



Acquittal Report Annex C: *Public Hospitals*



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This report consists of five parts:
Acquittal Report: Results of the 2009–10 Audits
Annex A: Portfolio Departments and Associated Entities
Annex B: Local Government
Annex C: Public Hospitals
Annex D: Water Entities

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Acquittal Report Annex C:

Public Hospitals

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Audit summary

This annex sets out the results of the audits of 112 entities comprising 87 public hospitals and 25 associated entities. An assessment is also made of the financial sustainability of public hospitals.

Results of audits

Independent audit opinions add credibility to financial reports by providing assurance that the information is reliable.

Parliament can have confidence in the financial reporting by public hospitals because all 112 entities have finalised their 30 June 2010 financial reports and received clear opinions.

Quality of financial reporting

The quality of financial reporting can be measured by the timeliness and accuracy of the preparation and finalisation of the financial report.

The financial reporting processes at public hospitals were generally adequate. However, further improvement could be achieved by developing a financial report preparation plan, preparing shell financial statements, conducting materiality assessments and adopting rigorous analytical reviews on the financial report.

With respect to timeliness, the average time taken to finalise financial statements improved substantially reducing from 10.0 weeks in 2008–09 to 7.9 weeks in 2009–10. Given the improved time frames achieved in 2009–10, public hospitals should maintain this momentum of earlier reporting.

Financial sustainability

Financial sustainability analysis has been provided for the 87 public hospitals.

To be financially sustainable, public hospitals need the capacity to meet current and future expenditure as it falls due. They should also be able to absorb foreseeable changes and risks materialising, without significantly changing their revenue and expenditure policies.

Insight into the financial sustainability of public hospitals is obtained from an analysis of five financial sustainability indicators over a five-year trend period. The results of these indicators should be considered in the context of the environment in which these hospitals operate.

The four core indicators used are underlying result, liquidity, self-financing and capital replacement. These indicators reflect each public hospitals funding and expenditure policies, and indicate whether these policies are sustainable.

A fifth indicator has been adopted for public hospitals which measures the average number of days cash available. This is a short-term indicator to show the level of unrestricted cash a public hospital has available to cover operating cash outflows.

A summary of the five-year average financial sustainability results for each public hospital category is provided in Figure A.

Figure A
2009–10 financial sustainability risk assessment – public hospitals

Category	High	Medium	Low
Public Hospitals			
Metropolitan	11	7	–
Regional	8	7	–
Rural	7	35	12
Total	26	49	12

Source: Victorian Auditor-General's Office.

Our financial sustainability assessment is that 26 public hospitals were high risk at 30 June 2010 (28 in 2008–09). This arises most commonly because they were generating insufficient cash to be able to adequately fund their operations.

In 2009–10, 69 public hospitals recorded a negative underlying result compared to 39 in 2008–09. This was due to higher depreciation charges in 2009–10 as a result of the revaluation of hospital buildings at the end of 2008–09.

Prudent financial management practice is that at least one month's operating cash outflows be available as unrestricted cash holdings, consistent with the departmental funding model. On average the metropolitan and regional hospitals were not able to fund their operations for more than 22 and 27 days respectively, as at 30 June 2010.

Consistent with this outcome and our liquidity risk assessment, the Department of Health concluded that 30 public hospitals in 2009–10 (31 in 2008–09), did not comply with the going concern test in the Australian accounting standards. Those hospital boards were provided with a letter of comfort outlining that the department would provide adequate cash flows to enable them to meet their financial obligations up to September 2011, should this be required.

Over the five-year period, public hospitals have consistently had a self-financing ratio of less than 10 per cent, indicating they cannot effectively replace their assets over the long term using income generated by their operations. Under these circumstances there is a greater reliance on the provision of additional government funding for asset renewal and replacement.

The ability of public hospitals to generate a sufficient surplus from operations to be able to fund their operations, asset replacement and new asset acquisition depends largely on the funding policies established by the Department of Health and on each hospital's expenditure management and revenue maximisation practices.

The financial sustainability indicators used in this report highlight trends that need to be monitored. A core consideration is that capital grant funding is allocated strategically across the sector rather than progressively to each public hospital. However, public hospitals are governed by boards which are accountable for financial management and performance. This situation blurs public hospital boards' accountability for governance and performance and can impact operational performance.

Recommendation

Number	Recommendation	Page
1.	Public hospitals should adopt the shortened annual reporting time frames achieved for the 2009–10 reporting cycle as the standard for future reporting cycles.	8

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Health and named public hospitals with a request for submissions or comments.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments, however, are included in Appendix C.

1 Results of audits

At a glance

Background

This annex covers 112 entities from the public hospitals sector which have a financial year end of 30 June 2010. It deals with the audits of 87 public hospitals and 25 associated entities.

Findings

All public hospitals and associated entities' 2009–10 financial reports received clear audit opinions.

1.1 Scope

This annex deals with the results of the audit of 87 public hospitals and 25 associated entities with 30 June 2010 balance dates, as shown in Figure 1A.

Figure 1A
Public hospitals and associated entities

Hospital category	2009	2010
Metropolitan		
Public hospitals	18	18
Entities controlled by public hospitals	14	15
Regional		
Public hospitals	15	15
Entities controlled by public hospitals	2	2
Rural		
Public hospitals	55	54
Entities controlled by public hospitals	6	7
Other associated entities	4	1
Total	114	112

Source: Victorian Auditor-General's Office.

Entities controlled by public hospitals generally comprise foundations and trusts, while associated entities are rural health information technology alliances. Appendix A provides a list of all public hospitals and associated entities.

Figure 1A shows a decrease of two in the total number of entities that were subject to audit in 2009–10. A list of all changes is provided in Figure 1B.

Figure 1B
Changes to audited entities

New audits
East Grampians Health Building for the Future Foundation was created on 1 July 2009 as a charitable fund to facilitate contributions for the East Grampians Health Service.
Parkville Comprehensive Cancer Centre Limited and the Parkville Comprehensive Cancer Centre Joint Venture were created on 11 November 2009 to provide a coordinated approach to cancer treatment and research.
Wound up
Northern After Hours Clinic ceased trading on 30 June 2009 and was deregistered with the Australian Securities and Investment Commission on 17 September 2009.
Merged with another entity
Robinvale District Health Services and Manangatang and District Hospital were amalgamated pursuant to section 115U(1)(b) of the <i>Health Services Act 1988</i> .
No longer audited by the Auditor-General
Three rural health information technology alliances were restructured by the Department of Health as unincorporated joint ventures and as such are not subject to the requirements of the <i>Financial Management Act 1994</i> or the <i>Audit Act 1994</i> .

Source: Victorian Auditor-General's Office.

1.2 Reporting framework

A total of 89 public hospitals and associated entities prepare financial reports in accordance with the *Financial Management Act 1994* (FMA). Sixteen entities prepare their financial reports under the *Corporations Act 2001* and seven do not report under a legislative framework.

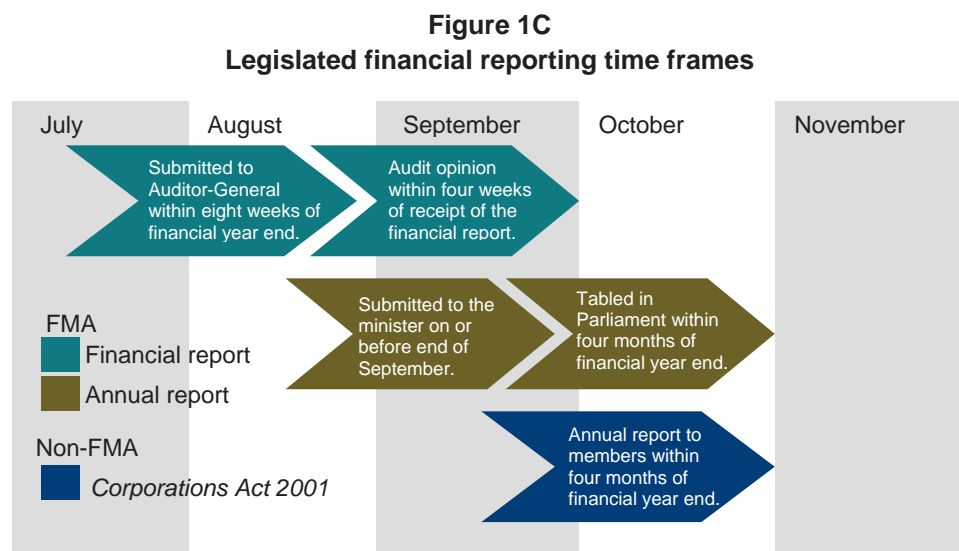
The FMA requires annual reports to be submitted to the relevant minister. These reports should be tabled in Parliament within four months of the end of the financial year, and include financial reports for the entity and any controlled entities, which are required to be prepared and audited in 12 weeks.

The 16 entities reporting under the *Corporations Act 2001* are required to report to their members within four months of the end of the financial year.

Financial statements are required to be prepared in accordance with Australian accounting standards, including Australian accounting interpretations.

Under the FMA the Minister for Finance has the authority to issue directions in relation to finance administration and reporting issues.

Figure 1C outlines the legislated reporting time frames.



Source: Victorian Auditor-General's Office.

1.3 Audit opinions issued

Audit opinions have been issued on the 112 public hospital and associated entities' financial reports. All opinions issued were clear (114 clear opinions issued in 2008–09).

Independent audit opinions add credibility to financial reports by providing assurance that the information is reliable.

A clear audit opinion confirms that the financial report has been prepared according to the requirements of relevant accounting standards and legislation.

2 Quality of financial reporting

At a glance

Background

The timeliness and accuracy of the preparation and finalisation of a financial report underpins its quality. To achieve efficient and cost effective practice, reporting entities need to have well planned and managed financial report preparation processes.

Findings

- Overall, the financial reporting processes at public hospitals were generally adequate. However, further improvement is needed in:
 - financial report preparation plans
 - shell statements
 - materiality assessments
 - rigorous analytical reviews.
- The timeliness of financial reporting improved substantially with the average time taken to finalise financial statements of 7.9 weeks in 2009–10 compared to 10.0 weeks in 2008–09. This momentum of earlier reporting should be maintained.

Recommendation

Public hospitals should adopt the shortened annual reporting time frames achieved for the 2009–10 reporting cycle as the standard for future reporting cycles.

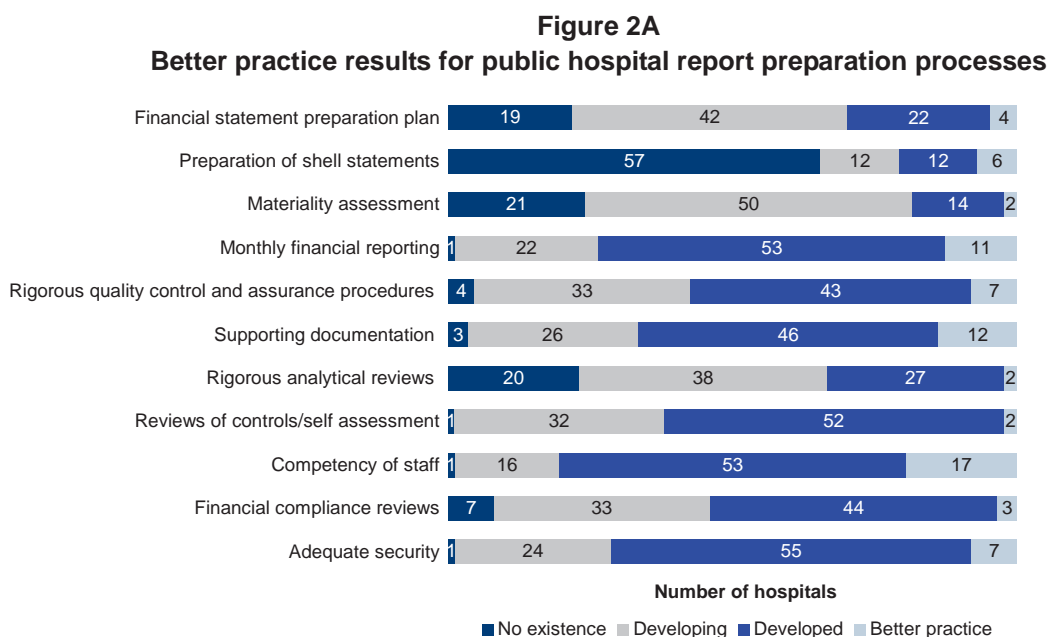
2.1 Introduction

The timeliness and accuracy of the preparation and finalisation of the financial report underpins its quality. Public hospitals need to plan for, and allocate sufficient and appropriate resources to financial report preparation. This will allow them to produce a complete, accurate and compliant financial report within the legislative time frame.

2.2 Preparation of a financial report

The achievement of better practice financial reporting requires public hospitals to plan and manage the preparation of a financial report. Public hospitals should exhibit the specific practices detailed in Appendix D of the Acquittal Report.

An assessment of public hospitals performance against better practice was based on criteria also outlined in Appendix D of the Acquittal Report. The results of our assessment are summarised in Figure 2A.



Source: Victorian Auditor-General's Office.

The areas where better practice is commonly shared by public hospitals include:

- monthly financial reporting
- supporting documentation
- competency of staff
- adequate security.

However, further improvement is needed in preparing:

- financial report preparation plans
- shell statements
- materiality assessments
- rigorous analytical reviews on the financial report.

Improving these areas will assist the more timely preparation of quality financial reports, improved resource allocation planning and quality assurance procedures, and the earlier detection and correction of errors.

2.3 Timeliness

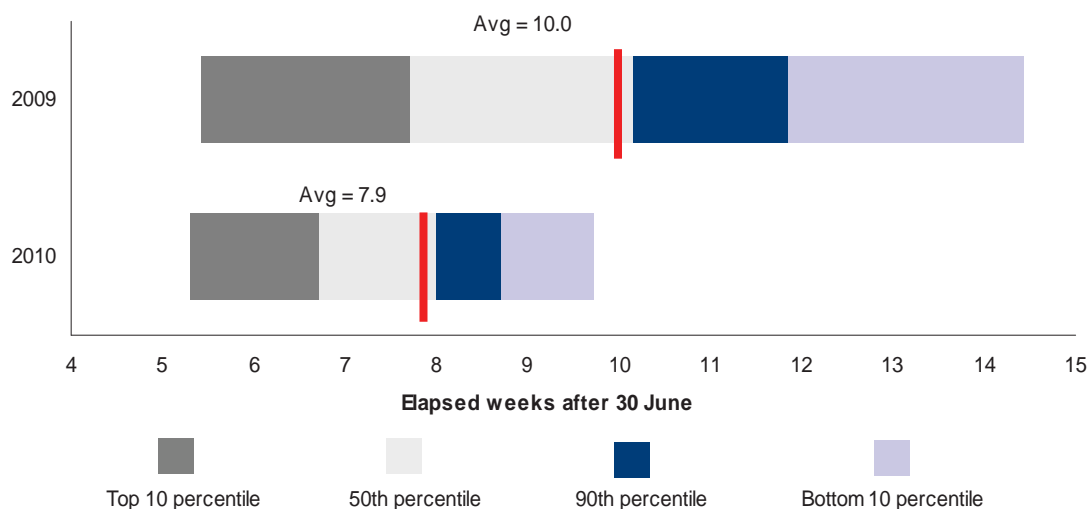
Recognising the accountability role that financial reports serve, public hospitals should prepare and publish timely financial information. The later the reports are produced and published after year end, the less useful they are.

The legislated time frame for public hospitals is to finalise their audited financial reports within 12 weeks of the end of the financial year. In 2009–10, all public hospitals achieved the 12-week time frame, an improvement on 83 out of 88 in the prior year.

The average time taken to finalise financial statements reduced significantly from 10.0 weeks in 2008–09 to 7.9 weeks in 2009–10.

Figure 2B summarises, in percentile bands, the time taken after 30 June for public hospitals to finalise their audited financial reports. It shows significant improvement since last year.

Figure 2B
Time taken for public hospitals to finalise their financial statements



Source: Victorian Auditor-General's Office.

Given the improved time frames achieved in 2009–10, public hospitals should maintain this momentum of earlier reporting.

Recommendation

- Public hospitals should adopt the shortened annual reporting time frames achieved for the 2009–10 reporting cycle as the standard for future reporting cycles.

2.4 Accuracy

The frequency and size of errors in the draft financial statements requiring adjustment are direct measures of accuracy. Ideally, there should be no errors or adjustments.

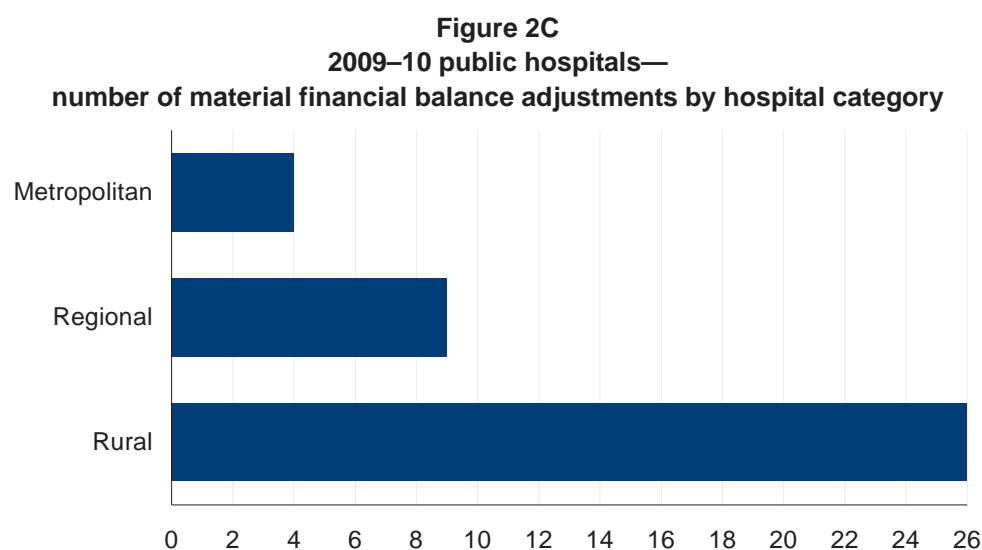
When the auditor detects errors in the draft financial statements they are raised with management. Material errors need to be corrected before a clear audit opinion can be issued. The hospital itself may also change its draft report after submitting it to audit, if their procedures find that reported information is incorrect or incomplete.

Overall, there are two types of adjustments:

- financial balance adjustments**—changes to the balances being reported
- disclosure adjustments**—changes to the commentary or financial note disclosure within the financial statements.

In 2009–10, there were a total of 39 material financial balance adjustments to the net result or net asset position reported in the draft financial statements across the 87 public hospitals.

Figure 2C shows the number of material financial balance adjustments by hospital category.

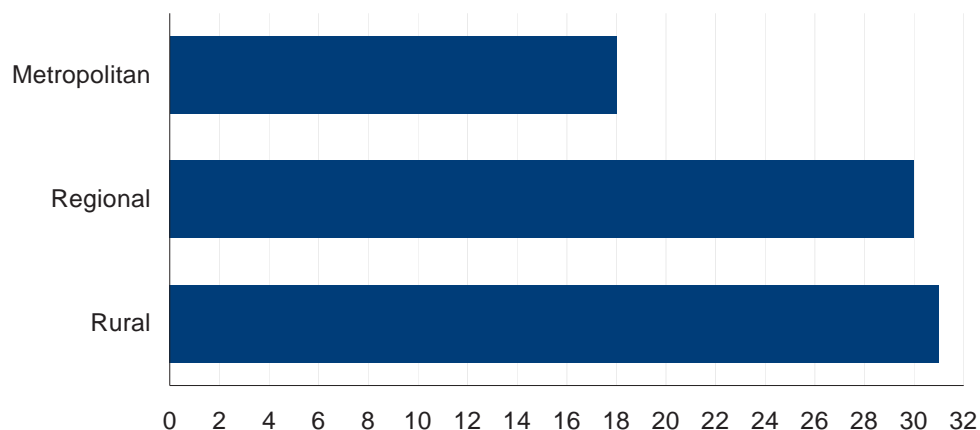


Source: Victorian Auditor-General's Office.

The total value of adjustments on the net asset position was \$16.3 million, comprising adjustments to assets of \$14.2 million and liabilities of \$2.1 million. The total value of adjustments to the net result was \$2.4 million, comprising of adjustments to revenue of \$3.4 million and adjustments to expenses of \$1.0 million.

In addition to the financial balance adjustments, there were 79 disclosure errors that required adjustment in the 2009–10 draft financial statements. Figure 2D shows the number of significant disclosure adjustments by hospital category.

Figure 2D
2009–10 public hospitals—
number of disclosure adjustments by public hospital category



Source: Victorian Auditor-General's Office.

The disclosure adjustments were:

- **financial instruments**—adjustments were made to include fair value measurements and commentary, and to align disclosure with figures reported in the balance sheet
- **executive officers and responsible persons remuneration**—adjustments were required to reflect actual remuneration paid, and to correct errors in income bands.

The number of adjustments to both financial balances and disclosures at public hospitals indicates a need to improve their financial statement preparation processes.



3 Financial sustainability

At a glance

Background

This chapter analyses the financial sustainability of the 87 public hospitals. The analysis is conducted using interrelated financial sustainability indicators which assess a public hospital's financial performance and position. The indicators analyse past results to identify trends.

To be financially sustainable, public hospitals should have the capacity to meet current and future expenditure as it falls due. They should also be able to absorb foreseeable changes and risks materialising, without significantly changing their revenue and expenditure policies.

Findings

- Our financial sustainability assessment shows that 26 public hospitals were considered high risk at 30 June 2010 (28 in 2008–09). For these public hospitals, short-term financial viability should be monitored and managed.
- Sixty nine public hospitals recorded a negative underlying result compared to 39 in 2008–09. This is due to higher depreciation charges in 2009–10 as a result of the revaluation of hospital buildings at the end of 2008–09.
- Consistent with our liquidity risk assessment, the Department of Health concluded that 30 public hospitals in 2009–10, compared to 31 in 2008–09, did not comply with the going concern test in the Australian accounting standards. These hospital boards were provided with a letter of comfort that the department would provide adequate cash flows to enable them to meet their financial obligations up to September 2011, should this be required.

3.1 Introduction

Financial sustainability indicators have been provided in this report for the 87 public hospitals. The public hospitals range in size from small rural hospitals to large metropolitan hospitals with annual budgets up to and over a billion dollars. Consistent with these diverse characteristics, the financial performance of individual public hospitals also varies considerably.

This report acknowledges the monitoring regime, including some key financial benchmarks, applied by the Department of Health (DOH) in discharging its legislative responsibilities for evaluating and reviewing publicly funded health services.

3.2 Financial performance

The objective for public hospitals should be to generate a sufficient surplus from operations to be able to fund asset replacement, new asset acquisition and retire debt. The ability of public hospitals to achieve this objective depends largely on the funding policies established by DOH and on each hospital's expenditure management and revenue maximisation practices. This is reflected in the composition and rate of change in their operating revenue and expenses.

Financial performance is measured by the net result—the difference between revenue inflows and expenditure outflows.

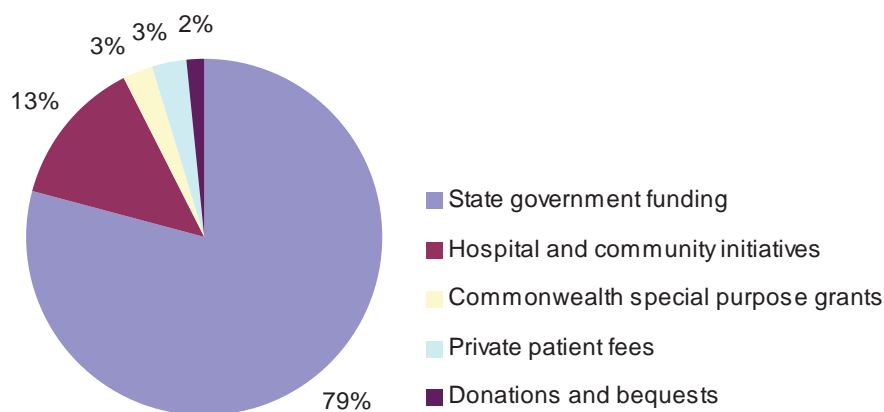
Consistent with the provisions of the *Health Services Act 1988*, public hospital boards and DOH share responsibility for financial performance and management within the sector. DOH directly impacts on the financial performance of individual public hospitals as it is the principal source from which public hospitals receive operating and capital funding in accordance with established funding models.

3.2.1 Public hospital revenue

The revenue composition of public hospitals is represented in Figure 3A.

In 2009–10, public hospitals collectively generated \$10.1 billion in revenue, an increase of \$0.8 billion or 9 per cent from 2008–09 (\$9.3 billion). The proportion of revenue generated from each source has not changed significantly over the previous five years. Government funding represents the largest revenue component, providing 79 per cent of total hospital revenue in 2009–10. This is followed by revenue from hospital and community initiatives, which includes funds generated through additional hospital sources, such as pharmacies, car parks and investments.

Figure 3A
Revenue composition



Source: Victorian Auditor-General's Office.

The growth in revenue is as a result of increased service provision leading to more government funding and an increase in patient fees in line with the consumer price index.

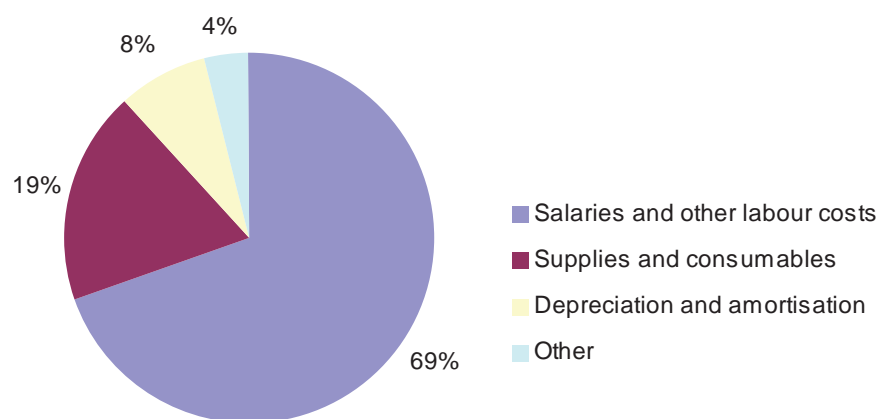
3.2.2 Public hospital expenditure

The expenditure composition of public hospitals is represented in Figure 3B.

In 2009–10, public hospitals collectively incurred \$10.3 billion of expenditure, an increase of \$0.9 billion or 10 per cent compared to 2008–09 (\$9.4 in billion).

The growth in expenditure is primarily a result of the 2009–10 depreciation expense almost doubling that recognised in the prior year. As required by Financial Reporting Direction (FRD) 103D, *Non-Current Physical Assets*, all public hospitals undertook an independent revaluation of their land and buildings as at 30 June 2009. Under these arrangements the fair values of most hospital buildings substantially increased which resulted in a much higher depreciation expense for hospitals over the 2009–10 financial year.

Figure 3B
Expenditure composition



Source: Victorian Auditor-General's Office.

Additionally, there was a 4.3 per cent (\$300 million) increase in employee benefits, in line with the labour price index for public sector employees of 4.5 per cent for the 2009–10 financial year.

3.3 Financial position

Financial position is generally measured by reference to net assets, which is the difference between total assets and total liabilities.

As the revenue base for public hospitals is not tied to the value of their asset base and they cannot sell most of their assets to obtain funds, their objective should be to maintain their assets, while managing debt so it can be paid from future operations.

The ability of public hospitals to maintain assets depends on asset and liability management policies, and is reflected in the composition and rate of change in the value of assets and liabilities.

3.3.1 Public hospital assets

To 30 June 2010, total public hospital assets remained the same as at 30 June 2009, totalling \$10.5 billion. This contrasts with the 26 per cent increase in total assets recognised in 2008–09, which primarily related to a requirement for independent revaluations to be completed at each public hospital for all property, plant and equipment in that year.

The challenge for public hospitals is to make strategic decisions, understanding their full cost implications, about the operation, maintenance, renewal and service levels of these assets. If operating costs grow faster than revenue, then hospitals will find it increasingly difficult to generate the funds necessary for asset maintenance and renewal.

The operating and capital funding policies of DOH have a major impact on public hospital asset bases and the ability of hospital boards to manage their assets.

3.3.2 Public hospital liabilities

As at 30 June 2010, total public hospital liabilities amounted to \$3 billion, an increase of almost 4 per cent (\$106 million) compared to the same time in 2009.

Current liabilities increased by 2 per cent, from \$2.1 billion in 2008–09 to \$2.2 billion in 2009–10. Current liabilities are predominately made up of employee leave provisions and accounts payable. This has not changed significantly from prior years. Non-current liabilities of \$843 million for 2009–10 were 9 per cent higher than for 2008–09 where non-current liabilities totalled \$776 million. Almost two-thirds of public hospital non-current liabilities relates to borrowings and finance leases at six metropolitan hospitals. Finance leases increased by \$73 million or 29 per cent from 2008–09. Non-current employee benefit provisions make up approximately 25 per cent of the total balance and grew by 12 per cent over the financial year.

3.4 Financial sustainability

To be financially sustainable, public hospitals need the capacity to meet current and future expenditure as it falls due. They must also be able to absorb foreseeable changes and financial risks as they materialise.

Insight into the financial sustainability of Victoria's 87 public hospitals is obtained from analysis of five financial sustainability indicators over a five-year trend period. These indicators reflect each hospital's revenue raising performance and expenditure control, and indicate whether current revenue and expenditure trends and policies are sustainable.

Financial sustainability should be viewed from both a short-term and long-term perspective. The shorter-term indicators provide an insight into the hospital's ability to maintain a positive operating cash flow and adequate cash holdings, and to provide services over a 12 month period. These are the underlying result, liquidity and average number of days cash available indicators.

The longer-term indicators signify whether there is adequate funding available for spending on asset replacement to enable the hospital to maintain the quality of service delivery and to help meet community expectations and the demand for these services. These are the self-financing and capital replacement indicators.

Notwithstanding the application of transaction neutral Australian accounting standards and accrual accounting by public hospitals, the departmental funding model does not provide for depreciation until DOH has determined the capital requirements of individual hospitals.

The departmental funding model therefore allocates capital grant funding strategically across the sector rather than progressively to each hospital. However, public hospitals are governed by boards which are accountable for financial management and performance. This situation blurs accountability for the financial performance of the individual public hospitals and can impact operational performance.

The analysis of financial sustainability in this report reflects on the position of individual public hospitals and for the public hospital sector as a whole, and also on the basis of the three categories of hospitals being metropolitan, regional and rural.

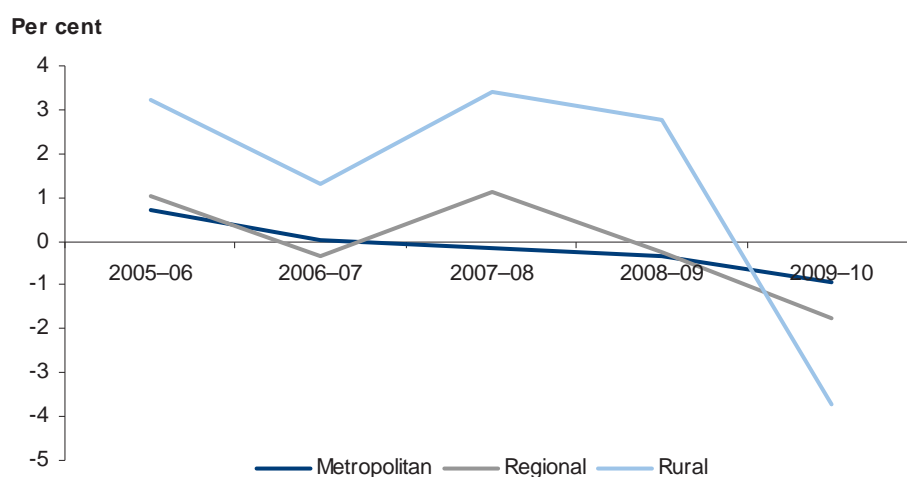
Appendix E of the Acquittal Report describes the sustainability indicators and risk assessment criteria used in this annex.

3.4.1 Underlying result

Figure 3C shows that the average underlying result has deteriorated across all categories of public hospitals, particularly rural public hospitals. The trend indicates that expenditure has been growing at a faster rate than revenue. This result has been primarily driven by a significant increase in the depreciation expenses recognised by public hospitals for 2009–10.

Depreciation represents the apportionment of the value of an asset over its expected useful life. The amount of depreciation charged takes account of normal usage, obsolescence, and is commonly expensed evenly over the useful life of the asset.

Figure 3C
Average underlying result by hospital category

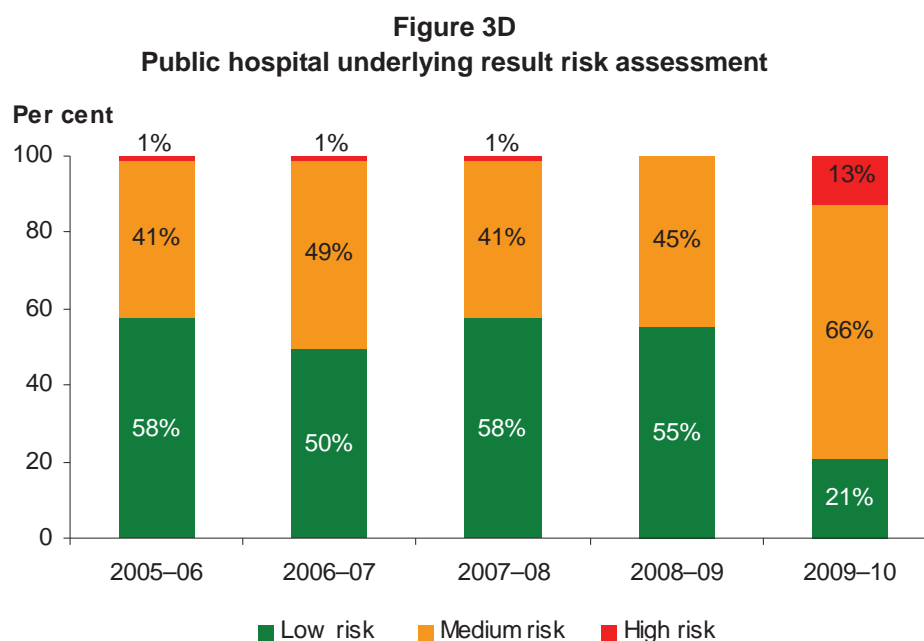


Source: Victorian Auditor-General's Office.

As required by Financial Reporting Direction (FRD) 103D, *Non-Current Physical Assets*, all public hospitals undertook an independent revaluation of their land and buildings in 2008–09, which resulted in an increase in the fair value of most hospital buildings. Depreciation in subsequent periods is calculated based on the revaluation amount, resulting in a greater depreciation expense for 2009–10.

The department's 'casemix', funding model does not take account of non-cash expenditure, such as depreciation, and consequently the underlying result of many public hospitals has deteriorated. Additionally, funds for most asset acquisitions are provided as annual grants, and usually form part of operating revenue in the year of receipt, however this may not match the timing of depreciation as it is incurred.

Figure 3D shows that 13 per cent of public hospitals had a high-risk underlying result of more than negative 10 per cent for 2009–10, which is in contrast to 2008–09 where no public hospital was assessed as high risk. Furthermore the proportion of medium-risk underlying results has increased notably to 66 per cent over the trend period. This represents 58 of the 87 public hospitals at 30 June 2010.



Source: Victorian Auditor-General's Office.

Over time total revenue must equal or exceed total expenditure, or an entity will not be able to sustain its operations. If operating deficits persist there is a real risk that cash reserves become depleted, and that expenditure and capital programs may need to be curtailed. In particular, expenditure that is perceived to be discretionary, especially for maintenance, may be deferred or abandoned should deficits persist over an extended period.

Figure 3D shows that there are a significant and increasing proportion of public hospitals recording underlying deficits over the five-year period. Seventy-nine per cent (69 of 87) of hospitals had recorded an underlying deficit for 2009–10, compared with 42 per cent (37 of 88) for 2005–06.

DOH monitors the net result before capital and specific items of public hospitals, rather than the underlying result. The net result before capital and specific items excludes revenue and expenditure types such as:

- capital grants and related expenditure
- depreciation and amortisation
- non-current asset revaluation increments and decrements
- reductions in the value of investments
- reversals of provisions
- the effects of voluntary changes in accounting policies
- impairments of financial and non-financial assets.

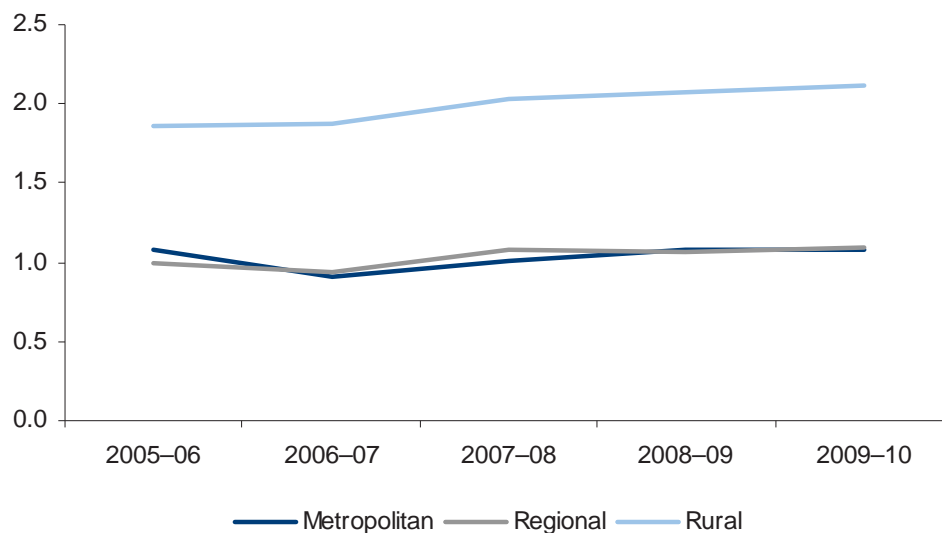
Under this measure 40 per cent (35 of 87) of public hospitals had recorded a net deficit before capital and specific items for 2009–10. This is notably less than the 79 per cent shown in Figure 3D which uses the underlying result.

3.4.2 Liquidity

Public hospital liquidity is monitored by DOH, particularly for the larger metropolitan and regional hospitals. The department considers that a liquidity ratio of less than 0.7 suggests there may be insufficient funds to meet expenditure commitments. The department's benchmark of 0.7 takes into account the capital funding arrangements it applies to public hospitals.

Figure 3E shows that rural hospitals have the highest average liquidity ratio, measuring 2.11 in 2009–10, while metropolitan and regional hospitals have the lowest, averaging 1.08 and 1.10 respectively.

Figure 3E
Average liquidity ratio by hospital category

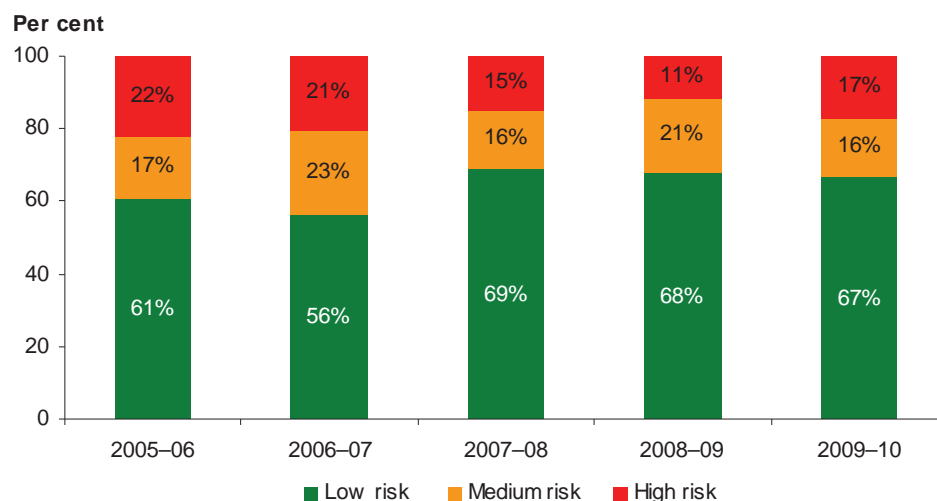


Source: Victorian Auditor-General's Office.

There has been a stable positive trend in this indicator across all categories of public hospitals over the past five years. Nevertheless, 29 of the 87 public hospitals had higher current liabilities than current assets in 2009–10. Hospitals in this category must rely on new funds generated in the next financial year to meet some of their existing short-term obligations.

Figure 3F shows that overall the ability of public hospitals to repay their short-term financial obligations has remained consistent over the five-year period, although the position has worsened slightly in 2009–10. This is due to four hospitals moving from a medium-risk assessment to a high-risk assessment, while the number of hospitals assessed as low risk has remained consistent.

Figure 3F
Public hospital liquidity risk assessment



Source: Victorian Auditor-General's Office.

During 2010, DOH concluded that 30 public hospitals (31 in 2008–09) did not comply with the going concern test in the Australian accounting standards. This is consistent with the number of hospitals identified in our analysis as having either a high or medium liquidity risk assessment. Consequently, DOH provided the boards of those hospitals with a letter of comfort that it would provide adequate cash flows to enable them to meet their current and future obligations as and when they fall due up to September 2011, should this be required.

Those hospitals, including 15 out of the 33 major metropolitan and regional hospitals, account for 59 per cent of the total turnover of all Victorian public hospitals. Figure 3G provides a listing of hospitals who received a letter of comfort from DOH at 30 June 2010.

Figure 3G
Public hospitals receiving a letter of comfort from the Department of Health for 2009–10

Metropolitan	Rural
<ul style="list-style-type: none"> • Alfred Health • Austin Health • Eastern Health • Melbourne Health • Northern Health • Royal Women's Hospital • Southern Health 	<ul style="list-style-type: none"> • Alpine Health • Bass Coast Regional Health • Beechworth Health Service • Castlemaine Health • Colac Area Health • Djerrivarrh Health Services • Dunmunkle Health Services • East Wimmera Health Service • Heathcote Health • Hesse Rural Health Service • Kilmore and District Hospital • Kyneton District Health Service • Portland District Health • Seymour District Memorial Hospital • South Gippsland Hospital
Regional	
<ul style="list-style-type: none"> • Albury Wodonga Health • Ballarat Health Services • Barwon Health • Central Gippsland Health Service • Echuca Regional Health • Goulburn Valley Health • Northeast Health Wangaratta • Wimmera Health Care Group 	

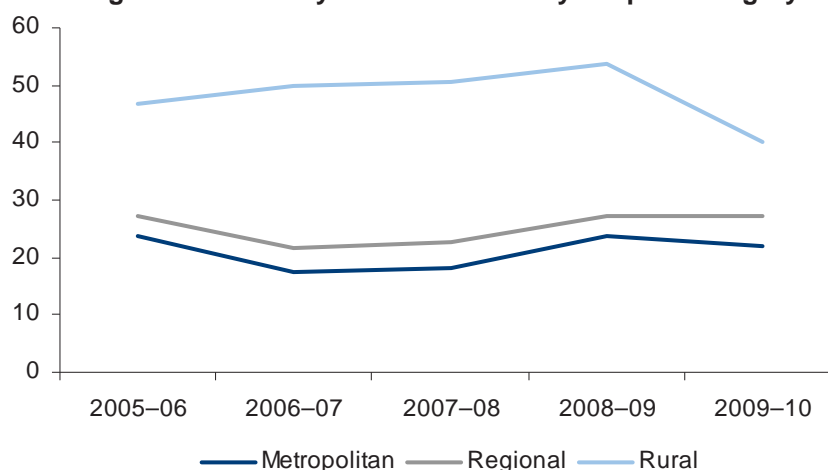
Source: Victorian Auditor-General's Office.

3.4.3 Average number of days cash available

Figure 3H shows that the average number of days of unrestricted cash available at year end to cover operating cash outflows has remained steady for metropolitan and regional hospitals. The position of rural hospitals has deteriorated, however it is still higher on average than the other two categories of hospitals.

Restricted cash, which has been excluded from this analysis, comprises funds held in trust, unspent capital grants, as well as other restricted special purpose funds.

Figure 3H
Average number of days cash available by hospital category



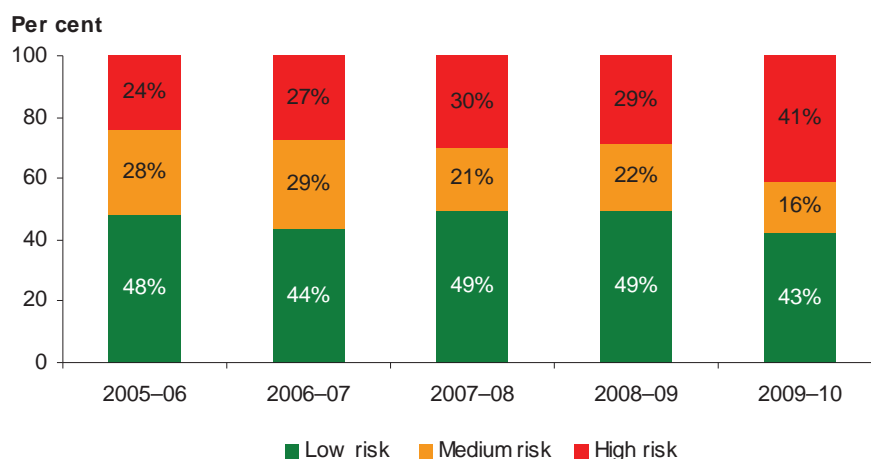
Source: Victorian Auditor-General's Office.

Prudent financial management practice is that the equivalent of at least one month's operating cash outflows be available as unrestricted cash holdings, consistent with the departmental funding model. On average the metropolitan and regional hospitals were not able to fund their operations for more than 22 and 27 days respectively, as at 30 June 2010.

Figure 3I shows that 57 per cent (50 of 87) of public hospitals had a high- or medium-risk assessment for cash holdings for 2010, with cash holdings that were equivalent to less than 30 days operating cash outflows. This includes 23 major metropolitan and regional public hospitals.

Of the metropolitan and regional hospitals with low cash holdings at 30 June 2010, most had other less liquid financial instruments to call upon in the event of a cash shortage.

Figure 3I
Public hospital average number of days cash available assessment

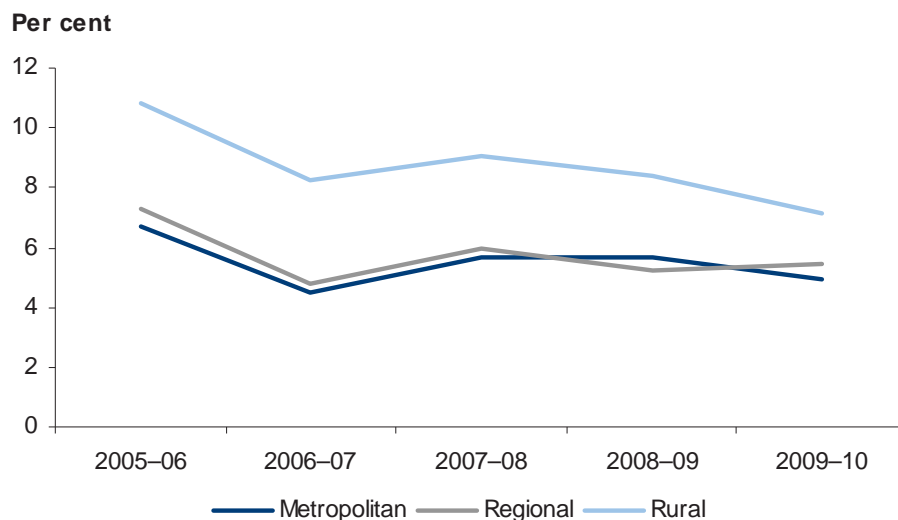


Source: Victorian Auditor-General's Office.

3.4.4 Self-financing

Figure 3J shows that the movements in the average self-financing indicator have been consistent for each of the three hospital categories. Rural hospitals have achieved a notably higher average self-financing indicator than both metropolitan hospitals and regional hospitals.

Figure 3J
Average self-financing indicator by hospital category

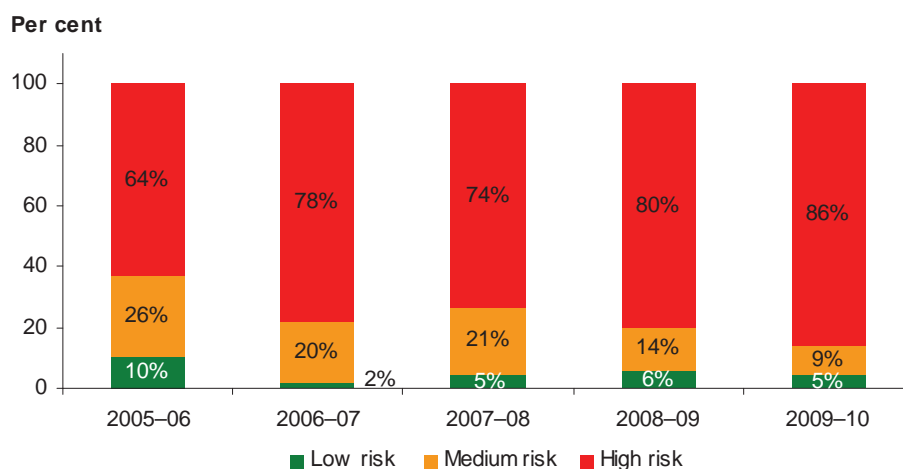


Source: Victorian Auditor-General's Office.

The 2010 average self-financing ratio was less than the minimum 10 per cent high-risk benchmark for all three categories, indicating hospitals cannot effectively replace their assets over the long term using income generated by their operations. Under these circumstances there is a greater reliance on the provision of additional government funding for asset renewal and replacement.

Figure 3K further illustrates that 86 per cent (75 of 87) of public hospitals have a high-risk self-financing assessment. This outcome is largely a consequence of the department's capital funding model.

Figure 3K
Public hospital self-financing risk assessment



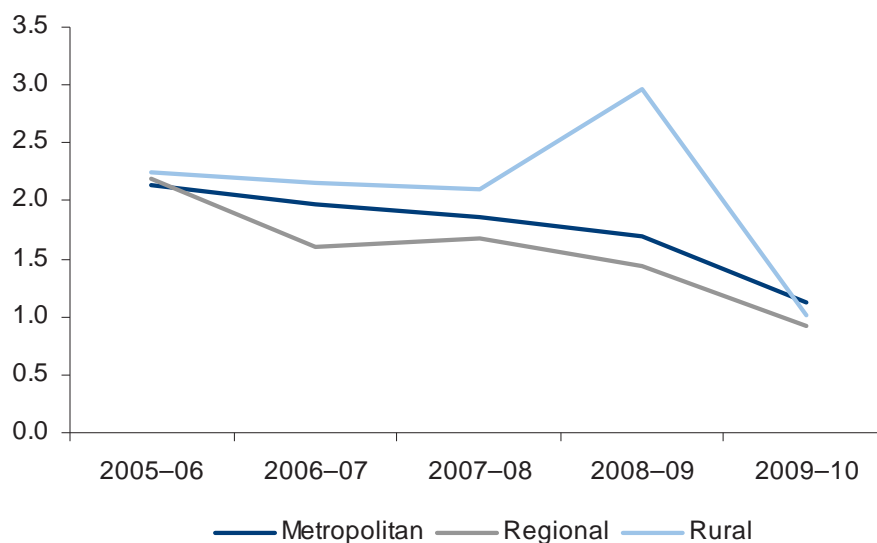
Source: Victorian Auditor-General's Office.

3.4.5 Capital replacement

Figure 3L shows that the capital replacement indicator has deteriorated across all public hospital categories over the five-year period. For the first time in five years, the average indicator has fallen below one for each hospital category, indicating that annual depreciation currently exceeds capital expenditure. Again the main driver behind this movement is the increased depreciation expense for 2009–10 following the revaluation of all hospitals’ property, plant and equipment in the 2009 financial year, particularly for buildings.

Caution is required when interpreting these results as annual spending on assets includes new and expanded facilities, in addition to existing facilities. As a result, the true level of underspending on renewing existing assets would be greater than Figure 3L and 3M suggest.

Figure 3L
Average capital replacement indicator by category

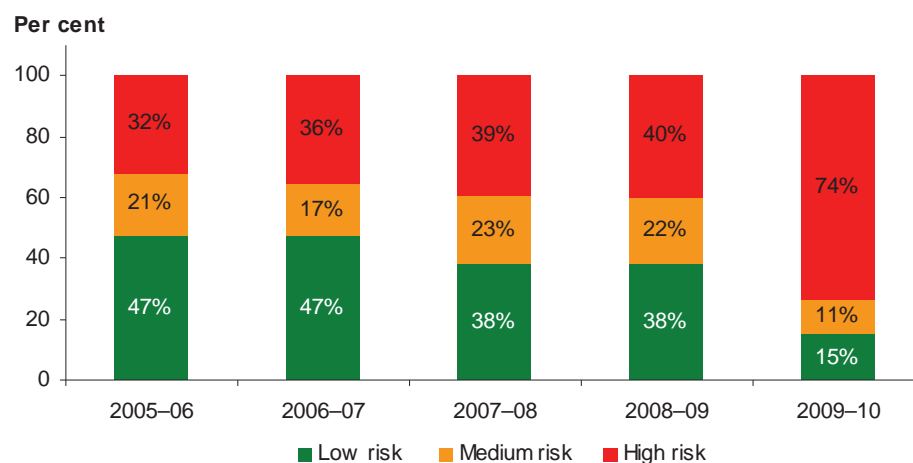


Source: Victorian Auditor-General's Office

Figure 3M shows the number of hospitals with a high-risk capital replacement assessment has increased significantly in 2009–10. Although this indicator has been impacted by the upward valuation of hospital buildings, and the reassessment of their useful lives, it illustrates that spending on capital works is not sufficient to maintain and upgrade existing infrastructure and equipment, posing a risk to each hospital’s ability to keep up with the increasing demand for health services.

This outcome is consistent with that for the self-financing indicator, and is partly a consequence of the department’s capital funding model.

Figure 3M
Public hospital capital replacement risk assessment



Source: Victorian Auditor-General's Office.

3.5 Financial sustainability risk assessment

A summary of the five-year average financial sustainability results for public hospitals is provided in Figure 3N, assessed by each category of public hospital.

Figure 3N
2009-10 overall financial sustainability risk assessment by category

Category	High	Medium	Low
Public hospitals			
Metropolitan	11	7	–
Regional	8	7	–
Rural	7	35	12
Total	26	49	12

Source: Victorian Auditor-General's Office.

Our financial sustainability assessment is that 26 public hospitals were high risk at 30 June 2010. These 26 public hospitals are spread across all three categories of public hospitals. This arises most commonly because they were assessed as generating insufficient cash to be able to adequately fund their operations. For these 26 public hospitals, short-term financial viability should be monitored and managed.

3.5.1 Metropolitan hospitals

The overall financial sustainability for the metropolitan hospitals has been assessed as medium risk in Figure 30.

Figure 30
Metropolitan hospitals—five-year average
financial sustainability risk assessment 2006 to 2010

Metropolitan hospitals	Underlying result (%)	Liquidity	Average number of days cash available	Self-financing	Capital replacement	Overall sustainability
Alfred Health	0.24%	0.60	4.43	7.69%	2.84	●
Austin Health	-1.10%	0.92	6.37	5.75%	0.83	●
Calvary Health Care Bethlehem	0.36%	0.29	3.34	3.67%	3.14	●
Dental Health Services Victoria	-1.33%	1.35	26.65	2.69%	0.83	●
Eastern Health	1.40%	0.57	11.77	6.52%	2.98	●
Melbourne Health	0.10%	0.74	3.45	5.01%	1.89	●
Mercy Public Hospitals Inc.	-0.68%	0.52	15.74	3.24%	1.83	●
Northern Health	-1.90%	0.40	3.21	3.77%	2.14	●
Peninsula Health	0.12%	1.03	24.75	5.70%	2.07	●
Peter MacCallum Cancer Centre	0.10%	1.68	35.63	7.08%	1.36	●
Queen Elizabeth Centre	-4.96%	1.70	89.25	3.26%	1.38	●
Royal Children's Hospital	1.73%	1.66	11.51	7.93%	1.55	●
Royal Victorian Eye and Ear Hospital	0.94%	0.85	22.34	9.68%	0.98	●
Royal Women's Hospital	-4.87%	0.36	2.14	1.43%	0.43	●
Southern Health	-0.60%	0.66	16.70	4.12%	1.58	●
St. Vincent's Hospital (Melbourne) Limited	1.30%	1.11	14.33	6.12%	2.59	●
Tweddle Child & Family Health Service	3.88%	3.33	63.59	7.80%	1.39	●
Western Health	2.76%	0.78	27.64	7.70%	1.84	●
Metropolitan hospital average	-0.14%	1.03	21.27	5.51%	1.76	●
Metropolitan hospital risk assessment	Medium	Low	Medium	High	Low	Medium

Source: Victorian Auditor-General's Office.

Although the overall financial sustainability assessment for metropolitan hospitals is medium risk over the five-year period, it is noted that 11 of the 18 metropolitan hospitals have been assessed as high risk. This has been driven by these hospitals having insufficient cash available to finance operational expenditure in the short term.

Seven metropolitan hospitals had a liquidity ratio of less than 0.7, with the average liquidity ratio for all metropolitan hospitals showing current assets in excess of current liabilities. All metropolitan hospitals had a high-risk self-financing indicator of below 10 per cent.

3.5.2 Regional hospitals

The overall financial sustainability for the regional hospitals has been assessed as medium risk in Figure 3P.

Figure 3P
Regional hospitals—five-year average
financial sustainability risk assessment 2006 to 2010

Regional hospitals	Underlying result (%)	Liquidity	Average number of days cash available	Self-financing	Capital replacement	Overall sustainability
Albury Wodonga Health	-0.27%	0.68	18.21	4.90%	1.03	●
Bairnsdale Regional Health Service	3.11%	1.41	47.21	8.24%	1.38	●
Ballarat Health Services	-1.47%	0.47	5.38	5.89%	1.89	●
Barwon Health	0.61%	0.87	12.26	6.63%	2.71	●
Bendigo Health Care Group	-0.88%	0.72	13.20	5.94%	1.28	●
Central Gippsland Health Service	-0.91%	0.78	16.64	4.84%	0.76	●
Echuca Regional Health	3.06%	0.92	10.98	8.88%	1.79	●
Goulburn Valley Health	0.07%	0.75	11.87	5.28%	1.90	●
Latrobe Regional Hospital	-0.24%	0.85	18.52	4.87%	2.41	●
Northeast Health Wangaratta	-2.57%	0.88	3.38	2.37%	1.44	●
South West Healthcare	1.88%	1.13	31.24	6.45%	2.45	●
Swan Hill District Hospital	-1.32%	1.87	86.50	5.19%	0.86	●
West Gippsland Healthcare Group	0.39%	1.09	54.54	7.44%	1.71	●
Western District Health Service	0.86%	2.28	39.37	6.80%	1.08	●
Wimmera Health Care Group	-2.86%	0.77	8.42	2.35%	0.79	●
Regional hospital average	-0.04%	1.03	25.18	5.74%	1.56	●
Regional hospital risk assessment	Medium	Low	Medium	High	Low	Medium

Source: Victorian Auditor-General's Office.

Similar to metropolitan hospitals, over half of the regional hospitals have been assessed as high risk, again driven by the number of days cash available for operations indicator.

No regional hospital has been assessed as, on average, having a high-risk underlying result indicator, although all regional hospitals have been assessed as having a high-risk self-financing ratio.

3.5.3 Rural hospitals

The overall financial sustainability for the rural hospitals has been assessed as medium risk in Figure 3Q.

Figure 3Q
Rural hospitals—five-year average
financial sustainability risk assessment 2006 to 2010

Rural hospitals	Underlying result (%)	Liquidity	Average number of days cash available	Self-financing	Capital replacement	Overall sustainability
Alexandra District Hospital	14.42%	6.13	45.84	21.14%	1.77	●
Alpine Health	-4.19%	0.58	27.49	3.46%	0.49	●
Bass Coast Regional Health	-1.92%	0.88	20.97	3.28%	1.07	●
Beaufort & Skipton Health Services	-3.76%	2.17	57.96	4.44%	3.41	●
Beechworth Health Service	-5.95%	1.41	35.73	2.47%	0.55	●
Benalla and District Memorial Hospital	0.80%	2.97	51.60	8.18%	1.50	●
Boort District Hospital	-0.14%	1.71	52.46	5.78%	1.16	●
Casterton Memorial Hospital	-0.52%	1.08	79.34	7.58%	0.46	●
Castlemaine Health	-3.28%	1.07	43.97	4.38%	2.11	●
Cobram District Hospital	0.23%	2.04	31.57	7.45%	1.37	●
Cohuna District Hospital	-2.70%	1.75	48.68	4.12%	0.64	●
Colac Area Health	2.62%	0.63	14.54	8.35%	2.38	●
Djerriwarrh Health Services	6.60%	0.84	8.36	6.98%	1.51	●
Dunmunkle Health Services	4.96%	1.03	15.56	9.68%	2.97	●
East Grampians Health Service	-1.48%	1.33	47.09	5.63%	2.50	●
East Wimmera Health Service	-4.72%	1.66	27.44	3.38%	0.91	●
Edenhope and District Hospital	-0.09%	1.81	131.29	6.89%	1.09	●
Gippsland Southern Health Service	1.75%	3.24	6.00	9.55%	2.59	●
Heathcote Health	-6.22%	4.29	31.16	1.54%	1.04	●
Hepburn Health Service	1.54%	1.91	40.20	7.74%	1.53	●
Hesse Rural Health Service	7.87%	0.68	49.23	13.94%	4.27	●
Heywood Rural Health	-1.98%	1.12	47.85	5.44%	0.65	●
Inglewood and District Health Service	-2.35%	1.39	24.17	6.91%	1.15	●
Kerang District Health	-1.67%	1.56	37.01	5.76%	0.55	●
Kilmore and District Hospital	-4.06%	1.47	21.07	3.29%	0.85	●
Kooweerup Regional Health Service	11.26%	1.31	16.36	18.07%	2.34	●
Kyabram and District Health Services	4.37%	2.64	22.05	6.57%	1.76	●
Kyneton District Health Service	-3.19%	0.83	12.36	5.88%	1.45	●

Source: Victorian Auditor-General's Office.

Figure 3Q
Rural hospitals—five-year average
financial sustainability risk assessment 2006 to 2010 – continued

Rural hospitals	Underlying result (%)	Liquidity	Average number of days cash available	Self-financing	Capital replacement	Overall sustainability
Lorne Community Hospital	-0.36%	2.08	80.27	12.43%	1.43	●
Maldon Hospital	2.36%	2.28	61.29	9.58%	0.59	●
Mallee Track Health and Community Services	0.59%	4.63	39.70	10.29%	1.21	●
Mansfield District Hospital	-3.17%	0.74	7.45	4.60%	0.93	●
Maryborough District Health Service	5.24%	1.99	40.01	11.48%	2.54	●
Moyne Health Services	2.49%	1.02	63.28	12.33%	1.76	●
Nathalia District Hospital	7.59%	2.53	53.86	13.86%	18.26	●
Numurkah District Health Service	4.25%	1.50	99.27	11.04%	0.90	●
Ormeo District Health	-4.94%	1.53	63.93	7.13%	1.25	●
Orbost Regional Health	0.04%	1.85	88.45	7.67%	1.00	●
Otway Health & Community Services	5.70%	1.45	20.89	10.62%	1.35	●
Portland District Health	-4.22%	0.82	18.62	2.96%	1.59	●
Robinvale District Health Services	1.75%	2.15	89.63	9.18%	2.58	●
Rochester and Elmore District Health Service	20.75%	1.12	80.74	26.07%	7.12	●
Rural Northwest Health	12.29%	1.66	88.07	18.45%	7.72	●
Seymour District Memorial Hospital	3.22%	3.62	27.27	10.31%	4.09	●
South Gippsland Hospital	0.34%	3.48	97.52	7.67%	1.74	●
Stawell Regional Health	-1.53%	1.36	27.70	5.31%	1.29	●
Tallangatta Health Service	-3.29%	1.34	82.01	6.23%	0.68	●
Terang and Mortlake Health Service	1.23%	2.39	25.59	6.75%	1.56	●
Timboon and District Healthcare Service	16.72%	11.05	80.39	24.15%	0.99	●
Upper Murray Health & Community Services	4.66%	1.17	64.01	10.18%	2.37	●
West Wimmera Health Service	2.33%	1.01	53.12	10.14%	0.59	●
Yarram & District Health Service	0.44%	1.97	127.88	9.76%	0.99	●
Yarrawonga District Health Service	-5.64%	1.07	20.19	5.04%	4.10	●
Yea & District Memorial Hospital	-1.13%	2.19	58.95	10.63%	0.72	●
Rural hospital average	1.41%	1.99	48.29	8.74%	2.10	●
Rural hospital risk assessment	Low	Low	Low	High	Low	Medium

Source: Victorian Auditor-General's Office.

Thirty-five of the 54 rural hospitals have been assessed as medium risk over the five-year period from 2006 to 2010. On average, rural hospitals have a much higher liquidity ratio than metropolitan and regional hospitals, demonstrating that they hold almost twice as many current assets than current liabilities.

Rural hospitals also have a much higher average number of days cash indicator than the metropolitan and regional hospitals, averaging 48 days over the five-year period. This reflects the fact that rural hospitals maintain a greater amount of their excess cash in a more liquid form, essentially due to relatively lower cash and cash equivalents controlled by these public hospitals compared to larger hospitals. Smaller cash holdings restrict the potential for rural hospitals to obtain higher investment returns from longer-term investments thereby reducing the incentive for such investments.

Eleven rural hospitals have been assessed as low risk overall, with seven given a high-risk assessment due to either a high-risk number of days cash available for operations indicator or a high-risk liquidity indicator.

Appendix A.

Audit status

Metropolitan hospitals and associated entities

Entity	Audit types		Financial statements		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Alfred Health	●		✓	11 Aug 2010	●	
Austin Health	●		✓	12 Aug 2010	●	
Calvary Health Care Bethlehem Ltd		C	✓	19 Aug 2010	●	
Dental Health Services Victoria	●		✓	19 Aug 2010	●	
Eastern Health	●		✓	11 Aug 2010	●	
Melbourne Health	●		✓	09 Aug 2010	●	
<i>Eviar Medical Pty Ltd</i>		C	✓	06 Aug 2010	●	
<i>Royal Melbourne Hospital Foundation Ltd</i>		C	✓	06 Aug 2010	●	
Mercy Public Hospitals Inc.	●		✓	30 Aug 2010	●	
Northern Health	●		✓	17 Aug 2010	●	
<i>Northern Health Research, Training and Equipment Foundation Limited</i>		C	✓	30 Jul 2010	●	
<i>Northern Health Research, Training and Equipment Foundation Trust</i>		O	✓	30 Jul 2010	N/A	
Parkville Comprehensive Cancer Centre Limited		C	✓	15 Oct 2010	●	
<i>Parkville Comprehensive Cancer Centre Joint Venture</i>		C	✓	15 Oct 2010	●	
Peninsula Health	●		✓	20 Aug 2010	●	
Peter MacCallum Cancer Centre	●		✓	13 Aug 2010	●	
<i>Cell Therapies Pty Ltd</i>		C	✓	12 Aug 2010	●	
<i>Peter MacCallum Cancer Foundation</i>	●		✓	16 Aug 2010	●	
<i>Peter MacCallum Cancer Foundation Ltd</i>		C	✓	16 Aug 2010	●	

Entity	Audit types		Financial statements		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES – continued						
Queen Elizabeth Centre	●		✓	19 Aug 2010	●	
Royal Children's Hospital	●		✓	24 Aug 2010	●	
<i>Communities That Care Limited</i>		C	✓	26 Jul 2010	●	
<i>Royal Children's Hospital Education Institute Ltd</i>		C	✓	12 Aug 2010	●	
<i>Royal Children's Hospital Foundation Trust Funds</i>		O	✓	30 Aug 2010	N/A	
Royal Victorian Eye and Ear Hospital	●		✓	25 Aug 2010	●	
Royal Women's Hospital	●		✓	30 Aug 2010	●	
<i>Royal Women's Hospital Foundation Limited</i>		C	✓	10 Sep 2010	●	
<i>Royal Women's Hospital Trust Funds</i>		O	✓	10 Sep 2010	N/A	
Southern Health	●		✓	11 Aug 2010	●	
<i>Kitaya Holdings Pty Ltd</i>		C	✓	11 Aug 2010	●	
St. Vincent's Hospital (Melbourne) Limited		C	✓	27 Aug 2010	●	
Tweddle Child and Family Health Service	●		✓	26 Aug 2010	●	
Western Health	●		✓	18 Aug 2010	●	
2009–10 Total number of entities = 33	17	16		Per cent	33	0
2008–09 Total number of entities = 32	17	15		Per cent	100	0
				Per cent	25	7
				Per cent	78	22

Note: Non-FMA audit types: A – Associations Incorporation Act 1981, C – Corporations Act 2001 and O – other reporting framework.

N/A = Prepare financial statements in accordance with other reporting framework. No statutory time frame.

Source: Victorian Auditor-General's Office.

Regional hospitals and associated entities

Entity	Audit types		Financial statements		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Albury Wodonga Health ^(a)	●		✓	30 Aug 2010	●	
Bairnsdale Regional Health Service	●		✓	25 Aug 2010	●	
Ballarat Health Services	●		✓	06 Aug 2010	●	
Barwon Health	●		✓	06 Aug 2010	●	
Bendigo Health Care Group	●		✓	25 Aug 2010	●	
Central Gippsland Health Service	●		✓	25 Aug 2010	●	
Echuca Regional Health	●		✓	26 Aug 2010	●	
<i>Echuca Regional Health Foundation Trust Fund</i>		O	✓	26 Aug 2010	N/A	
<i>Echuca Regional Health Foundation Limited</i>		C	✓	26 Aug 2010	●	
Goulburn Valley Health	●		✓	26 Aug 2010	●	
Latrobe Regional Hospital	●		✓	23 Aug 2010	●	
Northeast Health Wangaratta	●		✓	24 Aug 2010	●	
South West Healthcare	●		✓	24 Aug 2010	●	
Swan Hill District Hospital	●		✓	26 Aug 2010	●	
West Gippsland Healthcare Group	●		✓	27 Aug 2010	●	
Western District Health Service	●		✓	18 Aug 2010	●	
Wimmera Health Care Group	●		✓	25 Aug 2010	●	
2009–10 Total number of entities = 17	15	2			17	0
				Per cent	100	0
2008–09 Total number of entities = 17	15	2			17	0
				Per cent	100	0

Note: Non-FMA audit types: A – *Associations Incorporation Act 1981*, C – *Corporations Act 2001* and O – other reporting framework.

N/A = Prepare financial statements in accordance with other reporting framework. No statutory time frame.

(a) Wodonga Regional Health Service merged with Albury Base Hospital on 1 July 2009 to form Albury Wodonga Health.

Source: Victorian Auditor-General's Office.

Rural hospitals and associated entities

Entity	Audit types		Financial statements		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
	COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES					
Alexandra District Hospital	●		✓	23 Aug 2010	●	
Alpine Health	●		✓	06 Sep 2010	●	
Bass Coast Regional Health	●		✓	30 Aug 2010	●	
Beaufort and Skipton Health Service	●		✓	06 Sep 2010	●	
<i>Beaufort and Skipton Health Services Foundation Ltd</i>		C	✓	08 Sep 2010	●	
Beechworth Health Service	●		✓	26 Aug 2010	●	
Benalla and District Memorial Hospital	●		✓	19 Aug 2010	●	
Boort District Hospital	●		✓	27 Aug 2010	●	
Casterton Memorial Hospital	●		✓	19 Aug 2010	●	
Castlemaine Health ^(a)	●		✓	31 Aug 2010	●	
Cobram District Health	●		✓	30 Aug 2010	●	
<i>Cobram District Health Services Foundation</i>		O	✓	27 Aug 2010	N/A	
Cohuna District Hospital	●		✓	25 Aug 2010	●	
<i>Cohuna Community Nursing Home Inc.</i>	●		✓	25 Aug 2010	●	
Colac Area Health	●		✓	27 Aug 2010	●	
Djerriwarth Health Services	●		✓	27 Aug 2010	●	
Dunmunkle Health Services	●		✓	20 Aug 2010	●	
East Grampians Health Service	●		✓	25 Aug 2010	●	
<i>East Grampians Building for the Future Foundation</i>	●		✓	25 Aug 2010	●	
East Wimmera Health Service	●		✓	19 Aug 2010	●	
Edenhope and District Memorial Hospital	●		✓	30 Aug 2010	●	
Gippsland Southern Health Service	●		✓	30 Aug 2010	●	

Rural hospitals and associated entities – continued

Entity	Audit types		Financial statements		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES – continued						
Heathcote Health ^(b)	●		✓	20 Aug 2010	●	
Hepburn Health Service	●		✓	26 Aug 2010	●	
Hesse Rural Health Service	●		✓	16 Aug 2010	●	
<i>Winchelsea Hostel and Nursing Home Society</i>		O	✓	25 Aug 2009	N/A	
Heywood Rural Health	●		✓	24 Aug 2010	●	
Inglewood and Districts Health Service	●		✓	27 Aug 2010	●	
Kerang District Health	●		✓	02 Sep 2010	●	
Kilmore and District Hospital	●		✓	24 Aug 2010	●	
Kooweerup Regional Health Service	●		✓	30 Aug 2010	●	
Kyabram and District Health Service	●		✓	30 Aug 2010	●	
Kyneton District Health Service	●		✓	30 Aug 2010	●	
LMHA Network Limited		C	✓	15 Nov 2010	●	
Lorne Community Hospital	●		✓	25 Aug 2010	●	
Maldon Hospital	●		✓	31 Aug 2010	●	
Mallee Track Health and Community Service	●		✓	30 Aug 2010	●	
Mansfield District Hospital	●		✓	26 Aug 2010	●	
Maryborough District Health Service	●		✓	26 Aug 2010	●	
Moynes Health Services	●		✓	19 Aug 2010	●	
<i>Moynes Health Services Inc.</i>		A	✓	19 Aug 2010	N/A	
Nathalia District Hospital	●		✓	25 Aug 2010	●	
Numurkah District Health Service	●		✓	27 Aug 2010	●	
Omeo District Hospital	●		✓	27 Aug 2010	●	
Orbost Regional Health	●		✓	25 Aug 2010	●	

Entity	Audit types		Financial statements		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES – continued						
Otway Health and Community Services	●		✓	26 Aug 2010	●	
Portland District Health	●		✓	20 Aug 2010	●	
Robinvale District Health Services	●		✓	25 Aug 2010	●	
Rochester and Elmore District Health Service	●		✓	26 Aug 2010	●	
Rural Northwest Health	●		✓	30 Aug 2010	●	
Seymour District Memorial Hospital	●		✓	01 Sep 2010	●	
South Gippsland Hospital	●		✓	30 Aug 2010	●	
Stawell Regional Health	●		✓	26 Aug 2010	●	
Stawell District Hospital Foundation	●		✓	26 Aug 2010	●	
Tallangatta Health Service	●		✓	26 Aug 2010	●	
Terang and Mortlake Health Service	●		✓	23 Aug 2010	●	
Timboon and District Healthcare Service	●		✓	19 Aug 2010	●	
Upper Murray Health and Community Services	●		✓	26 Aug 2010	●	
West Wimmera Health Service	●		✓	16 Aug 2010	●	
Yarram and District Health Service	●		✓	23 Aug 2010	●	
Yarrawonga District Health Service	●		✓	25 Aug 2010	●	
Yea and District Memorial Hospital	●		✓	25 Aug 2010	●	
2009–10 Total number of entities = 62	57	5		Per cent	61	1
2008–09 Total number of entities = 65	59	6		Per cent	98	2
				Per cent	57	8
				Per cent	88	12

Note: Non FMA audit types: A – Associations Incorporation Act 1981, C – Corporations Act 2001 and O – other reporting framework.

N/A = Prepare financial statements in accordance with other reporting framework. No statutory time frame.

(a) Previously known as Mt. Alexander Hospital.

(b) Previously known as Mt. Morley Health and Community Services.

Source: Victorian Auditor-General's Office.

Appendix B.

Financial sustainability

Metropolitan hospitals

Figure B1
Underlying result (%) 2006 to 2010

Metropolitan hospitals	Underlying result %						Mean	Trend
	2006	2007	2008	2009	2010			
Alfred Health	2.45%	-0.10%	2.59%	0.12%	-3.87%	0.24%	▼	
Austin Health	-0.79%	-2.26%	-1.71%	2.49%	-3.20%	-1.10%	▼	
Calvary Health Care Bethlehem	-6.86%	0.99%	4.95%	1.34%	1.38%	0.36%	■	
Dental Health Services Victoria	2.09%	-0.23%	-7.28%	0.10%	-1.32%	-1.33%	■	
Eastern Health	1.53%	1.64%	8.18%	-0.10%	-4.26%	1.40%	▼	
Melbourne Health	1.29%	-1.60%	2.50%	2.89%	-4.55%	0.10%	■	
Mercy Public Hospitals Inc.	-1.01%	-1.39%	0.66%	0.44%	-2.09%	-0.68%	■	
Northern Health	-1.01%	1.66%	-5.46%	-5.71%	1.03%	-1.90%	■	
Peninsula Health	-1.11%	-1.39%	-2.27%	1.04%	4.32%	0.12%	▲	
Peter MacCallum Cancer Centre	3.01%	1.21%	-0.56%	-1.76%	-1.38%	0.10%	▼	
Queen Elizabeth Centre	-1.53%	-4.61%	-12.43%	-4.94%	-1.27%	-4.96%	▲	
Royal Children's Hospital	6.04%	2.72%	2.41%	-2.25%	-0.28%	1.73%	▼	
Royal Victorian Eye and Ear Hospital	7.76%	3.93%	0.75%	-6.55%	-1.20%	0.94%	■	
Royal Women's Hospital	-2.03%	-4.66%	-0.49%	-9.22%	-7.94%	-4.87%	▼	
Southern Health	0.29%	-0.76%	0.40%	-0.40%	-2.52%	-0.60%	■	
St. Vincent's Hospital (Melbourne) Limited	0.50%	0.00%	1.04%	2.02%	2.92%	1.30%	▲	
Tweddle Child & Family Health Service	0.37%	8.33%	-1.07%	9.70%	2.09%	3.88%	■	
Western Health	1.43%	-2.95%	5.11%	4.54%	5.66%	2.76%	▲	
Metropolitan hospital average	0.69%	0.03%	-0.15%	-0.35%	-0.92%	-0.14%	▼	

Source: Victorian Auditor-General's Office.

Figure B2
Liquidity 2006 to 2010

Metropolitan hospitals	Liquidity					Mean	Trend
	2006	2007	2008	2009	2010		
Alfred Health	0.88	0.64	0.64	0.39	0.44	0.60	▼
Austin Health	0.71	0.78	1.03	1.07	1.03	0.92	▲
Calvary Health Care Bethlehem	0.47	0.23	0.33	0.15	0.26	0.29	▼
Dental Health Services Victoria	1.99	0.79	0.56	1.73	1.70	1.35	■
Eastern Health	0.50	0.53	0.69	0.57	0.57	0.57	■
Melbourne Health	0.78	0.60	0.78	0.83	0.72	0.74	■
Mercy Public Hospitals Inc.	0.64	0.57	0.61	0.51	0.25	0.52	▼
Northern Health	0.59	0.50	0.35	0.32	0.22	0.40	▼
Peninsula Health	1.02	0.98	1.08	1.16	0.90	1.03	■
Peter MacCallum Cancer Centre	1.94	1.63	1.74	1.49	1.63	1.68	▼
Queen Elizabeth Centre	2.14	0.94	2.20	1.65	1.56	1.70	▼
Royal Children's Hospital	1.82	1.40	1.57	1.68	1.85	1.66	▲
Royal Victorian Eye and Ear Hospital	0.79	0.69	0.95	0.87	0.93	0.85	■
Royal Women's Hospital	0.45	0.30	0.46	0.32	0.28	0.36	■
Southern Health	0.79	0.73	0.76	0.59	0.41	0.66	▼
St. Vincent's Hospital (Melbourne) Limited	1.08	1.02	1.35	1.14	0.96	1.11	■
Tweddle Child & Family Health Service	2.20	3.49	2.25	4.16	4.56	3.33	▲
Western Health	0.55	0.40	0.84	0.91	1.22	0.78	▲
Metropolitan hospital average	1.07	0.90	1.01	1.08	1.08	1.03	▲

Source: Victorian Auditor-General's Office.

Figure B3
Average number of days cash available 2006 to 2010

Metropolitan hospitals	Average number of days cash available						
	2006	2007	2008	2009	2010	Mean	Trend
Alfred Health	12.17	5.66	1.44	1.78	1.08	4.43	▼
Austin Health	2.33	7.56	10.36	8.84	2.78	6.37	■
Calvary Health Care Bethlehem	6.14	4.59	4.66	0.00	1.31	3.34	▼
Dental Health Services Victoria	53.72	15.32	5.76	21.05	37.41	26.65	■
Eastern Health	1.51	13.48	20.29	12.05	11.55	11.77	■
Melbourne Health	7.72	3.06	0.64	4.68	1.16	3.45	■
Mercy Public Hospitals Inc.	25.26	20.52	15.25	17.45	0.24	15.74	▼
Northern Health	15.68	0.00	0.35	0.00	0.00	3.21	▼
Peninsula Health	27.82	23.79	24.10	34.74	13.29	24.75	▼
Peter MacCallum Cancer Centre	51.58	31.06	40.17	26.22	29.15	35.63	▼
Queen Elizabeth Centre	104.77	42.51	9.43	136.71	152.81	89.25	■
Royal Children's Hospital	5.43	16.63	16.59	9.74	9.17	11.51	▼
Royal Victorian Eye and Ear Hospital	9.78	7.40	30.14	35.59	28.80	22.34	▲
Royal Women's Hospital	3.34	2.03	1.73	1.72	1.86	2.14	■
Southern Health	28.89	19.72	21.20	12.71	0.99	16.70	▼
St. Vincent's Hospital (Melbourne) Limited	17.31	7.57	13.98	19.23	13.56	14.33	■
Tweddle Child & Family Health Service	38.55	88.96	76.69	58.34	55.41	63.59	▼
Western Health	17.77	6.59	36.55	34.03	43.27	27.64	▲
Metropolitan hospital average	23.87	17.58	18.30	24.16	22.43	21.27	■

Source: Victorian Auditor-General's Office.

Figure B4
Self-financing (%) 2006 to 2010

Metropolitan hospitals	Self-financing %						Mean	Trend
	2006	2007	2008	2009	2010			
Alfred Health	8.77%	3.18%	10.33%	7.94%	8.24%	7.69%	■	
Austin Health	7.11%	3.17%	5.62%	7.73%	5.12%	5.75%	■	
Calvary Health Care Bethlehem	1.00%	2.56%	10.96%	2.66%	1.20%	3.67%	■	
Dental Health Services Victoria	5.06%	3.91%	-2.34%	0.79%	6.01%	2.69%	■	
Eastern Health	5.71%	7.10%	11.93%	4.66%	3.18%	6.52%	▼	
Melbourne Health	4.22%	4.66%	3.88%	9.18%	3.14%	5.01%	■	
Mercy Public Hospitals Inc.	10.55%	1.80%	1.18%	4.38%	-1.71%	3.24%	▼	
Northern Health	4.42%	2.99%	3.14%	1.83%	6.47%	3.77%	■	
Peninsula Health	5.51%	4.06%	2.56%	8.63%	7.76%	5.70%	■	
Peter MacCallum Cancer Centre	10.26%	7.91%	5.82%	5.05%	6.37%	7.08%	▼	
Queen Elizabeth Centre	5.83%	2.49%	-10.22%	9.76%	8.45%	3.26%	■	
Royal Children's Hospital	7.68%	11.91%	8.45%	9.56%	2.07%	7.93%	■	
Royal Victorian Eye and Ear Hospital	11.23%	11.00%	12.16%	9.04%	4.95%	9.68%	▼	
Royal Women's Hospital	1.32%	2.00%	2.78%	1.42%	-0.38%	1.43%	■	
Southern Health	6.50%	2.27%	4.61%	3.87%	3.35%	4.12%	■	
St. Vincent's Hospital (Melbourne) Limited	9.94%	1.84%	7.70%	4.12%	7.00%	6.12%	■	
Tweddle Child & Family Health Service	9.71%	5.37%	14.71%	4.18%	5.02%	7.80%	■	
Western Health	6.07%	3.08%	9.24%	7.18%	12.91%	7.70%	▲	
Metropolitan hospital average	6.72%	4.52%	5.69%	5.67%	4.95%	5.51%	▼	

Source: Victorian Auditor-General's Office.

Figure B5
Capital replacement 2006 to 2010

Metropolitan hospitals	Capital replacement						Mean	Trend
	2006	2007	2008	2009	2010			
Alfred Health	3.33	3.62	3.06	3.15	1.03	2.84	▼	
Austin Health	0.67	0.65	1.13	1.22	0.47	0.83	■	
Calvary Health Care Bethlehem	6.88	1.10	3.11	3.37	1.27	3.14	■	
Dental Health Services Victoria	0.92	1.22	0.43	0.96	0.64	0.83	■	
Eastern Health	2.18	5.15	4.64	2.30	0.62	2.98	▼	
Melbourne Health	1.92	2.71	1.89	2.21	0.70	1.89	▼	
Mercy Public Hospitals Inc.	3.40	0.51	1.77	2.04	1.42	1.83	■	
Northern Health	3.01	3.99	0.66	1.70	1.36	2.14	■	
Peninsula Health	1.03	2.22	1.48	2.61	3.03	2.07	▲	
Peter MacCallum Cancer Centre	1.58	1.96	0.75	1.71	0.78	1.36	■	
Queen Elizabeth Centre	1.55	2.98	1.15	0.33	0.89	1.38	■	
Royal Children's Hospital	4.01	2.10	1.07	0.27	0.28	1.55	▼	
Royal Victorian Eye and Ear Hospital	1.39	1.34	0.79	0.92	0.44	0.98	▼	
Royal Women's Hospital	0.44	0.84	0.59	0.21	0.07	0.43	▼	
Southern Health	1.50	1.55	1.68	1.90	1.27	1.58	■	
St. Vincent's Hospital (Melbourne) Limited	2.44	2.00	3.73	1.95	2.81	2.59	■	
Tweddle Child & Family Health Service	0.23	0.21	3.94	0.86	1.72	1.39	■	
Western Health	1.86	1.51	1.56	2.72	1.57	1.84	■	
Metropolitan hospital average	2.13	1.98	1.86	1.69	1.13	1.76	▼	

Source: Victorian Auditor-General's Office.

Regional hospitals

Figure B6
Underlying result (%) 2006 to 2010

Regional hospitals	Underlying result %						Mean	Trend
	2006	2007	2008	2009	2010			
Albury Wodonga Health	-0.68%	-1.46%	-0.92%	1.60%	0.11%	-0.27%	■	
Bairnsdale Regional Health Service	3.17%	7.57%	5.07%	2.60%	-2.84%	3.11%	▼	
Ballarat Health Services	-0.57%	-0.39%	-0.19%	-3.86%	-2.37%	-1.47%	■	
Barwon Health	2.57%	-0.24%	1.00%	1.71%	-2.02%	0.61%	■	
Bendigo Health Care Group	-2.65%	-1.90%	-1.10%	-0.71%	1.94%	-0.88%	▲	
Central Gippsland Health Service	2.57%	1.58%	-2.02%	-0.68%	-6.01%	-0.91%	▼	
Echuca Regional Health	7.74%	0.79%	12.83%	3.22%	-9.27%	3.06%	▼	
Goulburn Valley Health	-0.25%	1.13%	6.13%	-2.01%	-4.67%	0.07%	■	
Latrobe Regional Hospital	7.86%	-3.62%	-3.31%	-1.54%	-0.58%	-0.24%	▲	
Northeast Health Wangaratta	-2.38%	-2.28%	-2.29%	-1.89%	-4.04%	-2.57%	■	
South West Healthcare	-2.65%	-0.98%	-1.77%	-2.71%	17.52%	1.88%	▲	
Swan Hill District Hospital	0.91%	-4.44%	-0.71%	1.89%	-4.28%	-1.32%	■	
West Gippsland Healthcare Group	0.56%	1.19%	4.05%	0.37%	-4.24%	0.39%	■	
Western District Health Service	1.73%	0.71%	1.16%	0.64%	0.05%	0.86%	▼	
Wimmera Health Care Group	-2.79%	-2.61%	-1.14%	-2.32%	-5.45%	-2.86%	■	
Regional hospital average	1.01%	-0.33%	1.12%	-0.25%	-1.74%	-0.04%	▼	

Source: Victorian Auditor-General's Office.

Figure B7
Liquidity 2006 to 2010

Regional hospitals	Liquidity					Mean	Trend
	2006	2007	2008	2009	2010		
Albury Wodonga Health	0.50	0.58	0.64	0.76	0.90	0.68	▲
Bairnsdale Regional Health Service	1.16	1.30	1.44	1.55	1.62	1.41	▲
Ballarat Health Services	0.50	0.50	0.51	0.36	0.48	0.47	■
Barwon Health	0.98	0.91	0.89	0.89	0.70	0.87	▼
Bendigo Health Care Group	0.59	0.75	0.87	0.81	0.60	0.72	■
Central Gippsland Health Service	0.58	0.72	0.83	0.88	0.88	0.78	▲
Echuca Regional Health	0.67	0.54	1.28	1.18	0.95	0.92	■
Goulburn Valley Health	0.68	0.66	0.88	0.83	0.68	0.75	■
Latrobe Regional Hospital	1.18	0.48	0.57	0.86	1.19	0.85	▲
Northeast Health Wangaratta	0.74	0.91	0.93	0.92	0.88	0.88	■
South West Healthcare	1.14	0.98	1.25	1.03	1.27	1.13	■
Swan Hill District Hospital	1.94	1.85	1.68	1.82	2.03	1.87	■
West Gippsland Healthcare Group	1.40	1.03	1.00	1.04	1.00	1.09	■
Western District Health Service	2.31	2.06	2.50	2.23	2.29	2.28	■
Wimmera Health Care Group	0.52	0.72	0.86	0.80	0.94	0.77	▲
Regional hospital average	0.99	0.93	1.08	1.06	1.10	1.03	▲

Source: Victorian Auditor-General's Office.

Figure B8
Average number of days cash available 2006 to 2010

Regional hospitals	Average number of days cash available						
	2006	2007	2008	2009	2010	Mean	Trend
Albury Wodonga Health	4.95	10.24	13.09	32.56	30.19	18.21	▲
Bairnsdale Regional Health Service	39.63	23.57	37.32	61.79	73.76	47.21	▲
Ballarat Health Services	6.26	4.98	1.25	5.43	9.00	5.38	■
Barwon Health	21.20	16.63	11.25	5.21	7.03	12.26	▼
Bendigo Health Care Group	10.33	14.18	21.70	16.34	3.44	13.20	■
Central Gippsland Health Service	13.96	19.29	17.45	14.18	18.33	16.64	■
Echuca Regional Health	34.14	12.64	0.23	7.20	0.71	10.98	▼
Goulburn Valley Health	15.30	18.97	9.35	12.67	3.05	11.87	▼
Latrobe Regional Hospital	48.29	3.69	4.16	11.28	25.17	18.52	▲
Northeast Health Wangaratta	4.45	5.40	1.58	0.75	4.73	3.38	■
South West Healthcare	32.60	20.56	28.92	22.22	51.89	31.24	■
Swan Hill District Hospital	95.21	71.03	87.08	94.95	84.25	86.50	■
West Gippsland Healthcare Group	49.04	50.96	56.79	58.87	57.02	54.54	▲
Western District Health Service	27.50	38.33	42.85	49.22	38.93	39.37	■
Wimmera Health Care Group	6.68	12.79	9.18	13.31	0.13	8.42	■
Regional hospital average	27.30	21.55	22.81	27.06	27.18	25.18	▲

Source: Victorian Auditor-General's Office.

Figure B9
Self-financing (%) 2006 to 2010

Regional hospitals	Self-financing %						Mean	Trend
	2006	2007	2008	2009	2010			
Albury Wodonga Health	3.44%	3.42%	2.50%	8.22%	6.91%	4.90%	▲	
Bairnsdale Regional Health Service	10.78%	8.98%	7.62%	9.29%	4.51%	8.24%	▼	
Ballarat Health Services	6.17%	6.51%	6.07%	4.37%	6.34%	5.89%	■	
Barwon Health	10.70%	5.07%	6.81%	4.71%	5.84%	6.63%	■	
Bendigo Health Care Group	4.06%	4.82%	7.83%	4.78%	8.22%	5.94%	■	
Central Gippsland Health Service	6.32%	8.27%	3.07%	4.09%	2.48%	4.84%	▼	
Echuca Regional Health	21.21%	1.98%	10.74%	7.84%	2.62%	8.88%	▼	
Goulburn Valley Health	5.28%	4.66%	11.49%	6.38%	-1.40%	5.28%	■	
Latrobe Regional Hospital	11.54%	0.58%	2.90%	2.79%	6.55%	4.87%	■	
Northeast Health Wangaratta	2.26%	1.86%	1.69%	1.66%	4.39%	2.37%	■	
South West Healthcare	3.85%	2.93%	3.76%	0.70%	21.00%	6.45%	▲	
Swan Hill District Hospital	10.72%	0.23%	5.37%	6.04%	3.60%	5.19%	■	
West Gippsland Healthcare Group	6.47%	9.21%	11.34%	5.06%	5.12%	7.44%	■	
Western District Health Service	5.40%	8.47%	5.17%	7.94%	7.01%	6.80%	■	
Wimmera Health Care Group	0.63%	4.49%	3.29%	4.84%	-1.48%	2.35%	■	
Regional hospital average	7.26%	4.77%	5.98%	5.25%	5.45%	5.74%	▼	

Source: Victorian Auditor-General's Office.

Figure B10
Capital replacement 2006 to 2010

Regional hospitals	Capital replacement						Mean	Trend
	2006	2007	2008	2009	2010			
Albury Wodonga Health	0.49	0.57	1.21	1.41	1.46	1.03	▲	
Bairnsdale Regional Health Service	1.25	2.95	1.35	0.78	0.55	1.38	▼	
Ballarat Health Services	2.62	2.19	2.35	1.59	0.69	1.89	▼	
Barwon Health	4.31	3.13	3.32	1.54	1.24	2.71	▼	
Bendigo Health Care Group	1.03	0.76	1.25	1.79	1.56	1.28	▲	
Central Gippsland Health Service	0.52	1.26	0.63	0.96	0.45	0.76	■	
Echuca Regional Health	2.88	1.24	2.77	1.55	0.50	1.79	▼	
Goulburn Valley Health	2.86	1.36	2.87	1.74	0.66	1.90	■	
Latrobe Regional Hospital	9.34	1.04	0.95	0.52	0.21	2.41	▼	
Northeast Health Wangaratta	0.86	2.66	2.26	0.82	0.62	1.44	▼	
South West Healthcare	1.37	1.29	1.61	4.20	3.76	2.45	▲	
Swan Hill District Hospital	1.18	0.83	0.86	0.88	0.54	0.86	▼	
West Gippsland Healthcare Group	2.20	2.69	2.07	0.98	0.58	1.71	▼	
Western District Health Service	1.14	1.17	1.03	1.47	0.57	1.08	■	
Wimmera Health Care Group	0.89	0.82	0.64	1.25	0.36	0.79	■	
Regional hospital average	2.20	1.60	1.68	1.43	0.92	1.56	▼	

Source: Victorian Auditor-General's Office.

Rural hospitals

Figure B11
Underlying result (%) 2006 to 2010

Rural hospitals	Underlying result %						Mean	Trend
	2006	2007	2008	2009	2010			
Alexandra District Hospital	7.62%	6.24%	7.96%	8.37%	41.92%	14.42%	▲	
Alpine Health	-3.55%	-1.57%	-2.19%	-4.97%	-8.65%	-4.19%	▼	
Bass Coast Regional Health	-1.27%	0.76%	-2.45%	-4.96%	-1.69%	-1.92%	■	
Beaufort & Skipton Health Services	0.01%	-3.67%	-4.95%	-5.50%	-4.69%	-3.76%	■	
Beechworth Health Service	-4.18%	-0.77%	-6.12%	-6.62%	-12.10%	-5.95%	▼	
Benalla and District Memorial Hospital	4.35%	0.49%	0.93%	1.43%	-3.20%	0.80%	▼	
Boort District Hospital	1.40%	-5.38%	-2.82%	13.45%	-7.35%	-0.14%	■	
Casterton Memorial Hospital	-2.52%	2.88%	1.10%	2.95%	-7.00%	-0.52%	■	
Castlemaine Health	-1.43%	-1.49%	-1.33%	0.26%	-12.42%	-3.28%	■	
Cobram District Hospital	-2.47%	-0.53%	1.37%	0.94%	1.85%	0.23%	▲	
Cohuna District Hospital	-1.31%	-6.46%	-2.69%	2.52%	-5.56%	-2.70%	■	
Colac Area Health	19.19%	2.17%	1.42%	-0.65%	-9.02%	2.62%	▼	
Djerriwarrh Health Services	11.60%	27.58%	-4.30%	-0.88%	-1.02%	6.60%	■	
Dunmunkle Health Services	-3.65%	-0.39%	7.93%	26.76%	-5.87%	4.96%	■	
East Grampians Health Service	-5.97%	1.17%	0.52%	0.41%	-3.51%	-1.48%	■	
East Wimmera Health Service	-2.02%	-0.98%	-4.61%	-3.97%	-12.03%	-4.72%	▼	
Edenhope and District Hospital	0.21%	2.61%	9.76%	2.43%	-15.47%	-0.09%	■	
Gippsland Southern Health Service	2.98%	6.14%	4.44%	-1.28%	-3.55%	1.75%	▼	
Heathcote Health	-4.02%	-5.60%	-0.87%	-6.40%	-14.20%	-6.22%	▼	
Hepburn Health Service	0.43%	1.29%	-0.37%	-2.23%	8.55%	1.54%	■	
Hesse Rural Health Service	12.27%	3.43%	15.49%	13.54%	-5.38%	7.87%	■	
Heywood Rural Health	2.33%	-0.75%	-2.57%	-0.36%	-8.54%	-1.98%	▼	
Inglewood and District Health Service	-0.98%	-3.42%	0.61%	-4.39%	-3.58%	-2.35%	■	
Kerang District Health	-2.14%	-4.31%	2.35%	-0.63%	-3.60%	-1.67%	■	
Kilmore and District Hospital	-3.24%	-3.76%	1.09%	-3.66%	-10.71%	-4.06%	■	
Kooweerup Regional Health Service	16.93%	6.33%	11.87%	17.29%	3.90%	11.26%	■	
Kyabram and District Health Services	3.99%	2.16%	0.91%	19.10%	-4.30%	4.37%	■	
Kyneton District Health Service	-1.68%	-3.31%	0.51%	0.48%	-11.94%	-3.19%	■	

Figure B11
Underlying result (%) 2006 to 2010 – continued

Rural hospitals	Underlying result %						Mean	Trend
	2006	2007	2008	2009	2010			
Lorne Community Hospital	26.72%	-0.68%	-6.66%	-5.15%	-16.05%	-0.36%	▼	
Maldon Hospital	3.23%	5.28%	3.74%	4.63%	-5.07%	2.36%	■	
Mallee Track Health and Community Services	9.57%	4.84%	-2.77%	5.30%	-13.98%	0.59%	▼	
Mansfield District Hospital	-1.71%	-3.09%	0.17%	-5.54%	-5.67%	-3.17%	■	
Maryborough District Health Service	20.24%	5.83%	3.99%	0.10%	-3.96%	5.24%	▼	
Moyne Health Services	6.51%	0.95%	5.88%	1.21%	-2.07%	2.49%	▼	
Nathalia District Hospital	-2.39%	-0.92%	1.78%	-8.19%	47.67%	7.59%	▲	
Numurkah District Health Service	4.02%	4.44%	12.05%	6.55%	-5.82%	4.25%	■	
Omeo District Health	-7.16%	-0.24%	-6.29%	-3.42%	-7.57%	-4.94%	■	
Orbost Regional Health	0.84%	-1.31%	2.37%	4.27%	-5.97%	0.04%	■	
Otway Health & Community Services	4.23%	12.11%	4.35%	7.15%	0.66%	5.70%	■	
Portland District Health	-5.95%	-1.92%	-2.81%	-1.05%	-9.34%	-4.22%	■	
Robinvale District Health Services	0.91%	6.02%	2.77%	2.18%	-3.15%	1.75%	▼	
Rochester and Elmore District Health Service	2.65%	-7.48%	42.82%	39.67%	26.11%	20.75%	■	
Rural Northwest Health	15.48%	5.30%	44.57%	6.03%	-9.90%	12.29%	■	
Seymour District Memorial Hospital	33.90%	-3.41%	-0.09%	-8.27%	-6.03%	3.22%	▼	
South Gippsland Hospital	-7.45%	2.75%	5.18%	8.47%	-7.26%	0.34%	■	
Stawell Regional Health	-3.76%	-0.87%	2.50%	-0.32%	-5.20%	-1.53%	■	
Tallangatta Health Service	4.17%	0.90%	-4.97%	-3.81%	-12.75%	-3.29%	▼	
Terang and Mortlake Health Service	4.67%	1.35%	1.73%	3.73%	-5.31%	1.23%	■	
Timboon and District Healthcare Service	18.85%	20.58%	21.26%	20.57%	2.35%	16.72%	▼	
Upper Murray Health & Community Services	5.76%	1.78%	14.28%	6.34%	-4.86%	4.66%	■	
West Wimmera Health Service	8.78%	2.05%	5.23%	1.53%	-5.97%	2.33%	▼	
Yarram & District Health Service	6.18%	4.57%	4.11%	-3.20%	-9.44%	0.44%	▼	
Yarrawonga District Health Service	-15.94%	0.50%	-1.30%	0.06%	-11.51%	-5.64%	■	
Yea & District Memorial Hospital	-0.21%	-10.20%	-1.88%	7.73%	-1.10%	-1.13%	■	
Rural hospital average	3.24%	1.30%	3.43%	2.78%	-3.71%	1.41%	▼	

Source: Victorian Auditor-General's Office.

Figure B12
Liquidity 2006 to 2010

Rural hospitals	Liquidity						Mean	Trend
	2006	2007	2008	2009	2010			
Alexandra District Hospital	4.04	5.18	5.10	6.98	9.33	6.13	▲	
Alpine Health	0.48	0.55	0.64	0.60	0.63	0.58	■	
Bass Coast Regional Health	0.93	0.96	1.05	0.76	0.72	0.88	■	
Beaufort & Skipton Health Services	1.57	2.46	2.03	2.04	2.76	2.17	■	
Beechworth Health Service	1.58	1.68	1.67	1.01	1.12	1.41	▼	
Benalla and District Memorial Hospital	3.09	2.47	3.11	3.37	2.79	2.97	■	
Boort District Hospital	1.40	1.50	1.64	2.00	2.01	1.71	▲	
Casterton Memorial Hospital	0.69	0.90	1.08	1.31	1.41	1.08	▲	
Castlemaine Health	1.12	1.11	1.01	1.12	0.98	1.07	■	
Cobram District Hospital	2.33	2.00	2.09	2.08	1.69	2.04	▼	
Cohuna District Hospital	1.74	1.77	1.60	1.82	1.84	1.75	■	
Colac Area Health	0.56	0.73	0.68	0.72	0.45	0.63	■	
Djerriwarrh Health Services	0.77	0.67	0.74	0.99	1.01	0.84	▲	
Dunmunkle Health Services	0.94	1.39	1.05	0.80	0.97	1.03	■	
East Grampians Health Service	1.47	1.20	1.23	1.34	1.43	1.33	▲	
East Wimmera Health Service	2.44	2.34	1.37	1.10	1.08	1.66	▼	
Edenhope and District Hospital	1.42	1.59	2.01	2.24	1.79	1.81	■	
Gippsland Southern Health Service	3.44	3.31	2.81	3.38	3.28	3.24	■	
Heathcote Health	4.15	4.00	5.70	3.17	4.42	4.29	■	
Hepburn Health Service	1.59	2.29	2.38	1.83	1.49	1.91	■	
Hesse Rural Health Service	0.93	0.95	0.99	0.25	0.27	0.68	▼	
Heywood Rural Health	1.01	1.17	1.13	1.09	1.18	1.12	■	
Inglewood and District Health Service	1.40	1.33	1.38	1.41	1.44	1.39	■	
Kerang District Health	0.85	1.17	1.80	1.75	2.24	1.56	▲	
Kilmore and District Hospital	2.43	1.29	1.29	1.20	1.15	1.47	▼	
Kooweerup Regional Health Service	1.13	1.21	1.57	1.34	1.28	1.31	■	
Kyabram and District Health Services	4.85	1.69	2.03	2.42	2.18	2.64	■	
Kyneton District Health Service	1.21	0.79	1.01	0.81	0.34	0.83	▼	

Figure B12
Liquidity 2006 to 2010 – continued

Rural hospitals	Liquidity						Mean	Trend
	2006	2007	2008	2009	2010			
Lorne Community Hospital	1.65	2.08	2.53	2.21	1.95	2.08	■	
Maldon Hospital	1.91	2.13	2.29	2.70	2.38	2.28	▲	
Mallee Track Health and Community Services	4.98	4.77	4.32	4.89	4.19	4.63	■	
Mansfield District Hospital	0.62	0.69	0.77	0.73	0.89	0.74	■	
Maryborough District Health Service	2.15	2.14	2.39	1.79	1.51	1.99	■	
Moyne Health Services	0.94	0.90	1.09	1.09	1.06	1.02	■	
Nathalia District Hospital	2.19	2.14	2.58	3.25	2.50	2.53	■	
Numurkah District Health Service	1.18	1.28	1.63	1.72	1.72	1.50	▲	
Omeo District Health	1.08	1.49	1.61	1.66	1.80	1.53	▲	
Orbost Regional Health	1.48	1.52	1.67	2.08	2.47	1.85	▲	
Otway Health & Community Services	1.29	1.45	1.35	1.47	1.71	1.45	▲	
Portland District Health	0.63	0.78	1.07	0.94	0.70	0.82	■	
Robinvale District Health Services	3.47	2.16	1.66	1.94	1.54	2.15	▼	
Rochester and Elmore District Health Service	0.76	0.96	1.29	1.31	1.27	1.12	▲	
Rural Northwest Health	1.25	1.35	1.84	1.88	1.96	1.66	▲	
Seymour District Memorial Hospital	2.51	4.46	5.87	2.62	2.63	3.62	■	
South Gippsland Hospital	2.96	3.40	3.74	4.33	2.95	3.48	■	
Stawell Regional Health	1.17	1.12	1.49	1.50	1.53	1.36	▲	
Tallangatta Health Service	1.41	1.58	1.35	1.19	1.18	1.34	▼	
Terang and Mortlake Health Service	2.55	2.55	2.71	2.21	1.93	2.39	▼	
Timboon and District Healthcare Service	7.52	7.37	10.38	12.98	16.99	11.05	▲	
Upper Murray Health & Community Services	1.16	0.90	1.24	1.21	1.35	1.17	▲	
West Wimmera Health Service	0.61	0.68	1.11	1.24	1.39	1.01	▲	
Yarram & District Health Service	2.39	2.74	0.61	2.13	1.98	1.97	■	
Yarrawonga District Health Service	0.88	1.04	1.14	1.14	1.14	1.07	■	
Yea & District Memorial Hospital	2.28	1.99	2.15	2.51	2.03	2.19	■	
Rural hospital average	1.86	1.88	2.04	2.07	2.11	1.99	▲	

Source: Victorian Auditor-General's Office.

Figure B13
Average number of days cash available 2006 to 2010

Rural hospitals	Average number of days cash available						
	2006	2007	2008	2009	2010	Mean	Trend
Alexandra District Hospital	47.79	61.57	53.49	28.90	37.44	45.84	■
Alpine Health	13.56	34.20	37.17	32.85	19.67	27.49	■
Bass Coast Regional Health	29.27	49.30	20.03	5.81	0.46	20.97	▼
Beaufort & Skipton Health Services	66.75	28.55	26.93	100.42	67.14	57.96	■
Beechworth Health Service	33.40	43.64	50.72	36.68	14.20	35.73	■
Benalla and District Memorial Hospital	17.34	27.65	37.95	78.72	96.36	51.60	▲
Boort District Hospital	72.61	45.64	29.10	65.72	49.23	52.46	■
Casterton Memorial Hospital	18.26	76.86	98.05	95.92	107.60	79.34	▲
Castlemaine Health	55.76	49.72	32.32	41.82	40.23	43.97	■
Cobram District Hospital	46.59	26.89	28.00	23.36	33.03	31.57	■
Cohuna District Hospital	53.45	32.97	44.93	51.41	60.66	48.68	▲
Colac Area Health	15.81	21.88	11.71	16.52	6.79	14.54	▼
Djerriwarrh Health Services	5.50	3.05	3.07	20.97	9.21	8.36	■
Dunmunkle Health Services	9.93	20.92	15.43	21.96	9.55	15.56	■
East Grampians Health Service	46.26	36.19	44.99	50.69	57.29	47.09	▲
East Wimmera Health Service	31.54	36.58	27.47	17.86	23.76	27.44	▼
Edenhope and District Hospital	83.33	136.03	185.77	139.48	111.86	131.29	■
Gippsland Southern Health Service	7.30	3.37	9.09	0.52	9.74	6.00	■
Heathcote Health	70.50	20.64	30.54	7.35	26.76	31.16	■
Hepburn Health Service	25.61	49.06	50.14	64.20	12.00	40.20	■
Hesse Rural Health Service	84.02	23.24	53.91	50.76	34.20	49.23	▼
Heywood Rural Health	15.22	50.14	52.64	51.05	70.23	47.85	▲
Inglewood and District Health Service	25.60	26.49	26.56	12.24	29.94	24.17	■
Kerang District Health	39.45	41.17	48.99	40.67	14.79	37.01	▼
Kilmore and District Hospital	32.18	21.60	8.92	29.04	13.63	21.07	■
Kooweerup Regional Health Service	21.75	2.50	2.31	13.13	42.13	16.36	▲
Kyabram and District Health Services	29.32	22.74	5.40	26.99	25.78	22.05	■
Kyneton District Health Service	15.00	7.43	21.85	10.76	6.79	12.36	■

Figure B13
Average number of days cash available 2006 to 2010 – continued

Rural hospitals	Average number of days' cash available						
	2006	2007	2008	2009	2010	Mean	Trend
Lorne Community Hospital	32.12	93.31	138.74	104.91	32.26	80.27	■
Maldon Hospital	105.52	123.26	31.51	14.21	31.93	61.29	▼
Mallee Track Health and Community Services	50.53	39.52	37.67	48.99	21.79	39.70	▼
Mansfield District Hospital	6.88	9.95	1.94	7.52	10.95	7.45	■
Maryborough District Health Service	77.04	34.36	60.15	15.46	13.02	40.01	▼
Moyne Health Services	85.63	93.36	89.57	39.63	8.19	63.28	▼
Nathalia District Hospital	20.46	21.86	85.25	87.07	54.66	53.86	■
Numurkah District Health Service	50.05	67.57	117.10	126.48	135.14	99.27	▲
Omeo District Health	50.65	58.83	75.56	87.32	47.30	63.93	■
Orbost Regional Health	82.73	51.02	79.47	128.65	100.36	88.45	■
Otway Health & Community Services	48.48	13.23	7.12	15.78	19.85	20.89	■
Portland District Health	13.04	11.71	15.69	41.06	11.57	18.62	■
Robinvale District Health Services	105.84	117.54	81.99	88.04	54.75	89.63	▼
Rochester and Elmore District Health Service	31.16	72.40	115.65	104.85	79.63	80.74	■
Rural Northwest Health	29.71	83.71	56.66	141.12	129.18	88.07	▲
Seymour District Memorial Hospital	59.35	18.93	26.28	16.31	15.45	27.27	▼
South Gippsland Hospital	171.51	207.49	54.49	31.12	23.01	97.52	▼
Stawell Regional Health	3.70	23.96	40.90	28.06	41.89	27.70	▲
Tallangatta Health Service	98.72	87.70	111.20	103.23	9.20	82.01	▼
Terang and Mortlake Health Service	26.28	29.05	32.73	31.05	8.84	25.59	▼
Timboon and District Healthcare Service	67.89	87.50	66.27	122.89	57.40	80.39	■
Upper Murray Health & Community Services	68.97	45.97	65.26	61.71	78.11	64.01	▲
West Wimmera Health Service	17.17	25.41	73.86	68.25	80.93	53.12	▲
Yarram & District Health Service	125.71	164.40	157.61	143.61	48.10	127.88	▼
Yarrawonga District Health Service	16.46	30.65	1.27	27.15	25.42	20.19	■
Yea & District Memorial Hospital	68.63	86.41	52.41	86.42	0.88	58.95	▼
Rural hospital average	46.80	49.98	50.63	53.83	40.19	48.29	■

Source: Victorian Auditor-General's Office.

Figure B14
Self-financing (%) 2006 to 2010

Rural hospitals	Self-financing %						Mean	Trend
	2006	2007	2008	2009	2010			
Alexandra District Hospital	15.10%	9.14%	17.90%	18.80%	44.76%	21.14%	▲	
Alpine Health	4.16%	6.75%	3.88%	3.06%	-0.56%	3.46%	▼	
Bass Coast Regional Health	4.92%	6.32%	2.87%	0.12%	2.15%	3.28%	▼	
Beaufort & Skipton Health Services	7.51%	0.95%	10.50%	6.57%	-3.32%	4.44%	■	
Beechworth Health Service	-0.27%	7.74%	0.51%	7.00%	-2.62%	2.47%	■	
Benalla and District Memorial Hospital	9.34%	7.67%	7.74%	11.98%	4.18%	8.18%	▼	
Boort District Hospital	8.95%	3.43%	-3.64%	15.77%	4.41%	5.78%	■	
Casterton Memorial Hospital	8.73%	10.35%	7.01%	4.84%	6.98%	7.58%	▼	
Castlemaine Health	13.45%	2.91%	4.15%	0.00%	1.38%	4.38%	▼	
Cobram District Hospital	4.23%	5.07%	7.94%	2.81%	17.20%	7.45%	▲	
Cohuna District Hospital	6.72%	-1.39%	4.41%	4.83%	6.06%	4.12%	▲	
Colac Area Health	26.70%	9.88%	5.23%	1.70%	-1.73%	8.35%	▼	
Djerriwarrh Health Services	2.51%	14.86%	4.83%	9.46%	3.23%	6.98%	■	
Dunmunkle Health Services	0.16%	6.88%	12.39%	29.87%	-0.88%	9.68%	■	
East Grampians Health Service	1.44%	8.56%	6.86%	5.90%	5.38%	5.63%	■	
East Wimmera Health Service	-0.08%	8.13%	0.62%	4.01%	4.20%	3.38%	■	
Edenhope and District Hospital	3.32%	15.06%	17.09%	1.18%	-2.21%	6.89%	■	
Gippsland Southern Health Service	14.72%	10.60%	9.77%	4.71%	7.96%	9.55%	▼	
Heathcote Health	3.66%	3.55%	0.71%	-1.85%	1.65%	1.54%	■	
Hepburn Health Service	4.11%	8.91%	6.11%	4.53%	15.05%	7.74%	▲	
Hesse Rural Health Service	13.18%	10.92%	20.43%	20.61%	4.58%	13.94%	■	
Heywood Rural Health	9.94%	1.08%	4.74%	4.84%	6.59%	5.44%	▲	
Inglewood and District Health Service	2.64%	8.64%	9.06%	5.50%	8.69%	6.91%	■	
Kerang District Health	6.52%	5.97%	7.00%	3.52%	5.78%	5.76%	■	
Kilmore and District Hospital	4.35%	1.51%	3.69%	7.98%	-1.07%	3.29%	■	
Kooweerup Regional Health Service	20.38%	13.43%	16.82%	20.45%	19.29%	18.07%	■	
Kyabram and District Health Services	6.20%	8.01%	2.22%	10.20%	6.23%	6.57%	■	
Kyneton District Health Service	10.13%	-0.47%	9.45%	6.95%	3.34%	5.88%	▼	

Figure B14
Self-financing (%) 2006 to 2010 – continued

Rural hospitals	Self-financing %						Mean	Trend
	2006	2007	2008	2009	2010			
Lorne Community Hospital	33.62%	18.16%	7.48%	2.57%	0.34%	12.43%	▼	
Maldon Hospital	10.16%	10.04%	10.08%	0.63%	17.00%	9.58%	■	
Mallee Track Health and Community Services	16.18%	11.77%	7.87%	12.56%	3.07%	10.29%	▼	
Mansfield District Hospital	6.03%	5.53%	3.21%	3.83%	4.39%	4.60%	■	
Maryborough District Health Service	27.63%	12.44%	8.92%	6.27%	2.15%	11.48%	▼	
Moyne Health Services	26.68%	5.33%	12.89%	7.40%	9.36%	12.33%	▼	
Nathalia District Hospital	4.97%	5.11%	-1.78%	8.19%	52.84%	13.86%	▲	
Numurkah District Health Service	12.76%	8.30%	17.33%	11.60%	5.20%	11.04%	▼	
Omeo District Health	13.77%	5.49%	5.29%	6.08%	5.02%	7.13%	▼	
Orbost Regional Health	9.77%	5.12%	7.60%	14.53%	1.33%	7.67%	■	
Otway Health & Community Services	10.47%	17.06%	7.57%	10.04%	7.94%	10.62%	▼	
Portland District Health	1.70%	10.84%	0.40%	5.11%	-3.25%	2.96%	▼	
Robinvale District Health Services	8.74%	14.33%	6.50%	1.91%	14.40%	9.18%	■	
Rochester and Elmore District Health Service	6.83%	2.31%	43.83%	42.54%	34.84%	26.07%	▲	
Rural Northwest Health	11.84%	21.53%	42.23%	12.97%	3.68%	18.45%	■	
Seymour District Memorial Hospital	41.77%	3.41%	4.82%	0.36%	1.22%	10.31%	▼	
South Gippsland Hospital	10.06%	5.74%	8.02%	16.75%	-2.23%	7.67%	■	
Stawell Regional Health	3.36%	10.57%	5.18%	3.76%	3.68%	5.31%	▼	
Tallangatta Health Service	17.30%	1.89%	10.79%	0.01%	1.16%	6.23%	▼	
Terang and Mortlake Health Service	10.14%	5.86%	5.72%	4.36%	7.68%	6.75%	■	
Timboon and District Healthcare Service	25.64%	28.32%	26.04%	27.01%	13.71%	24.15%	▼	
Upper Murray Health & Community Services	9.35%	7.82%	17.21%	10.08%	6.44%	10.18%	■	
West Wimmera Health Service	16.78%	8.87%	13.47%	4.24%	7.35%	10.14%	▼	
Yarram & District Health Service	22.53%	11.08%	8.56%	4.96%	1.66%	9.76%	▼	
Yarrawonga District Health Service	1.39%	4.85%	7.89%	8.06%	3.04%	5.04%	■	
Yea & District Memorial Hospital	12.69%	8.57%	1.96%	11.65%	18.30%	10.63%	■	
Rural hospital average	10.83%	8.24%	9.06%	8.39%	7.17%	8.74%	▼	

Source: Victorian Auditor-General's Office.

Figure B15
Capital replacement 2006 to 2010

Rural hospitals	Capital replacement						Mean	Trend
	2006	2007	2008	2009	2010			
Alexandra District Hospital	1.11	0.89	1.03	1.75	4.06	1.77	▲	
Alpine Health	0.33	0.44	0.87	0.63	0.17	0.49	■	
Bass Coast Regional Health	1.07	1.18	0.88	1.22	0.98	1.07	■	
Beaufort & Skipton Health Services	4.19	11.23	1.37	0.09	0.17	3.41	▼	
Beechworth Health Service	0.85	0.67	0.37	0.50	0.34	0.55	▼	
Benalla and District Memorial Hospital	3.61	0.92	1.17	0.87	0.91	1.50	▼	
Boort District Hospital	1.10	2.10	0.83	1.30	0.47	1.16	▼	
Casterton Memorial Hospital	0.24	0.83	0.24	0.71	0.29	0.46	■	
Castlemaine Health	2.28	5.96	1.64	0.47	0.21	2.11	▼	
Cobram District Hospital	0.60	1.36	1.54	1.26	2.10	1.37	▲	
Cohuna District Hospital	1.31	0.44	0.49	0.62	0.32	0.64	▼	
Colac Area Health	7.11	2.24	1.78	0.49	0.32	2.38	▼	
Djerriwarrh Health Services	1.58	3.56	0.80	0.73	0.89	1.51	■	
Dunmunkle Health Services	0.78	0.98	2.47	10.11	0.49	2.97	■	
East Grampians Health Service	4.71	5.61	0.95	0.77	0.49	2.50	▼	
East Wimmera Health Service	0.92	0.86	1.22	1.21	0.32	0.91	■	
Edenhope and District Hospital	1.52	0.66	0.91	2.02	0.35	1.09	■	
Gippsland Southern Health Service	1.77	1.48	3.57	5.85	0.27	2.59	■	
Heathcote Health	0.53	1.71	0.77	1.73	0.44	1.04	■	
Hepburn Health Service	1.09	0.83	0.55	2.23	2.93	1.53	▲	
Hesse Rural Health Service	1.69	1.62	4.49	12.53	0.99	4.27	■	
Heywood Rural Health	0.81	0.59	0.94	0.71	0.19	0.65	▼	
Inglewood and District Health Service	0.76	1.94	1.12	1.42	0.51	1.15	▼	
Kerang District Health	0.49	0.84	0.53	0.70	0.21	0.55	▼	
Kilmore and District Hospital	0.95	0.61	1.76	0.68	0.28	0.85	■	
Kooweerup Regional Health Service	1.70	1.04	1.13	6.48	1.36	2.34	▲	
Kyabram and District Health Services	1.61	2.30	3.66	0.98	0.24	1.76	■	
Kyneton District Health Service	0.89	2.20	1.07	2.04	1.05	1.45	■	

Figure B15
Capital replacement 2006 to 2010 – continued

Rural hospitals	Capital replacement						Mean	Trend
	2006	2007	2008	2009	2010			
Lorne Community Hospital	5.46	0.66	0.29	0.39	0.37	1.43	▼	
Maldon Hospital	0.02	0.92	0.39	1.07	0.55	0.59	▲	
Mallee Track Health and Community Services	1.17	1.72	1.45	1.16	0.57	1.21	▼	
Mansfield District Hospital	1.11	0.97	1.52	0.72	0.34	0.93	▼	
Maryborough District Health Service	4.58	2.44	0.86	3.73	1.11	2.54	■	
Moyne Health Services	6.18	0.54	0.29	0.89	0.89	1.76	■	
Nathalia District Hospital	1.43	1.78	15.58	58.23	14.28	18.26	▲	
Numurkah District Health Service	1.80	0.74	0.54	1.00	0.43	0.90	▼	
Omeo District Health	4.94	0.54	0.05	0.47	0.25	1.25	▼	
Orbost Regional Health	1.46	1.12	1.05	0.79	0.60	1.00	▼	
Otway Health & Community Services	1.00	1.61	2.80	0.53	0.78	1.35	■	
Portland District Health	0.89	4.88	1.05	0.81	0.31	1.59	▼	
Robinvale District Health Services	3.31	3.38	4.57	1.08	0.55	2.58	▼	
Rochester and Elmore District Health Service	1.62	3.41	14.97	10.77	4.81	7.12	■	
Rural Northwest Health	3.88	16.03	16.82	1.63	0.25	7.72	■	
Seymour District Memorial Hospital	12.88	4.46	0.66	1.69	0.76	4.09	▼	
South Gippsland Hospital	0.73	1.04	1.41	3.36	2.13	1.74	▲	
Stawell Regional Health	2.13	1.84	0.59	1.38	0.49	1.29	▼	
Tallangatta Health Service	0.60	0.59	1.02	0.79	0.39	0.68	■	
Terang and Mortlake Health Service	2.19	1.91	1.70	1.49	0.50	1.56	▼	
Timboon and District Healthcare Service	1.05	1.93	0.31	1.09	0.57	0.99	■	
Upper Murray Health & Community Services	0.95	3.39	4.45	2.88	0.20	2.37	■	
West Wimmera Health Service	0.54	0.48	0.49	1.10	0.32	0.59	■	
Yarram & District Health Service	0.45	0.92	1.89	1.36	0.34	0.99	■	
Yarrawonga District Health Service	14.64	3.81	0.75	1.18	0.15	4.10	▼	
Yea & District Memorial Hospital	0.80	0.40	0.24	0.56	1.59	0.72	▲	
Rural hospital average	2.25	2.16	2.11	2.97	1.02	2.10	▼	

Source: Victorian Auditor-General's Office.

Appendix C.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Health and all named agencies with a request for submissions or comments.

The submissions and comments provided for publication are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

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Submissions and comments received

RESPONSE provided by the Secretary of the Department of Health



Department of Health

Secretary

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e2150738

Mr D D R Pearson
Auditor-General
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson

Thank you for your letter of 14 December 2010 inviting me to comment on the forthcoming *Acquittal Report: Results of the 2009-10 Audits*.

I can confirm that I am satisfied with the fairness and accuracy of the report, although the draft report blacks out the summary information of the five year average financial sustainability results for each public hospital category in Figure E (page 9), so I am unable to form a view as to the table contents and what looks to be further commentary below that table.

There is also a factual error in the number of hospitals receiving letters of comfort in 2009-10, which should be amended from 22 to 31, copies of which will be provided to your office.

I would like to include a succinct response to your findings and recommendation which is included as Attachment 1.

I would like to thank your staff for the manner in which the audit has been conducted.

Yours sincerely

FRAN THORN
Secretary

Encl. Attachment 1



RESPONSE provided by the Secretary of the Department of Health – continued

Attachment 1

RESPONSE provided by the Secretary, Department of Health

I believe the report generally provides a balanced analysis of the issues of public hospital financial sustainability.

While 26 public hospitals were assessed as high risk at 30 June 2010, the report acknowledges that this arises most commonly because hospitals were assessed as generating insufficient cash to be able to adequately fund their operations. The department continues to pay grants twice each month and closely monitor hospital financial performance.

The audit makes some observations in regard to better practice in the preparation of financial reports where there is always room for improvement particularly in the areas identified.

Recommendation

Entities should adopt the shortened annual reporting time frames achieved for the 2009-10 reporting cycle as the standard for future reporting cycles.

Recommendation 1

Agree in principle.

A statewide approach to an earlier reporting cycle is agreed in principle. As acknowledged in the report, the earlier timeframe was a result of the timing of the 2010 State election and this challenging timeframe should be revisited as part of a whole of government assessment of the related risks and benefits.

