ACT AUDITOR-GENERAL'S OFFICE

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COMMITTEE OFFICE

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Mr Steve Doszpot MLA
Chair
Standing Committee on Health, Community and Social Services
ACT Legislative Assembly
London Circuit, Canberra ACT 2601

Dear Mr Doszpot

Inquiry into Calvary Public Hospital Options – Accounting for Arrangements relating to the Calvary Public Hospital

On 21 December 2010, I received a letter from Mr Brendan Smyth MLA in relation to the inquiry by the Standing Committee on Health, Community and Social Services into Calvary Public Hospital options. This letter asked for information on the accounting advice provided to the Audit Office by Ernst & Young on this matter.

I understand that the accounting treatment for the arrangements between ACT Health and Calvary Public Hospital is a matter that may be relevant to the inquiry by the Standing Committee on Health, Community and Social Services into options relating to the Calvary Public Hospital.

Accounting advisors for the Department of Treasury and Calvary Health Care (ACT) Limited (Calvary) have reached different conclusions on the appropriate accounting treatment.

The Audit Office has obtained its own independent advice from Ernst & Young on the appropriate accounting treatment. This advice takes into account information provided by Treasury and the then Chair of Calvary Health Care Limited (ACT), Mr Tom Brennan on the appropriate accounting treatment.

The Ernst & Young advice concludes that:

> 'We ..... continue to hold the view that the arrangement entered into by ACT Health and Calvary in relation to the public hospital assets:
>
> - **has features of a service concession arrangement**; and
> - meets the scope criteria under AASB Interpretation 12: *Service Concession Arrangements* as it could apply to the Territory.
>
> While Interpretation 12 does not apply to the grantor of such an arrangement, we continue to hold the view that the Territory can apply the principles of Interpretation 12 by virtue of a **voluntary** change in accounting policy under AASB 108.' (Bold emphasis added)

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

The Audit Office has reviewed the Ernst & Young advice and is also satisfied that the arrangement between ACT Health (and the Territory) and Calvary is a service concession arrangement.

This means ACT Health (and the Territory):

- could continue to apply its current accounting policy of not recognising public hospital assets operated by Calvary in its financial statements, as recognition of the assets subject to a service concession arrangement is not presently required by the accounting standards; or

- could voluntarily change its accounting policy to recognise assets subject to the service concession arrangement, if it wishes to do so.

Please contact Mr Bernie Sheville (Director, Financial Audits) on 6207 0821, if you would like the Audit Office to provide a briefing to the Committee on this matter.

Yours sincerely

T. Pham

Tu Pham
Auditor-General
8 March 2011