

# Report highlights

## What the report is about

Result of Health cluster (the cluster) agencies' financial statement audits for the year ended 30 June 2022.

## What we found

Unmodified audit opinions were issued for the financial statements for all Health cluster agencies.

The COVID-19 pandemic continued to increase the complexity and number of accounting matters faced by the cluster. The total gross value of corrected misstatements in 2021–22 was \$353.3 million, of which \$186.7 million related to an increase in the impairment provision for Rapid Antigen Tests (RATs).

A qualified audit opinion was issued on the Annual Prudential Compliance Statement related to five residential aged care facilities. There were 20 instances (19 in 2020–21) of non-compliance with the prudential responsibilities within the *Aged Care Act 1997*.

## What the key issues were

The total number of matters we reported to management across the cluster decreased from 116 in 2020–21 to 67 in 2021–22. Of the 67 issues raised, four were high risk (three in 2020–21) and 37 were moderate risk (57 in 2020–21). Nearly half of all control deficiencies reported in 2021–22 were repeat issues.

Three unresolved high-risk issues were:

- **COVID-19 inventories impairment** – we continued to identify issues relating to management's impairment model which relies on anticipated future consumption patterns. RATs had not been assessed for impairment.
- **Asset capitalisation threshold** – management has not reviewed the appropriateness of the asset capitalisation threshold since 2006.

- **Forced-finalisation of HealthRoster time records** – we continued to observe unapproved rosters being finalised by system administrators so payroll can be processed on time. 2.6 million time records were processed in this way in 2021–22.

## What we recommended

**COVID-19 inventories impairment** – ensure consumption patterns are supported by relevant data and plans.

**Assets capitalisation threshold** – undertake further review of the appropriateness of applying a \$10,000 threshold before capitalising expenditure on property, plant and equipment.

**Forced-finalisation of HealthRoster time records** – develop a methodology to quantify the potential monetary value of unapproved rosters being finalised.

## Fast facts

The Health cluster, comprising 15 Local Health Districts, five pillar agencies, two Specialty Health Networks and six shared statewide service agencies, delivers health services to the people of New South Wales.

\$26.3b

property, plant and equipment as at 30 June 2022

100%

unqualified audit opinions issued on agencies' 30 June 2022 financial statements

34

monetary misstatements reported in 2021–22

\$29.3b

total expenditure incurred in 2021–22

3

Unresolved high-risk findings identified

47.8%

of reported issues were repeat issues