Justice Health

AUDIT OPINION

The audits of Justice Health 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.

PERFORMANCE INFORMATION

Justice Health's major service deliveries for the last three years are shown below.

Year ended 30 June	2010	2009	2008
Total non-admitted patients (occasions of service)	***3,597,300***	3,652,619	3,615,883
Mental health inpatient (bed days)	***58,000***	43,698	49,882
Screened for mental health problems by the State-wide Court and Community Liaison Service (number of patients)	***14,401***	14,758	14,746
Received comprehensive mental assessments by the State-wide Court and Community Liaison Service (number of patients)	***2,362***	2,354	1,900
Vaccinated against Hepatitis B (number of patients)	***3,603***	2,997	3,468
Vaccinated against seasonal influenza (number of patients)	***4,064***	3,945	5,075
Released from custody on maintenance pharmacotherapy (number of patients accepting)	***2,354***	2,098	2,245

Source: Justice Health (unaudited).

Justice Health advises the increase in mental health inpatient bed days was primarily due to 2009 -10 being the first full year of operation of its forensic hospital.

OTHER INFORMATION

Financial Report and Supporting Work Papers

In past years, I reported that the financial statements and supporting work papers submitted for audit were inadequate. This year, it was pleasing to note an improvement, which resulted in earlier completion of the audit. There is still room for further improvement and Justice Health advises it will be implementing additional review procedures in 2010-11.

Plant and Equipment Stocktake

Last year, I reported Justice Health had not performed a stock take of its plant and equipment. In 2009-10, it completed a stock take at six of its 56 cost centres and intends to do the remaining 50 in 2010-11. The written down value of plant and equipment at 30 June 2010 was $4.4 million ($4.0 million at 30 June 2009).

Human Resources

This year I reviewed the following areas relating to human resources:

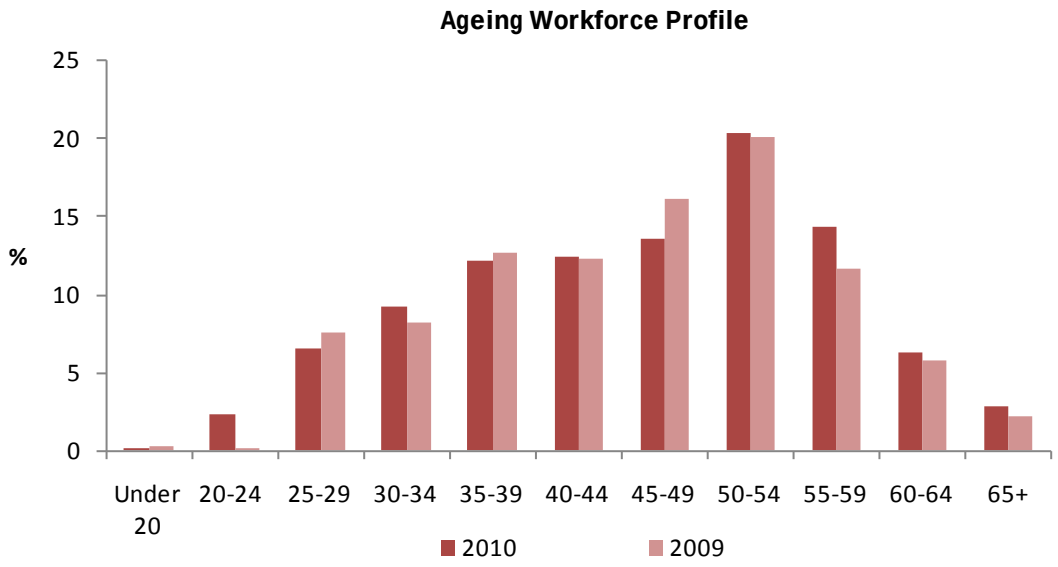
- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- trend in long service leave liabilities
- management of annual leave balances in excess of threshold policies
- extent of overtime.

A summary of the results of my review follows.

Workforce Ageing

At 30 June 2010, 23.4 per cent (19.6 per cent) of Justice Health's employees were 55 years of age or older and 43.7 per cent (39.7 per cent) were 50 or older. A large number of these employees are likely to retire over the next five to ten years increasing the risk of a significant loss of knowledge and skills for Justice Health.

The age profile of Justice Health's employees is shown below. It excludes contract, temporary, casual, sessional and seasonal staff.



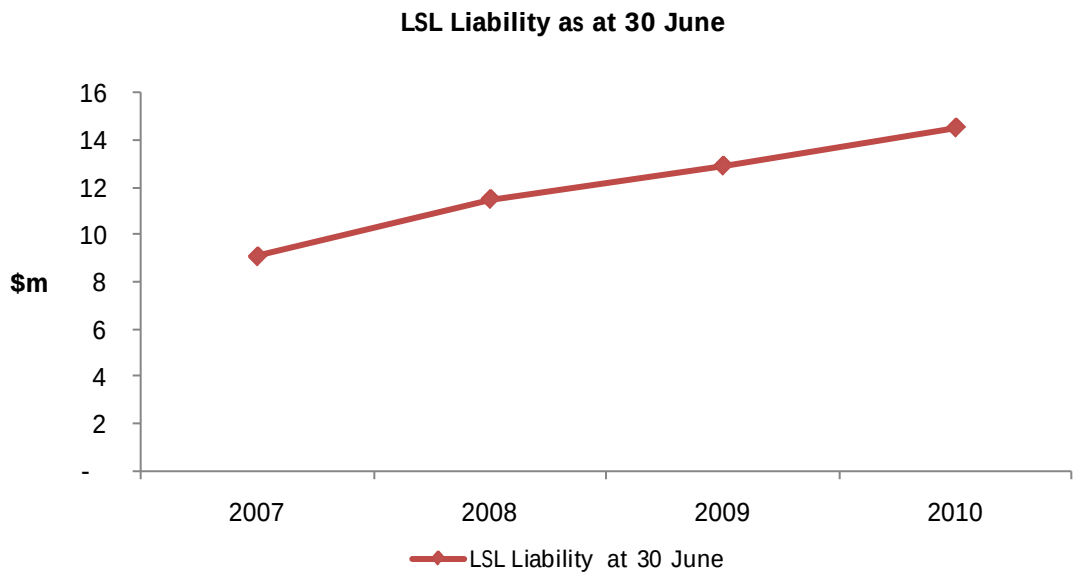
At 30 June	2010		2009	
Age Group	No. of Employees	%	No. of Employees	%
Under 20	***1***	***0.1***	3	0.4
20-24	***20***	***2.3***	26	3.0
25-29	***57***	***6.5***	67	7.6
30-34	***81***	***9.2***	72	8.2
35-39	***108***	***12.2***	111	12.7
40-44	***109***	***12.4***	108	12.3
45-49	***120***	***13.6***	141	16.1
50-54	***179***	***20.3***	176	20.1
55-59	***126***	***14.3***	102	11.6
60-64	***56***	***6.3***	51	5.8
65+	***25***	***2.8***	19	2.2
Total	***882***	***100***	876	100

Source: Justice Health (unaudited).

Justice Health advises it has implemented a number of initiatives to ensure it has appropriate strategies to attract, retain and develop staff to minimise the challenges of an ageing workforce.

Long Service Leave Liability

Increasing long service leave liabilities create funding challenges for Justice Health. Its long service leave liabilities increased by 59.7 per cent over the last three years to $14.5 million at 30 June 2010. The increase in Justice Health's workforce over the last two years has contributed to this increase. A number of employees came to Justice Health with long service leave balances they accumulated whilst working for other Health entities. The graph below demonstrates the increasing liability.



The Department of Health advised it is finalising arrangements to transfer employee long service leave entitlements to the Crown Entity, to bring Justice Health into line with other New South Wales Government budget dependent agencies. The effective date of the transfer is expected to be 31 December 2010.

Annual Leave Balances

Justice Health appears to be actively managing excessive annual leave balances. At 30 June 2010, 138 employees (210 employees) had accrued annual leave balances in excess of 40 days. This represents 15.6 per cent (24.0 per cent) of total employees.

Annual Leave Entitlement (Days)	2010	2009
	No. of Staff	No. of Staff
41-45	***38***	36
46-50	***25***	32
51-60	***27***	65
61-90	***38***	46
91-120	***8***	21
120 +	***2***	10
Total	***138***	210

Source: Justice Health (unaudited)

Some staff attract award entitlements of six weeks annual leave per annum, with entitlements further increased depending on the incidence of time worked on Sundays and public holidays. Justice Health advised that in such cases, and using the public sector benchmark of two years' accrual as a guide, its staff may not in fact have excess leave until the accrued value exceeds 70 days. As shown in the table above, some staff have accumulated leave beyond industry norms.

As leave entitlements are paid at rates applicable at the time the leave is taken, excessive leave balances will place additional financial pressures on Justice Health as they will be paid at higher remuneration rates. The health and welfare of employees can also be adversely affected if they do not take sufficient leave during the year.

Overtime

The Department advised Justice Health's overtime payments in 2009-10 were $4.0 million ($3.3 million), 4.8 per cent (4.7 per cent) of base salary expense for the year. On average, Justice Health employees who worked overtime received $5,466 ($5,477) in overtime payments in 2009-10. The highest amount paid to a single employee was $94,624 ($54,355).

FINANCIAL INFORMATION

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Employee related	***111,025***	92,800	***--***	--
Personnel services	***--***	--	***111,025***	92,800
Visiting Medical Officers	***5,208***	5,851	***5,208***	5,851
Grants and Subsidies	***1,154***	1,018	***1,154***	1,018
Other expenses	***37,079***	30,229	***37,079***	30,229
OPERATING EXPENSES	***154,466***	129,898	***154,466***	129,898
OPERATING REVENUE	***6,064***	3,082	***7,003***	4,887
Loss on disposal of non-current assets	***109***	61	***109***	61
NET COST OF SERVICES	***148,511***	126,877	***147,572***	125,072
Government contributions	***151,834***	120,841	***150,895***	119,036
SURPLUS/(DEFICIT)	***3,323***	(6,036)	***3,323***	(6,036)
OTHER COMPREHENSIVE INCOME	***--***	--	***--***	--
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	***3,323***	(6,036)	***3,323***	(6,036)

The increase in employee related expenses and other expenses was largely due to 2009-10 being the forensic hospital's first full year of operations. The hospital only operated for six months in the prior year.

The increase in revenue was primarily due to a change in high cost drug funding.

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current assets	***16,011***	8,986	***16,011***	11,444
Non-current assets	***101,782***	102,468	***101,782***	102,468
TOTAL ASSETS	***117,793***	111,454	***117,793***	113,912
Current liabilities	***37,388***	33,780	***37,388***	36,182
Non-current liabilities	***83,884***	84,476	***83,884***	84,532
TOTAL LIABILITIES	***121,272***	118,256	***121,272***	120,714
NET LIABILITIES	***3,479***	6,802	***3,479***	6,802

Current assets increased due to an increase in cash at bank. The increase in current liabilities was mainly due higher accrued expenses and liabilities for employee entitlements.

JUSTICE HEALTH ACTIVITIES

Justice Health is responsible for providing health care to people who come into contact with the criminal justice system.

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

CONTROLLED ENTITY

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

Entity Name	Website
Justice Health Special Purpose Service Entity	*

* This entity does not have a website.