

Presentation by

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Auditing in the Public Interest

**Presentation outline**

- Stand-alone community health centres
- Financial sustainability
- Key 2008/09 financial reporting matters



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- Health Services Act 1998
- Registered community health centres
- Report to Parliament

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**Parliamentary reports:**

- Public Hospital Financial Performance and Sustainability – June 2007
- Results of Audits for Entities with 30 June 2008 Balance Dates – December 2008
- Human Services: Results of the 2008-09 Financial Audits – Proposed November/December 2009

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Indicator	Formula	Description
Underlying result (%)	Net surplus / Revenue	A positive result indicates a surplus, and the larger the percentage the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term. Net surplus is obtained from the operating statement and is adjusted to take into account large one-off (non recurring) transactions.
Liquidity	Current assets / Current liabilities	The ability to pay existing debts over the next year. A ratio greater than one indicates current assets exceed current liabilities. Current liabilities have been adjusted to exclude long term employee provisions and on costs that have been disclosed as current liabilities.



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Indicator	Formula	Description
Self-financing (%)	Net operating cash flows / Revenue	Measures the ability to fund replacement of assets from cash generated by operations. The higher the percentage, the more effectively it can be done. Net operating cash flows are obtained from the cash flow statement.
Investment gap	Capital spend / Depreciation	Indicates whether the physical capital is being maintained by reinvesting in or renewing non-current assets. A ratio higher than 1:1 indicates that spending is exceeding depreciation. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations, and borrowing is not an option. Capital spend is obtained from the cash flow statement and includes expenditure on intangible assets. Depreciation includes amortisation.



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Questions?

