce.

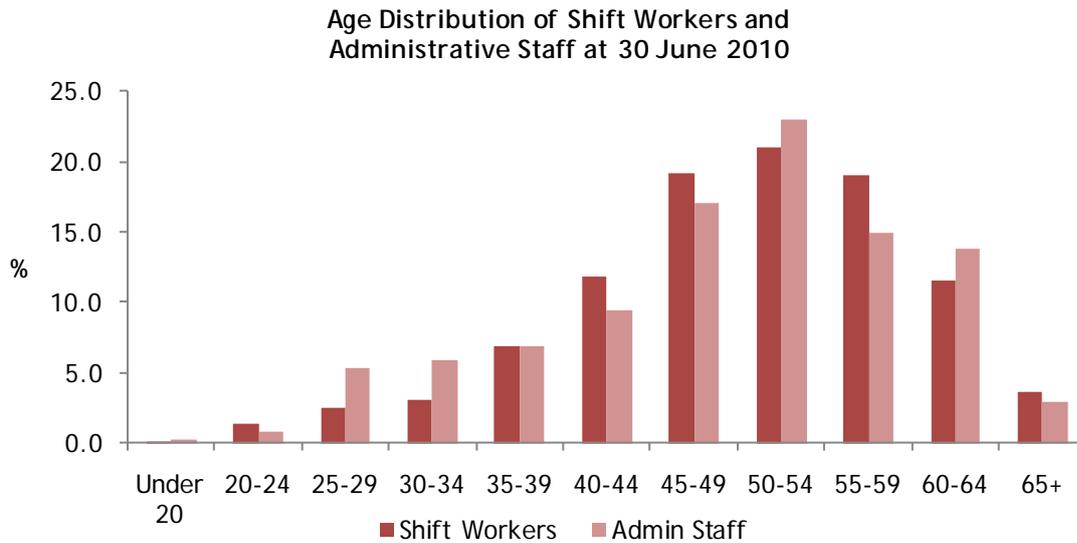
Home Care has 33.8 per cent of its employees over 55 years of age, and 55.1 per cent are over 50. Many are likely to retire over the next five to ten years, increasing the risk of loss of knowledge and skills unless an appropriate plan is developed to address the risk.

At 30 June Age Group	2010			
	No. of Shift Workers*	%	No. of Administration Staff*	%
Up to 39	339	13.9	94	19.0
40 - 44	290	11.9	47	9.5
45 - 49	467	19.1	84	17.0
50 - 54	513	21.0	113	22.9
55 - 59	465	19.0	74	15.0
60 - 64	282	11.5	68	13.8
65+	89	3.6	14	2.8
Total	2,445	100	494	100

Source: Home Care Service (unaudited)

* The number of shift workers and administration staff are Full Time Equivalent (FTE) numbers.

The age profile of Home Care’s employees, split between administration staff and shift workers is shown below:



Source: Home Care Service (unaudited).

For shift workers, 34.1 per cent are over 55 years of age, and 55.2 per cent are over 50.

To ensure an adequate supply of staff in the future, it is essential for Home Care to monitor its workforce age profile and ensure strategies are in place to develop, attract and retain staff whose skills are aligned with the strategic direction of Home Care. Home Care advised it is addressing this issue.

Flex Time Balances

I recommend Home Care develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by staff.

Home Care does not know the extent to which flex time is being accrued and forfeited by staff, as it does not keep central records of flex time. If not effectively managed, employees may be accruing and/or forfeiting large amounts of flex time. Records are manually maintained by each business unit.

Home Care advised that flex time is only available to admin staff, who represent 20.0 per cent of its workforce, and provisions exist for employees to meet with their supervisors if there is potential for flex time to be forfeited.

Repeat Management Letter Issues

I recommend Home Care address, as a priority, the matters I have reported for at least the past two years.

Purchase Order Details

Manual purchase orders raised in branch offices continue to lack sufficient appropriate details. This issue has been reported for the past five years. Management advised that branch offices are now using the Smartbuy online ordering system. Home Care management and its service provider continue to progress the implementation of the SAP purchase order system for subcontracting services, which represent the majority of purchase orders raised. Home Care reinforced this matter to Regional Management in August 2010.

Service Agreements with Clients

Home Care's policies and procedures require new client service agreements be prepared for clients whose service duration, service type, etc change. We found this process is not always being followed. In addition, some clients were billed at rates which differed to those specified in their service agreements. In one instance a client was billed a monthly fee of \$40 despite there being a cap of \$20 per month. Home Care advised that resources are being applied to improve controls in this area.

Review of Aged Debtors

Aged debtor reports are not always produced and reviewed at branch offices in a timely manner. This suggests some branches may not be actively following up outstanding debtors. Management advised that although it regularly communicates with regional and branch staff the requirement to comply, some exceptions continue to be experienced. Home Care again communicated this issue to regional management during September 2010.

Customer Master File Changes

Changes made to customer details in the Client Information System are not always supported by an authorised written request. In most instances notifications received are verbal and changes are not reviewed by a second officer to ensure accuracy and validity. Management advised that corrective actions have been delayed as system changes required to enable production of relevant audit reports were not completed until April 2010. We understand management has now issued instructions on the use of the audit report and recording of customer detail changes.

Historical Edits

Adjustments can be made in the Workforce Management and Client Information Systems to service hours already billed to clients. The adjustments are not, in most instances, approved by management prior to being made, nor are they reviewed by a second officer to ensure accuracy and validity. Home Care advised that an audit report which allows the review of changes has been developed and instructions communicated to staff for its use.

Review of Customer Master File

Customer master file data in SAP is not periodically reviewed by management for accuracy and ongoing pertinence. Management advised this is due to relevant reports not being in a usable format. Management is working with the service provider to resolve this issue.

Workforce Management System Disaster Recovery Plan

The Workforce Management (WFM) System is currently at tier one of a seven tier disaster recovery model. A tier one system has its system backups kept off site, but does not have a specific formal disaster recovery plan or dedicated recovery hardware. The length of time for recovery is currently more than a week. Management should reassess the disaster recovery requirements for WFM in conjunction with its service provider, to ensure it meets business needs and recovery timeframes in a disaster situation. We understand Home Care's service provider plans to bring WFM to an acceptable disaster recovery level by the end of December 2010.

PERFORMANCE INFORMATION

Home Care did not meet most of its performance targets in 2010, as detailed in the table below.

Year ended 30 June	Target	Actual				
	2010	2010	2009	2008	2007	2006
Total number of assessments*	16,600	12,987	15,703	20,760	17,693	17,906
Total hours of service provided ('000s)	3,950	3,853	4,048	3,903	3,872	3,626
Total number of clients serviced ('000s)	52	52	50	55	54	53
Average hours per client per annum	76	74	81	71	71	69
Direct average staffing (FTE)	3,000	2,939	3,038	2,972	2,937	2,862

Source: Home Care (unaudited)

* An assessment involves ascertaining a client's eligibility based on: program guidelines, the client's support needs, and developing a care plan.

In 2009-10, the total number of actual assessments undertaken by Home Care declined by 17.3 per cent; total hours of service provided to clients decreased by 4.8 per cent; and the average hours per client dropped by 7.0 hours when compared to the previous year.

Home Care advised that the decline in hours of service provided and average hours per client in 2009-10 when compared to 2008-09 was primarily due to an over-delivery of 113,000 service hours in 2008-09. This led to fewer service vacancies in early 2009-10, which in turn triggered fewer assessments.

High Needs Pool

The High Needs Pool sets aside funds for clients requiring more than 15 hours per week of personal care. The guidelines for the pool include a cap on services of 140 hours per four-week period, and intake being determined by priority rather than in chronological order. The table below summarises High Needs information for the past five years.

Year ended 30 June	Actual				
	2010	2009	2008	2007	2006
Funds set aside for High Needs Pool (\$'000)	23,187	22,643	21,920	21,200	20,500
Number of clients waiting for High Needs services	362	273	517	409	470
Number of new clients approved	174	36	121	105	90
Number of clients receiving more than 60 hours of personal care and assistance per four-week period	482	390	475	472	428

Source: Home Care (unaudited).

In 2009-10, both the number of clients waiting for, and those approved for High Needs services, increased by 32.6 per cent and 383.3 per cent respectively when compared to 2008-09. Home Care advised that the significant increase in clients waiting for High Needs services reflects the number of clients who have applied, been assessed as eligible and then registered for assistance. The increase in the number of clients approved for service is due to the direct replacement of clients who have exited the High Needs Pool program to more appropriate programs.

OTHER INFORMATION

Human Resources

Home Care does not have any employees. It receives personnel services from its controlled entity, the Home Care Service Division (the Division). Management of the Division's staff, however, is the responsibility of Home Care. This year we reviewed the following areas relating to human resources:

- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- management of flex balances
- extent of use of contract staff
- trend in long service leave liabilities and actions taken to ensure funds will be available to pay these liabilities
- management of annual leave balances in excess of threshold policies
- extent of overtime.

Issues identified from our review will be reported in a management letter to Home Care. A summary of the results of the employee age profile and flex balances review were reported earlier under the 'Key Issues' section. A summary of the results of our review of contract staff, long service leave liabilities, annual leave balances and overtime follows.

Employment of Contract Employees

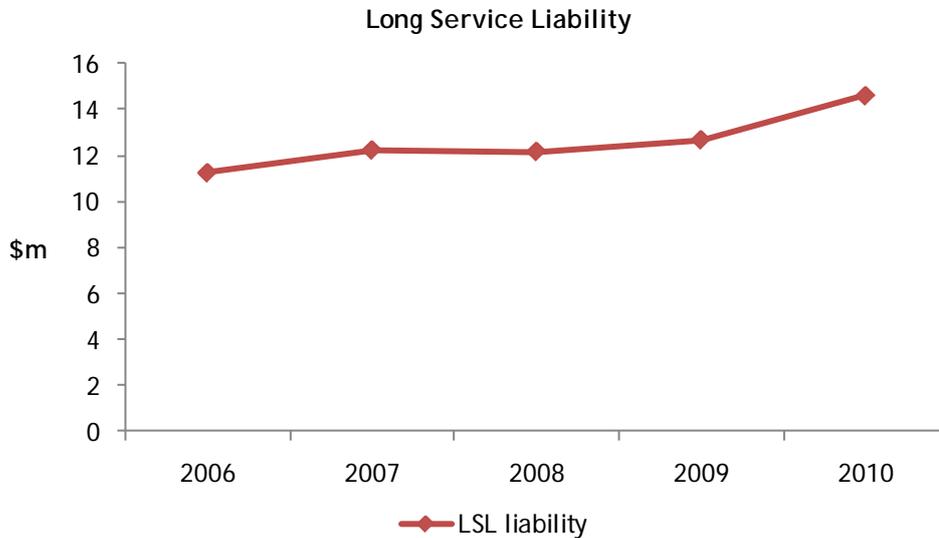
Home Care did not maintain a register of hired contractors and was unable to provide the number of contractors it employed at 30 June 2010, or the duration of their employment contracts.

Home Care advised that:

- there is a practical issue with maintaining a central register of contract employees, because most contracted services are frontline and delivered through a range of contracted agencies
- the appropriateness of the use of contractors is monitored through expenditure on contractors by business area, and that data is centrally available
- in 2009-10, expenditure on contracted employees was less than 1.0 per cent of total employee related costs
- for the provision of in-home care services, contracts are with organisations registered on an approved panel of agencies and not with individual contracted employees
- non-frontline staff are subject to a recruitment freeze on permanent appointments. The recruitment of contractors in these roles, or the extension of their contracts, requires a business case approved by the Chief Executive.†

Long Service Leave Liability

Home Care's liability for long service leave (LSL) entitlements at 30 June 2010 amounted to \$14.6 million (\$12.7 million). This liability has increased by 30.1 per cent since 2006.



Source: Home Care Service financial statements (audited)

In 2010, LSL liabilities were recognised for all staff, as opposed to only those staff with five or more years of service. This explains the increase in the LSL liability in 2010 when compared to 2009.

Home Care will need to ensure it has an adequate plan to fund these liabilities, which generally increase over time with increases in employee remuneration levels. This will be compounded as other liabilities increase with the retirement of a significant portion of the ageing workforce.

Excessive Annual Leave Balances

At 30 June 2010, 81 staff (127 staff) or 2.1 per cent (3.2 per cent) of all staff had an annual leave balance in excess of 40 days. The highest annual leave balance was 95 days (116 days), with the next highest being 74 days (75 days).

Home Care advised it has active procedures in place for managing annual leave including:

- monthly monitoring and reporting to the Executive
- periodically contacting staff with annual leave balances over 30 days and asking them to make arrangements to take leave. Staff with more than 40 days are asked to put leave plans in place to reduce their leave balances
- the human resources system has recently been modified so that automated reminders are sent to staff asking them to review and reduce their annual leave balances. The system also automatically advises the employees' line manager of the need to develop leave plans for staff with more than 40 days accrued leave.

Overtime

Overtime payments in 2009-10 amounted to \$578,000 (\$801,000) which was less than 1.0 per cent (less than 1.0 per cent) of base salary expenses for the year.

Vacant Permanent Staff FTE Positions

Year Ended	Shift Workers		Administration Staff	
	2010	2009	2010	2009
Average number of vacant FTE positions	329	449	61	81
Average number of available FTE positions	2,359	2,359	598	628

Source: Home Care (unaudited).

Improvements have been made in filling vacant positions in 2009-10. For shift workers, 13.9 per cent (19.0 per cent) of available FTE positions were vacant, and for administrative staff, 10.2 per cent (12.9 per cent) were vacant.

FINANCIAL INFORMATION

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Government grants and contributions	185,124	179,877	185,124	179,877
Other revenue	48,113	40,501	33,299	34,271
OPERATING REVENUE	233,237	220,378	218,423	214,148
Employee related	158,675	158,573	--	--
Personnel services	--	--	147,223	158,939
Other expenses	54,972	59,980	54,972	59,980
OPERATING EXPENSES	213,647	218,553	202,195	218,919
Other gains/ (losses)	704	(566)	818	(566)
SURPLUS/(DEFICIT)	20,294	1,259	17,046	(5,337)
OTHER COMPREHENSIVE INCOME				
Superannuation actuarial losses	(3,248)	(6,596)	--	--
Other income	--	161	--	161
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)	(3,248)	(6,435)	--	161
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	17,046	(5,176)	17,046	(5,176)

The rise in other revenue was mainly due to a workers' compensation hindsight premium adjustment refund of \$14.8 million (excluding GST). In 2008-09, the refund was \$6.2 million.

Home Care reported a \$3.2 million loss in the defined benefit superannuation scheme during the year, based on an actuarial assessment (\$6.6 million loss).

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets	60,868	42,537	60,470	41,938
Non-current assets	22,061	20,788	22,061	20,788
TOTAL ASSETS	82,929	63,325	82,531	62,726
Current liabilities	34,261	34,785	33,863	34,186
Non-current liabilities	11,942	8,860	11,942	8,860
TOTAL LIABILITIES	46,203	43,645	45,805	43,046
NET ASSETS	36,726	19,680	36,726	19,680

Total assets increased primarily due to:

- the workers' compensation hindsight premium adjustment refund, as mentioned above, being recognised as a receivable by Home Care at 30 June 2010.
- the global financial crisis' \$875,000 negative impact on the value of Home Care's investments in 2008-09. This year, Home Care's investments increased in value by \$1.4 million as economic conditions improved.

The superannuation liability for defined benefit plans increased from \$7.2 million in 2008-09 to \$9.4 million in 2009-10.

HOME CARE ACTIVITIES

The *Home Care Service Act 1988* established Home Care as a Statutory Authority. Home Care provides housekeeping, personal care and a range of ancillary services for individuals and families within their own homes. Its operations are conducted through state wide branches and service outlets.

For further information on Home Care, refer to www.humanservices.nsw.gov.au.

CONTROLLED ENTITY

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

Entity Name	
Home Care Service Division	*

* This entity does not have a website.