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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

I have audited the financial statements of the Health Education and Training Institute (the Institute) 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 Institute. The PF&A Act requires that I send this report to the Institute, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Institute's financial statements. I have enclosed the Independent Auditor's Report, together with the Institute'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 Institute'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 Institute's financial statements. This includes testing whether the Institute 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 reportable instances of non-compliance with legislative requirements.

Quality and Timeliness of Financial Reporting

The Ministry of Health (the Ministry) required the Institute to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team. The Institute was required to submit its year-end information to the Ministry and its financial statements to audit at earlier dates.

The Institute completed the mandatory early close procedures set out by the Ministry and supplied the outcomes to the Audit Office within the specified timeframe. The Institute also submitted financial information to the Ministry and the financial statements and supporting working papers to the Audit Office by the due dates. We endorse this activity and recommend the Institute continue to identify ways to meet an earlier reporting timetable.

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 Institute's staff for their courtesy and assistance.

Yours sincerely



Steve 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 made the following entry in this period to correct a misstatement.

Description	Assets	Liabilities	Retained earnings/Equity	Comprehensive income
Effect of correction	Increase/ (Decrease) \$	(Increase)/ Decrease \$	(Increase)/ Decrease \$	(Increase)/ Decrease \$
Misstatements identified in this period				
Management reclassified 'agency contractor' expenses of \$2.1 million from 'employee related expenses' to 'other operating expenses'. The amount had been incorrectly recorded in HETI's Special Purpose Service Entity. As per the guidance in the Financial Reporting Code for NSW General Government Sector Entities (TPP 14-02), 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 could not be regarded as employees. The misstatement had no impact on the net result.	--	--	--	--
Total impact of corrected misstatements	--	--	--	--

Corrected Disclosure Deficiencies

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 13	Fair Value Measurement Disclosures	<p>HETI's fair value note disclosure contained a number of disclosure deficiencies including:</p> <ul style="list-style-type: none"> non-specialised plant and equipment of \$1.1 million were included as level 2 assets in accordance with the Ministry's instruction. NSW Treasury however advised agencies that non-specialised assets measured at depreciated historical cost should not be disclosed in the fair value hierarchy leasehold improvements of \$243,000 were classified as level 2 in accordance with the Ministry's instruction. These should have been excluded from the fair value hierarchy as they are measured at cost.

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 101 Financial Reporting Code	Various Notes	A number of cosmetic changes were made throughout the financial statements to improve the presentation and ensure compliance with the Financial Reporting Code.

Uncorrected Monetary Misstatements

I reported the following misstatements to management, which have not been corrected in the financial statements. I have received written representations from management confirming their belief the effect of not correcting these misstatements is immaterial, individually and in aggregate, to the financial statements taken as a whole. I agree with management's determination and do not consider the uncorrected misstatements 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				
HETI has under accrued the external audit fee.	--	(20,000)	--	20,000
The Ministry provided HETI 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.	--	--	--	--
Aggregate of three trivial misstatements	2,726	(7,048)	--	4,322
Total impact if misstatements were corrected	2,726	(27,048)	--	24,322

Uncorrected Disclosure Deficiencies

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



INDEPENDENT AUDITOR'S REPORT

Health Education and Training Institute

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Health Education and Training Institute (the Institute), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Institute and the consolidated entity. The consolidated entity comprises the Institute and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Institute 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 does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, the statement of financial position and the statement of cash flows.

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 Institute'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 Institute'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 Institute or the consolidated 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