



t: 9275 7158  
ref: D1433431/1610

Ms Heather Gray  
Chief Executive  
Health Education and Training Institute  
Locked Bag 5022  
GLADESVILLE NSW 1675

29 September 2014

Dear Ms Gray

## **STATUTORY AUDIT REPORT**

**for the year ended 30 June 2014**

### **Health Education and Training Institute Special Purpose Service Entity**

I have audited the financial statements of the Health Education and Training Institute Special Purpose Service Entity (the Entity) as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2014, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Entity. The PF&A Act requires that I send this report to the Entity, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Entity's financial statements. I have enclosed the Independent Auditor's Report, together with the Entity's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

### **Audit Result**

I expressed an unmodified opinion on the Entity's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

### **Misstatements in the Financial Statements**

The financial statements contained misstatements which are listed in the attached Appendix.

## **Compliance with Legislative Requirements**

My audit procedures are targeted specifically towards forming an opinion on the Entity's financial statements. This includes testing whether the Entity has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance with legislative requirements.

## **Auditor-General's Report to Parliament**

Volume Thirteen of the 2014 Auditor-General's Report to Parliament will incorporate the results of the audit.

## **Acknowledgment**

I thank the Entity's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Martin', written in a cursive style.

Steven Martin  
Assistant Auditor General, Financial Audit Services

### Misstatements in the Financial Statements

The following tables detail the effect of the misstatements in the financial statements originally submitted for audit.

#### Corrected Monetary Misstatements

Management has made the following entry in this period to correct misstatements.

Description	Assets	Liabilities	Retained earnings/Equity	Comprehensive income
Effect of correction	Increase/ (Decrease)	(Increase)/ Decrease	(Increase)/ Decrease	(Increase)/ Decrease
	\$	\$	\$	\$

#### Misstatements identified in this period

Agency contractor expenses of \$2.1 million were incorrectly recorded as 'employee related expenses'. They should have been classified under 'other operating expenses' in Health and Education Institute's (HETI) financial statements as they are not expenses of the Entity. As per the guidance in the Financial Reporting Code, for an employment relationship to exist, there must be a contract of service between the worker and the entity. Because HETI's contracts are with labour hire entities rather than the workers themselves, the labour hire workers cannot be regarded as employees. The classification error also resulted in personnel services revenue being overstated by \$2.1 million.

#### Total impact of corrected misstatements

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#### Corrected Disclosure Deficiencies

There were no corrected disclosure deficiencies in the financial statements.

## Uncorrected Monetary Misstatements

I reported the following misstatement to management, which has not been corrected in the financial statements. I have received written representations from management confirming their belief the effect of not correcting this misstatement is immaterial, to the financial statements taken as a whole. I agree with management's determination and do not consider the uncorrected misstatement significant enough to modify my opinion in the Independent Auditor's Report.

Description	Assets	Liabilities	Retained earnings/Equity	Comprehensive income
Effect of potential correction	Increase/ (Decrease)	(Increase)/ Decrease	(Increase)/ Decrease	(Increase)/ Decrease
	\$	\$	\$	\$

### Misstatements identified in this period

#### Factual misstatements

The Ministry of Health provided the Entity with journal entries required to recognise the notional revenues and expenses associated with employee benefits assumed by the Crown Entity. The journal entries incorrectly double counted superannuation and annual leave on-costs on long service leave. As a result long service leave expenses as well as the acceptance by the Crown Entity of employee benefits are overstated by \$11,527. The misstatement does not affect the net result.

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#### Total impact if misstatements were corrected

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## Uncorrected Disclosure Deficiencies

There were no disclosure deficiencies that remained uncorrected in the financial statements.



## INDEPENDENT AUDITOR'S REPORT

### Health Education and Training Institute Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Health Education and Training Institute Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

### Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Steven Martin  
Assistant Auditor-General, Financial Audit Services

29 September 2014  
SYDNEY