



**Annual Report**  
2011-12

**INDEPENDENT HOSPITAL PRICING AUTHORITY**  
**ANNUAL REPORT 2011-12**



**IHPA**

# About this report

This report is prepared in accordance with the Requirements for Annual Reports 2012, as issued by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accountants Audit under ss. 63(2) and 70(2) of the *Public Service Act 1999*.

The report is a formal accountability document that details the activities of the Independent Hospital Pricing Authority (IHPA) during its first year of operation from 15 December 2011–30 June 2012.

This report will provide Members of Parliament and Senators with an accurate description of IHPA's activities during its inaugural year of operation. It will also provide a valuable resource of information for IHPA's stakeholders including the general public.

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# Preface

This Independent Hospital Pricing Authority (IHPA) inaugural Annual Report starts with a letter from our acting Chief Executive Officer, Dr Tony Sherbon, to the Minister for Health, the Hon. Tanya Plibersek, MP, asking her to present the Annual Report to Parliament.

**Introduction** – provides an explanation of the role of IHPA. It includes commentary about how the organisation was set up in the interim period before it became fully operational on 15 December 2011.

**CHAPTER 1: Overview** – provides a welcome from the IHPA Chair and presents the acting Chief Executive Officer's review of the reporting year. This section reports on the highlights and achievements of IHPA's first year of operation and outlines directions for the year ahead. The overview provides an introduction to the Pricing Authority members and outlines the roles of the statutory committees.

**CHAPTER 2: Clinical Advisory Committee Annual Report** – as required by s. 178 of the *National Health Reform Act 2011*, this section provides the Annual Report on behalf of the Clinical Advisory Committee.

**CHAPTER 3: Performance reporting** – outlines our specific program areas, policy development and reporting requirements as specified in the *National Health Reform Agreement (NHRA) 2011* and the *National Health Reform Act 2011*.

**CHAPTER 4: Management and accountability** – reports on our corporate governance, people management and corporate planning activities, and provides information on compliance with external legislative requirements. This includes risk management, purchasing and contracting, assets management and human resource management.

**CHAPTER 5: Financial management** – includes a discussion and analysis of our financial performance, the independent auditor's reports, a signed statement by the acting Chief Executive Officer and Chief Financial Officer as well as a complete set of Financial Statements for IHPA from 15 December 2011 to 30 June 2012.

The **appendices** include information about freedom of information, marketing and advertising, as well as a list of abbreviations, a glossary, a legislative compliance index and an alphabetical index.

# Letter of transmittal



The Hon. Tanya Plibersek, MP  
Minister for Health  
Parliament House  
Canberra ACT 2600

Dear Minister,

In accordance with the requirements of the *National Health Reform Act 2011* and the *Financial Management and Accountability Act 1997*, I am pleased to submit to you, for presentation to Parliament, the inaugural Annual Report and Financial Statements of the Independent Hospital Pricing Authority (IHPA) for the year ended 30 June 2012.

The report reflects the *Requirements for Annual Reports* approved by the Joint Committee of Public Accounts and Audit under s. 63 and 70 of the *Public Service Act 1999* and includes IHPA's audited Financial Statements as required by s. 57 of the *Financial Management and Accountability Act 1997*.

I am satisfied that the inaugural IHPA report has demonstrated that IHPA has prepared fraud risk assessments and fraud control plans and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the Agency and comply with the *Commonwealth Fraud Control Guidelines*.

Yours sincerely

**Dr Tony Sherbon**  
Acting Chief Executive Officer  
Independent Hospital Pricing Authority  
11 October 2012

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**Independent Hospital Pricing Authority**

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## INTRODUCTION

- Background
- About IHPA
- IHPA's vision, mission and values
- Organisational structure

# Background

In August 2011, the Prime Minister, Premiers and Chief Ministers meeting as the Council of Australian Governments (COAG), unanimously agreed to the establishment of Activity Based Funding (ABF) as the primary funding methodology for public hospitals throughout Australia in the National Health Reform Agreement (NHRA) 2011. COAG agreed to the establishment of the Independent Hospital Pricing Authority (IHPA) as a national organisation created under Commonwealth statute to deliver a number of the key policy decisions that would underpin the establishment of ABF across Australia.

COAG also agreed to establish an interim IHPA to progress work on ABF whilst legislation was considered by Parliament to establish IHPA. The interim IHPA commenced operation on 1 September 2011 before legislation was passed by Parliament in November 2011 and Royal Assent received on 29 November 2011. IHPA became operational on 15 December 2011 at the date of commencement of the *National Health Reform Act 2011* (the Act).

An interim Clinical Advisory Committee (CAC) was also established under s. 178 of the Act by the then Minister for Health and Ageing, the Hon. Nicola Roxon, MP. It consisted of 16 members.



# About IHPA

IHPA is an independent statutory authority established under Commonwealth legislation on 15 December 2011 as part of the National Health Reform Agreement (NHRA) reached by the Council of Australian Governments (COAG) in August 2011.

The NHRA sets out the intention of the Australian Government and state and territory governments to work in partnership to improve health outcomes for all Australians.

IHPA is a key element of the NHRA, and is charged with determining the National Efficient Price (NEP) for public hospital services, allowing for the national introduction of Activity Based Funding (ABF). This will ensure public hospitals receive funding based on unit costs and will encourage developments in best practice care across the healthcare system. From 1 July 2012, the Australian Government will use the NEP to determine Australian Government funding to Local Hospital Networks (LHNs).

The implementation of ABF will improve transparency, and strengthen incentives for efficiency in the delivery of public hospital services.

IHPA is responsible for a series of structural reforms aimed at improving the efficiency and sustainability of the public hospital system for all Australians. During 2011–12, while maintaining and protecting its independence, IHPA worked collaboratively with the jurisdictions, advisory committees and key stakeholders to develop foundations to implement a nationally consistent approach to ABF.

IHPA is governed by the Pricing Authority, which is primarily responsible for the proper and efficient performance of IHPA's functions. Members of the Pricing Authority are appointed by the Australian Government Minister for Health. They bring various skills, including experience in both healthcare needs and the provision of health care for people living in regional and rural areas. The members of the Pricing Authority report directly to the Minister. However, as outlined in the *National Health Reform Act 2011*, the Minister is unable to direct the functions of IHPA.

The Pricing Authority is supported by a Chief Executive, who is responsible for the day-to-day running of the Agency.

A number of advisory committees have been established to advise IHPA on matters in relation to the functions of IHPA. These committees ensure that the underlying principles applied to setting the NEP are both clinically relevant and technically appropriate.

As a new and independent Agency, over this period IHPA has also focused on building organisational capacity. This included:

- moving from an interim location in Canberra to permanent premises in Sydney
- recruiting and training a full complement of staff
- developing a full corporate governance framework and Agency arrangements.

**In this report, the 'Pricing Authority' refers to the governing members and 'IHPA' refers to the Agency.**



## ESTABLISHMENT OF THE INDEPENDENT HOSPITAL PRICING AUTHORITY

August 2011 – COAG (Council of Australian Governments) agreed to the establishment of Activity Based Funding (ABF) as the primary funding methodology for public hospitals throughout Australia in the National Health Reform Agreement 2011.

August 2011 – as part of the National Health Reform Agreement 2011, COAG also agreed to the establishment of an interim IHPA while the *National Health Reform Act 2011* was being considered in Parliament, to ensure work on ABF progressed.

1 September 2011 – the interim IHPA commenced operation.

November 2011 – the *National Health Reform Act 2011* was passed by Parliament and Royal assent received on 29 November.

15 December 2011 – the *National Health Reform Act 2011* commenced and IHPA became fully operational as a prescribed Agency with responsibilities and functions outlined under the *Financial Management and Accountability Act 1997* (FMA Act).



# IHPA's vision, mission and values

**Our vision** is for all Australians to have access to a sustainable, locally-controlled health system that funds public hospital services using activity based funding, where practicable, based on a national efficient price.

**Our mission** is to promote improved efficiency in, and access to, public hospital services through setting the national efficient price and levels of block funding for hospital services.

**Our values** are to act with independence, transparency, integrity, fairness, respect, accuracy and accountability. We value collaboration and demonstrate our values in our interaction within IHPA, with our stakeholders and the community.

IHPA values the work, talent and contribution of its people and is creating organisation-wide development strategies to maintain and grow discipline, expertise and intellectual capital. We facilitate an atmosphere of open communication and welcome ideas and innovation. Our people demonstrate a strong team ethic and collaborative culture and take pride in their work.



# Organisational structure

The acting Chief Executive Officer (CEO) of the Independent Hospital Pricing Authority (IHPA) is a statutory office holder of, and reports to, the Pricing Authority, which reports to the Minister for Health.

The organisational units and branches within the Agency operate as follows:

**Office of the CEO** – supports the CEO and IHPA in all ministerial, government and parliamentary matters as well as internal and external communications. This includes secretariat services, parliamentary correspondence and communication such as media and website management.

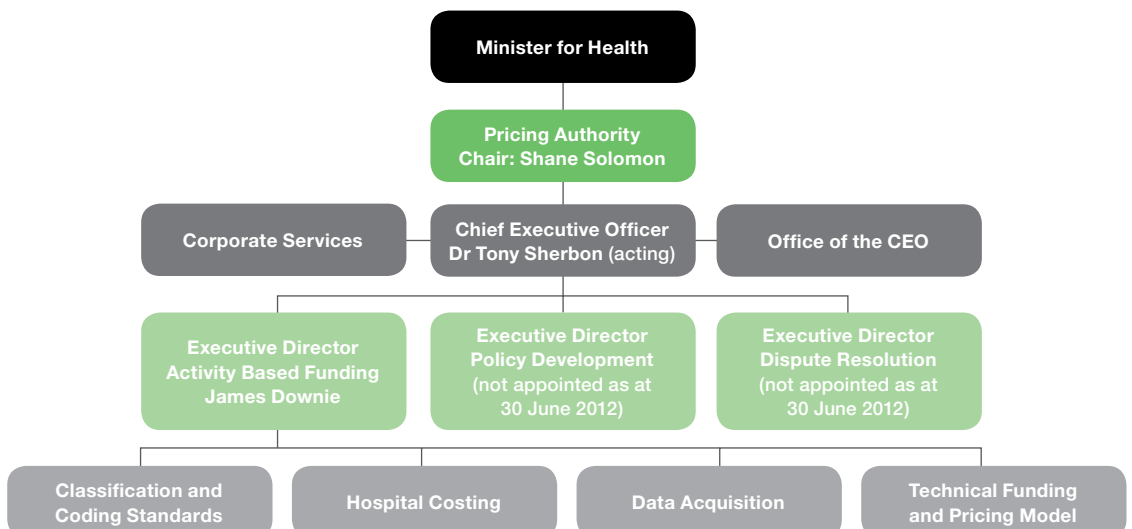
**Corporate Services** – provides business support services in the areas of finance, human resource management, procurement, information and communication technology and governance.

**Activity Based Funding (ABF)** – undertakes ABF activities in the areas of classification and coding standards, hospital costing, data acquisition technical funding and pricing models.

**Policy Development** – develops policy across IHPA including matters relating to ABF and the national efficient price determination.

**Dispute Resolution** – the dispute resolution unit is not yet operational. Plans to develop the unit will commence next financial year.

Figure 1: IHPA's organisational structure at 30 June 2012







## CHAPTER 1: OVERVIEW

- Chair's welcome
- Acting Chief Executive Officer's year in review
- Highlights and achievements 2011–12
- Looking ahead
- The Pricing Authority
- Statutory committees



# Chair's welcome



I am pleased to present the inaugural IHPA Annual Report 2011–12.

IHPA was established in December 2011 to contribute to one of the most significant reforms impacting on public hospitals in recent times. This key reform is the national implementation of Activity Based Funding (ABF) for Australian public hospitals. In its first six months of operation, IHPA has successfully commenced this implementation by delivering a National Efficient Price (NEP) for public hospital services. This NEP underpins the introduction of ABF for Australian Government funded public hospital services nationally from 1 July 2012.

The determination of the NEP for public hospital services that are funded on an activity basis is the primary function of IHPA. The implementation of ABF, including the NEP, develops incentives for efficiency and increases transparency in the delivery of public hospital services across Australia.

IHPA is fortunate to work in partnership with other national agencies and a wide range of stakeholders in working towards improved health outcomes for Australians. IHPA welcomes the opportunity to work with the National Health Performance Authority (NHPA) and the Australian Commission on Safety and Quality in Health Care. These partnerships will ensure that pricing, quality and performance measures for public hospitals are complementary and facilitate a strong national framework for the delivery of public hospital services.

IHPA also acknowledges the contribution of the states and territories as system managers who work in partnership with IHPA. The setting of a NEP will enable states, territories, Local Hospital Networks, clinicians and hospital staff to make informed choices about how best to deliver healthcare for their local communities.

I would like to thank my fellow Pricing Authority members for their contribution in the first year of operation of IHPA. I also recognise the leadership and expertise of the acting Chief Executive Officer, Dr Tony Sherbon, and the staff of IHPA who have done an outstanding job in establishing the Agency as a key participant in the national health reform process in 2012.

A handwritten signature in black ink that reads "Shane Solomon". The signature is written in a cursive style.

**Shane Solomon**  
Pricing Authority Chair  
11 October 2012

# Acting Chief Executive Officer's year in review



I am delighted to report on IHPA's achievements since its formal establishment in December 2011.

In our inaugural year, we have delivered on our key objective, which was to determine the National Efficient Price (NEP) for 2012–13 and prepare the accompanying *Pricing Framework for Australian Public Hospital Services 2012–13*.

The NEP was developed in close consultation with all Australian governments and will be used to calculate Australian Government payments for public hospital services that are funded on an activity basis nationally from 1 July 2012.

The NEP has two key purposes. The first is that it comprises a major determinant of the level of Australian Government funding on public hospital services, and the second is that it provides a price signal or benchmark about the efficient cost of providing public hospital services. This price signal is an important driver of change.

The *Pricing Framework for Australian Public Hospital Services 2012–13* outlines the principles, scope and methodology adopted by IHPA to determine the NEP. The Pricing Framework emphasises the commitment by IHPA to transparency and accountability in how it undertakes it work.

During 2011–12, we have undertaken several major areas of work designed to inform the determination of the NEP, including ongoing consultation in partnership with all Australian health departments. This has provided vital feedback in setting the NEP and resulted in the development of the 'building blocks' required for an annual NEP determination.

Another key area of work for IHPA this year was the development of national classification systems for health care and other public hospital services, including admitted acute, non-admitted and emergency care.

To ensure our classifications remain clinically relevant and robust, we consult widely with clinicians through committees and working groups specifically established to inform the development of defensible, clinically based classifications. We have also developed a suite of data specifications for use under the ABF framework.

On 29 June 2012, we published the draft *Work Program 2011–12 and 2012–13* to inform stakeholders about future projects and priorities. The Work Program has been developed in accordance with the *National Health Reform Act 2011* to set out IHPA's key activities for 2011–12 and 2012–13.

I would like to thank the Pricing Authority Chair and members for their expertise and vision in guiding IHPA through its inaugural year, and also the Clinical Advisory Committee that has provided expert guidance during the interim establishment period of IHPA.

I also acknowledge the contribution of my staff, who ensured a successful start to our contribution to the national health reform process. I look forward to continuing our commitment to ensuring improved efficiency in the delivery of public hospital services throughout Australia.

A handwritten signature in black ink, appearing to read 'A. K. Sherbon'.

**Dr Tony Sherbon**

Acting Chief Executive Officer  
Independent Hospital Pricing Authority  
11 October 2012

# Highlights and achievements 2011–12

In its first year of operation, IHPA has had some significant highlights, detailed below.

**Table 1: Milestones for past financial year 2011–12**

Date	Key milestone
September 2011	The interim IHPA commenced operation
December 2011	IHPA formally established as an Agency under the <i>Financial Management and Accountability Act 1997</i> (FMA Act)
January 2012	Published <i>Activity Based Funding for Australian public hospitals: Towards a Pricing Framework</i> and called for public submissions Finalised National Hospital Cost Data Collection (NHCDC) (Round 14) and activity data sets to determine the NEP for 2012–13
February 2012	Developed draft <i>Work Program 2011–12 and 2012–13</i> Published <i>Strategic Plan – Visions, Values and Future Directions 2011–2014</i>
March 2012	Published <i>ABF Education and Research Strategy</i> Determined the NEP for 2012–13 Provided NHCDC (Round 15) data specifications to state and territory governments
April 2012	Submitted <i>Three Year Data Plan</i> to Standing Council on Health (SCoH) for feedback
May 2012	Developed <i>Data Quality Assurance Framework</i>
June 2012	Published <i>National Efficient Price Determination 2012–13</i> and <i>Pricing Framework for Australian Public Hospital Services 2012–13</i>
	Published draft <i>Work Program 2011–12 and 2012–13</i> for public comment
	Successful relocation of IHPA from Canberra to 1 Oxford St, Sydney

# Looking ahead

Looking forward, IHPA is committed to obtaining accurate activity, cost and expenditure data from jurisdictions on a timely basis so it can set an annual NEP determination that accurately reflects the reality faced by public hospitals. Whilst there have been considerable improvements in the consistency of cost allocation methods applied across states in recent years, we recognise that there needs to be further improvement.

This work will include the revision of a number of classification systems to meet the needs of the National Health Reform Agreement (NHRA) 2011, including the development of a new classification system for mental health. We have started work with the National Mental Health Commission and health departments across all jurisdictions as well as mental health clinicians, professional organisations, mental health carers and consumers to develop a pricing arrangement that will support contemporary models of mental healthcare.

**Table 2: Milestones for next financial year 2012–13**

Target date	Key milestone
July 2012	Publish annual update of <i>Three Year Data Plan</i>
August 2012	Publish finalised <i>Work Program 2011–12 and 2012–13</i>
August 2012	Finalise block funding criteria and seek approval for the criteria from Council of Australian Governments (COAG)
August 2012	Finalise NHCDC (Round 15) and activity data sets for the NEP in 2013–14
September 2012	Finalise next annual update to <i>Three Year Data Plan</i>
September 2012	Release the consultation paper for <i>Pricing Framework for Australian Public Hospital Services 2013–14</i>
October 2012	Finalise cost model for NEP 2013–14
November 2012	Determination of the efficient cost of block funded services
December 2012	Publish data set specifications for NHCDC (Round 16)
February 2013	Determine the NEP 2013–14 and publish the <i>Pricing Framework for Australian Public Hospital Services 2013–14</i>
March 2013	Host National Activity Based Funding Conference 2013 in Sydney to assist in educating hospital and health workers across Australia about activity based funding in public hospitals
June 2013	Development of definitions, data collection, classification and reporting of mental health and sub-acute classifications
June 2013	Finalise approach to pricing quality with the Australian Commission on Safety and Quality in Health Care (ACSQHC)



# The Pricing Authority

The Pricing Authority has an overall governance role and is responsible for the proper and efficient performance of IHPA's functions.

The Pricing Authority consists of a Chair, a Deputy Chair and seven other members, appointed for a period not greater than 5 years. The Pricing Authority Chair is selected and appointed by the Australian Government Minister for Health; the Deputy Chair is appointed with the agreement of the Premiers of states and Chief Ministers of territories; and the other Pricing Authority members are appointed with the agreement of the Prime Minister and states and territories.

Members of the Pricing Authority bring significant expertise and skills to the role, including substantial experience and knowledge of the health care needs and the provision of health care for people living in regional and rural areas. The Pricing Authority is supported by a Chief Executive, who is responsible for the day-to-day running of the Agency.

The Pricing Authority members were appointed in February 2012. Members met on six occasions between February 2012 and 30 June 2012, with two meetings being conducted in March (8 and 21).

The Pricing Authority met on the following dates in 2012:

- 15 February
- 8 March
- 21 March
- 26 April
- 30 May
- 28 June.

**Table 3: Pricing Authority meetings and attendances 2011–12**

Member	Meetings eligible	Meetings attended
Shane Solomon (Chair)	6	6
Jim Birch (Deputy Chair)	6	5
Glenn Appleyard	6	4
Alan Bansemer	6	5
Bruce Chater	6	6
Jane Hall	6	6
Alan Morris	6	4
Jon Stanhope	6	5
Michael Walsh	6	5

## Members of the Pricing Authority 2012



July 2012

1. Mr Glenn Appleyard  
2. Mr Jon Stanhope  
3. Mr Jim Birch, AM

4. Dr Michael Walsh  
5. Mr Alan Bansemer  
6. Associate Professor  
Bruce Chater, OAM

7. Mr Alan Morris  
8. Professor Jane Hall  
9. Mr Shane Solomon

### Mr Shane Solomon (Chair)

Shane Solomon is Partner in Charge, Health Care at KPMG national health care. His credentials span 30 years of international and national healthcare management expertise.

Before joining KPMG, he was the Chief Executive of the Hong Kong Hospital Authority, managing Hong Kong's 57,000 staff within the public hospital system. During his 5-year tenure, he implemented significant funding reforms and oversaw the ongoing development of a comprehensive integrated e-health system.

In Victoria, Shane was Under-Secretary of Health at the Department of Human Services (as it then was) where he was responsible for managing the funding system for Victoria and performance and governance of Melbourne Metropolitan Health Services.

### Mr Jim Birch, AM (Deputy Chair)

Jim Birch lives in Adelaide, South Australia and has been Chair of Rural Health Workforce Australia since July 2007 and a Director of the National Health Call Centre Network since 2008.

Jim is Lead Partner, Health and Human Services at Ernst and Young and was previously Chief Executive of the Department of Health in South Australia.

### Mr Glenn Appleyard

Glenn Appleyard was a member of the Australian Accounting Standards Board from 1 January 2003 to 31 December 2011.

Glenn has held several senior positions within the public service including: Deputy Secretary in the Tasmanian and Victorian Departments of Treasury and Finance, Regional Director for the Australian Bureau of Statistics in Tasmania, and General Manager of the Food, Agriculture and Fisheries Division of the Tasmanian Department of Primary Industries, Water and Environment.

Glenn has an active interest in public finance issues, particularly Australian Government–state financial relations, and is a member of the Commonwealth Grants Commission. He is also currently the Chair of the Tasmanian Economic Regulator.

### Mr Alan Bansemer

Alan Bansemer has over 35 years' experience in the health sector, including 6 years as the West Australian Health Commissioner and 8 years as the Deputy Secretary to the Australian Government Department of Human Services and Health (as it then was). He currently runs his own private consultancy group, Banskott Health Consulting Pty Ltd, providing strategic advice to health departments throughout Australia.

Alan has chaired a number of committees including the Medicare Schedule Review Board and General Practice Consultative Committee. In addition, he has served as a member of numerous health advisory committees including the Australian Health Ministers' Advisory Council, Health Insurance Commission (now Medicare Australia) and the Australian Institute of Health and Welfare.

### Associate Professor Bruce Chater, OAM

Associate Professor Bruce Chater is Head of the Academic Discipline of Rural and Remote Medicine and Deputy Chair of the Rural Clinical School Management Committee at the University of Queensland—tasks he performs from his rural base of Theodore, Queensland where he continues as a practicing rural doctor.

Bruce has been very involved both professionally and politically with the Rural Doctors' movement. He was the founding convener of the Rural Doctors' Association of Queensland and Australia and served as President of the Australian College of Rural and Remote Medicine.

### Professor Jane Hall

Jane Hall is the founding Director of the Centre for Health Economics Research and Evaluation and Professor of Health Economics in the Faculty of Business at the University of Technology, Sydney. Jane is a Fellow of the Academy of Social Sciences in Australia.

She has held many advisory and Board positions, and is currently a member of the Board of the Bureau of Health Information. She is actively involved in policy analysis and critique, and is a regular commentator on health funding and organisational issues in Australia.

### Mr Alan Morris

Alan Morris is the former Chair of the Commonwealth Grants Commission and also undertakes consulting and advisory work for AusAID and the World Bank.

His prior appointments have included: Executive Director for Australia, Korea, New Zealand and Egypt at the European Bank for Reconstruction and Development, London; Secretary, Department of Premier and Cabinet, Tasmania; Secretary (Chief Executive Officer) and Secretary to Cabinet, Department of the Chief Minister, Northern Territory of Australia; Assistant to Executive Director, International Monetary Fund, Washington DC; Chief Financial Officer, International Finance Section, Australian Treasury; and Assistant Secretary, Department of Finance, Papua New Guinea.

### Mr Jon Stanhope

Jon Stanhope was the Chief Minister of the Australian Capital Territory from 2001 until his retirement from politics in May 2011. He was elected as an Australian Labor Party candidate to the ACT Legislative Assembly in 1998 and served as Leader of the Opposition for 3 years before winning three consecutive elections.

In addition to leading the ACT Government as Chief Minister, Jon also held the following portfolios: Minister for Health, Treasurer, Attorney-General and Minister for Corrections, Minister for Transport, Minister for Territory and Municipal Services, Minister for Land and Property Services, Minister for Business and Economic Development, Minister for Aboriginal and Torres Strait Islander Affairs, and Minister for the Arts.

### Dr Michael Walsh

Michael Walsh has a distinguished career in hospital and health administration in Victoria, Western Australia, the United Kingdom and the Middle East.

Michael is a medical graduate of Monash University and holds the Degree of Master in Public Administration from the Kennedy School of Government, Harvard University. He is also a Fellow of both the Royal Australian College of Medical Administrators and the Australian College of Health Service Executives. Michael's current role is as chief Executive of the Cabrini Institute Council and he is a current Board member of the Cabrini Institute Council and of Catholic Health Australia.



# Statutory committees

## Overview

IHPA has developed a committee framework to assist in providing expert advice and to ensure the transparency and integrity of the Agency.

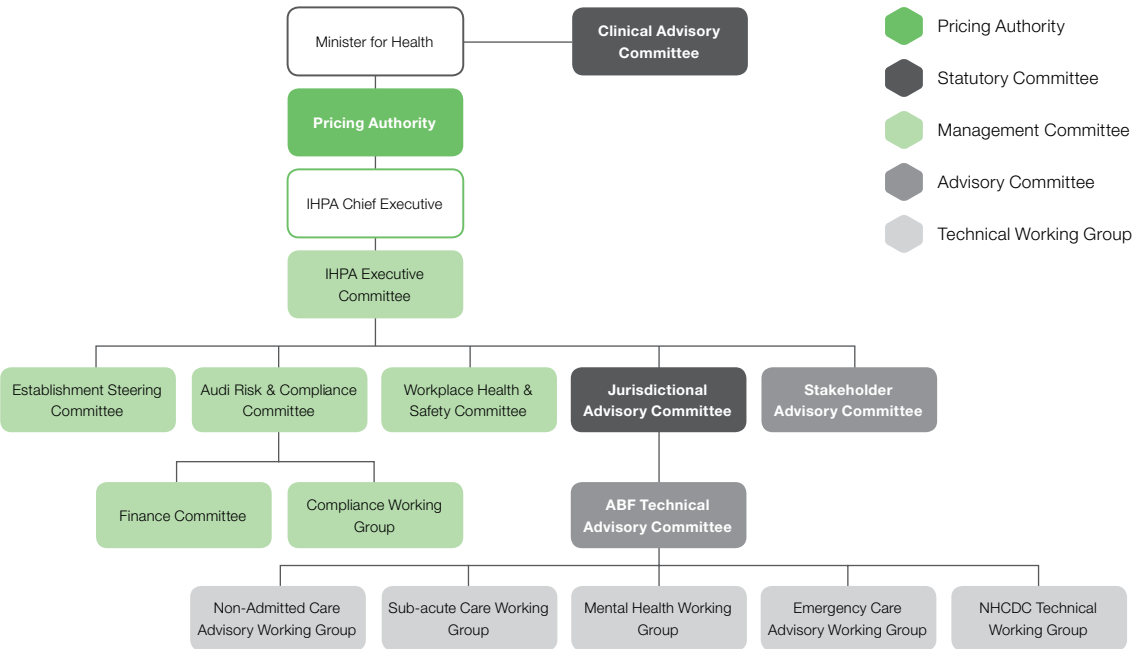
IHPA's statutory committees comprise the Clinical Advisory Committee (CAC) and the Jurisdictional Advisory Committee (JAC) which have been established pursuant to part 4.10 and 4.11 of the *National Health Reform Act 2011* to assist IHPA in performing its functions.

Other advisory committees and working groups have been established to assist IHPA in delivery of its work program, pursuant to Part 4.12 of the *National Health Reform Act 2011*.

In accordance with s. 46 of the *Finance Management and Accountability Act 1997*, an Audit and Risk Committee was established with the objective of providing independent assurance and assistance to the CEO, the Executive Committee and the Pricing Authority on IHPA's Risk, Control and Compliance Framework and its Financial Statement responsibilities.

Figure 2 depicts the alignment between IHPA's management, committees and working groups. Working groups and committees are structured to enhance IHPA's statutory functions. All committees and working groups have a documented Charter or Terms of Reference (ToR) setting out their role, function, delegated power, membership and reporting relationship.

Figure 2: IHPA committee and working group relationship diagram



## Clinical Advisory Committee

As outlined in the introduction to this report, an interim Clinical Advisory Committee (CAC) was established under s. 176 of the *National Health Reform Act 2011* formed by written instrument by the then Minister for Health and Ageing, the Hon. Nicola Roxon, MP, consisting of 16 members. The interim CAC met on two occasions prior to 30 June 2012 (3 February and 4 May).

CAC is responsible for providing advice to IHPA with respect to clinical matters and reports directly to the Minister.

As outlined in s. 177 of the *National Health Reform Act 2011*, the CAC has the following functions:

- *to advise the Pricing Authority in relation to developing and specifying classification systems for health care and other services provided by public hospitals*
- *to advise the Pricing Authority in relation to matters that:*
  - *relate to the functions of the Pricing Authority*
  - *are referred to the CAC by the Pricing Authority to do anything incidental to, or conducive to, the performance of the above functions.*

The substantive CAC was appointed by the Minister for Health, the Hon. Tanya Plibersek, MP, in June 2012 with additional members being appointed based on the need for more areas of expertise. At the date of publication of this report, the CAC consisted of 26 members.

As specified in s. 193 of the *National Health Reform Act 2011*, the CAC is required to report annually. The CAC's Annual Report can be found in Chapter 2 of this report.

## Jurisdictional Advisory Committee

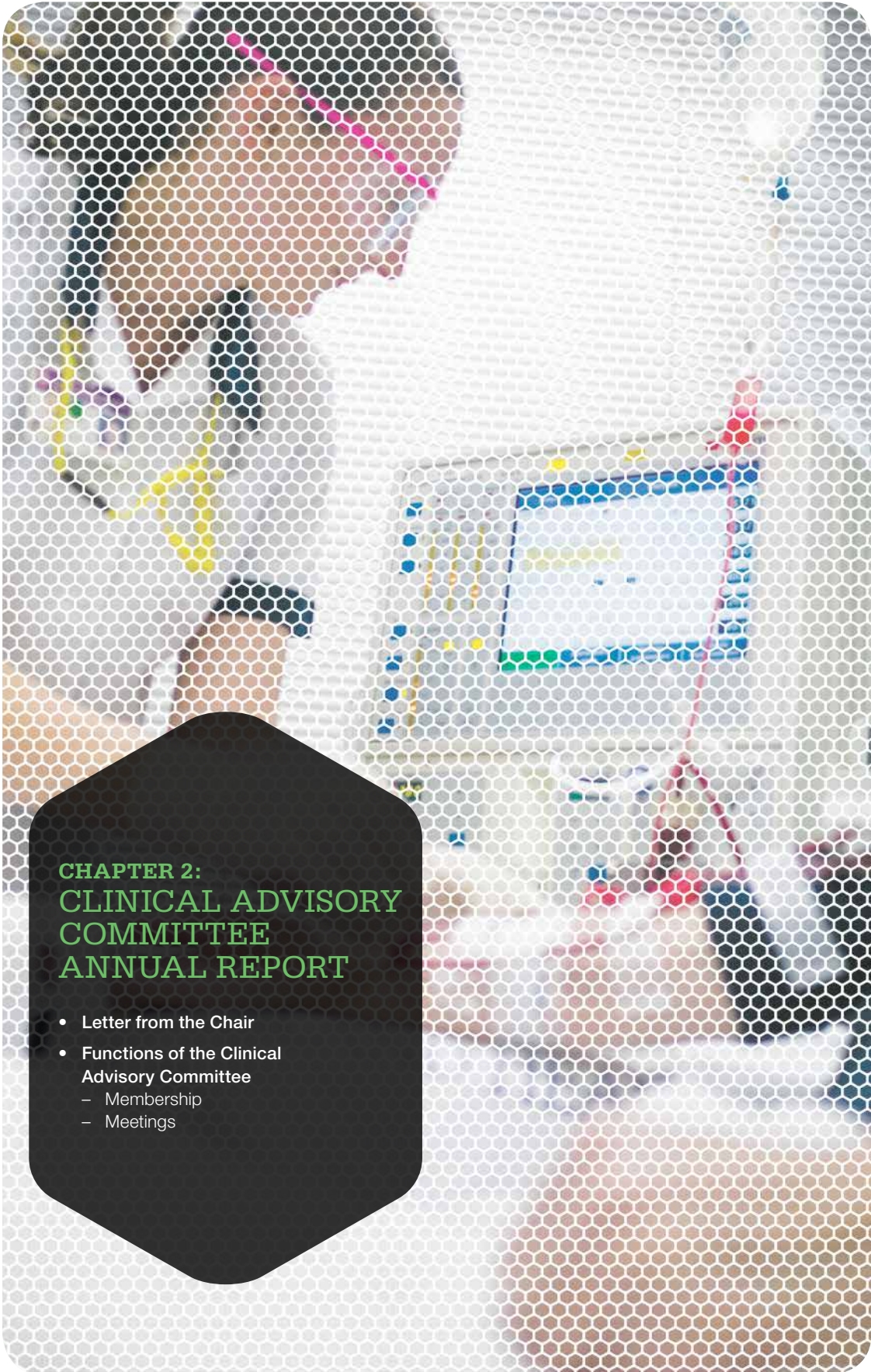
The Jurisdictional Advisory Committee (JAC) was established under s. 195 of the Act. Membership of the JAC consists of a Chair appointed by the Pricing Authority and nine other members (one to represent each state, territory and the Australian Government).

**Table 4: Statutory committee meetings 2011–12**

Committee	Meetings held up to 30 June 2012
Clinical Advisory Committee	2
Jurisdictional Advisory Committee	7

**Table 5: Other committee meetings 2011–12**

Committee	Meetings held up to 30 June 2012
ABF Technical Advisory Committee	8
Stakeholder Advisory Committee	3
Audit and Risk Committee	1



## CHAPTER 2: CLINICAL ADVISORY COMMITTEE ANNUAL REPORT

- Letter from the Chair
- Functions of the Clinical Advisory Committee
  - Membership
  - Meetings

# Letter from the Chair



In order to expedite the establishment of Activity Based Funding (ABF) in public hospitals throughout Australia, the Australian Government, state and territory governments agreed to establish an interim IHPA to get the program moving whilst Parliament considered legislation to establish the formal IHPA.

At the time of agreement of the National Health Reform Agreement (NHRA) 2011, the Council of Australian Governments (COAG) was very keen to ensure that clinicians had a voice in the development of a national ABF system. The establishment of a Clinical Advisory Committee (CAC) was included as a key component of the NHRA and the *National Health Reform Act 2011*.

Clinical advice is crucial to the successful implementation of ABF nationally. Key issues are regularly put to the CAC for input, such as the ABF funding model development. CAC members are invited to share relevant technical and clinical improvements for IHPA to consider in its work.

I look forward to continuing to Chair the CAC and providing valuable clinical advice to support IHPA's mission of promoting improved efficiency in, and access to, public hospital services through setting the efficient national price and levels of block funding for hospital services.

A handwritten signature in black ink, appearing to read 'I. Gough'.

**Professor Ian Gough**  
Clinical Advisory Committee Chair  
11 October 2012



# Functions of the Clinical Advisory Committee

The CAC is a statutory committee established under Part 4.10 of the *National Health Reform Act 2011*.

The functions of the CAC are described in s. 177:

- a) *to advise the Pricing Authority in relation to developing and specifying classification systems for health care and other services provided by public hospitals;*
- b) *to advise the Pricing Authority in relation to matters that:*
  - i) *relate to the functions of the Pricing Authority; and*
  - ii) *are referred to the Clinical Advisory Committee by the Pricing Authority;*
- c) *to do anything incidental to or conducive to the performance of the above functions.*

The Chair of the CAC, Professor Ian Gough, reports to the Australian Government Minister of Health and is supported by IHPA staff. CAC members are appointed by the Australian Government Minister for Health with remuneration determined by the Remuneration Tribunal.

## Membership

The CAC members for the interim IHPA were appointed by the Hon. Nicola Roxon, MP, as a temporary Ministerial Advisory Committee. The interim CAC comprised of 16 members with remuneration and allowances in line with the Remuneration Tribunal. <[www.remtribunal.gov.au](http://www.remtribunal.gov.au)>.

## Meetings

The interim CAC met twice during 2011–12 to advise the interim IHPA and provide the acting IHPA CEO with advice on key matters including classifications on emergency department services, day only surgery and quality dimensions to pricing.



## CHAPTER 3: PERFORMANCE REPORTING

- **Outcomes and planned performance**
  - Publications
  - Reference materials and reports
- **IHPA's core programs**
- **Activity Based Funding branch**
  - Data Acquisition
  - Hospital Costing
  - Classification and Coding
  - Technical Funding and Pricing Models

# Outcomes and planned performance

IHPA commenced operations officially on 15 December 2011, which meant that deliverables and key performance indicators were not set out in the Department of Health and Ageing Portfolio Budget Statements (PBS). Next financial year we will provide a full performance report against the PBS for 2012–13.

Since the formal establishment of IHPA on 15 December 2012, we have met all obligations and requirements in the *National Health Reform Act 2011* and National Health Reform Agreement (NHRA) 2011. Over this period we have focused on the development of a number of publications, reference materials and reports that provide the groundwork to deliver our objectives. All of these documents are available on the IHPA website <[www.iHPA.gov.au](http://www.iHPA.gov.au)> which was also established in 2011–12. These outputs include:

## Publications

### ***ABF Education and Research Strategy 2012***

Clarifies the role of IHPA in relation to its involvement in education and training associated with the introduction of nationally consistent Activity Based Funding (ABF).

### ***Activity based funding for Australian public hospitals: Towards a Pricing Framework***

This discussion paper develops the elements of a draft pricing framework for use by IHPA in the national implementation of ABF for Australian public hospitals.

### ***Data Compliance Policy***

Describes the process by which IHPA will publicly report on state, territory and Australian Government compliance with the IHPA data requirements outlined in the *Three Year Data Plan*.

### ***Data Quality Assurance Framework***

Outlines the processes to monitor and ensure best possible data quality to ensure that IHPA's determination of the National Efficient Price (NEP) is as robust as possible.

### ***Literature Review: Efficiency, international best practice in ABF and future payment reform***

Sets out the history and context of other countries that have implemented ABF and advances some preliminary views on the definition and elements of the concept of 'efficient pricing'.

### ***National Efficient Price (NEP) determination 2012–13***

Presents the inaugural NEP determination for public hospital services to underpin the introduction of ABF for Australian Government funded services nationally from 1 July 2012. This document includes the way the NEP is calculated and the price weights for specific hospital services.

### **Pricing Framework for Australian Public Hospital Services 2012–13**

A key strategic document which guides IHPA in determining the NEP for public hospital services. It details the principles to be used in determining the NEP, the scope of public hospital services eligible for ABF under the NHRA, the criteria for services to be funded by block grants and the methodology to be used to price services that are provided to private patients in public hospitals.

### **Strategic Plan – Visions, Values and Future Directions 2011–14**

Outlines the strategic direction IHPA will take to meet the mission of promoting improved efficiency in, and access to, public hospital services through setting the NEP and levels of block funding for hospital services.

### **Three Year Data Plan**

Outlines IHPA's plan for activity and costs data collections over the next 3 years (up to and including 2015–16). It includes the elements to be collected, the classifications to be applied to activity data and the timelines required for submissions to allow IHPA to meet its deadlines.

### **Work Program 2011–12 and 2012–13**

Provides a description of the deliverables and indicative timeframes for the key program objectives for the previous and next financial year.

## **Reference materials and reports**

### **ABF Data Request Specifications**

IHPA has been given responsibility for relevant data collections. These collections and specifications have been agreed by a number of working groups in collaboration with IHPA.

### **ABF Price Model Reference Classifications for 2012–13**

IHPA classifications for admitted acute, emergency and non-admitted care.

### **Data Compliance Reports**

As required by the *National Health Reform Act* (B102) IHPA publishes data compliance reports and a quarterly report to demonstrate jurisdictional compliance.

### **National Hospital Cost Data Collection (NHCDC)**

This is a link to the report on the Department of Health and Ageing website.

### **National Pricing Model Technical Specification**

The National Pricing Model Technical Specifications describe the development of the National Pricing Model for 2012–13.



# IHPA's core programs

**IHPA's key role is to determine the NEP for public hospital services.** The NEP is based on activity and cost data drawn from all states and territories across Australia.

IHPA is required to consider the actual cost of delivery of public hospital services in as wide a range of hospitals as practicable. It is also required to take into account any legitimate and unavoidable variations in costs due to hospital characteristics (for example, size, type and location) and patient complexity (for example, Indigenous status and demographic profile).

However, IHPA must also balance a range of national policy objectives. IHPA is guided by a set of principles contained in the National Health Reform Agreement (NHRA) 2011. This includes that IHPA have regard to ensuring reasonable access to public hospital services, clinical safety and quality, efficiency and effectiveness, and financial sustainability of the public hospital system.

IHPA's programs are focused on the national implementation of Activity Based Funding (ABF) or block funding where ABF is not appropriate. Three overarching guidelines reflect the policy intent behind the introduction of funding reform for public hospital services:

- **Timely and quality care** – ABF funding should support timely access to quality health services.
- **Efficiency** – ABF should improve the value of the public investment in hospital care and ensure a sustainable and efficient network of public hospital services.
- **Fairness** – ABF payments should be fair and equitable, including being based on the same price for the same service across public, private or not-for-profit providers of public hospital services.

## WHAT IS ACTIVITY BASED FUNDING (ABF)?

ABF is a way of funding hospitals whereby they get paid for the number and mix of patients they treat. If a hospital treats more patients, it receives more funding. Because some patients are more complicated to treat than others, ABF also takes this in to account.

The **building blocks** required for an ABF system are:

- **Classification** – patients are classified into groups that are clinically relevant, and cost homogenous (for example, all the patients who have had cataract lens procedures could be considered as one group).
- **Counting** – each patient episode needs to be counted. This includes inpatient admissions, emergency department presentations and outpatient appointments.
- **Costing** – a representative number of patient episodes are costed. This information is used for developing the classification system and for the pricing model.
- **Pricing** – the pricing model determines how much is paid for an average patient. The pricing model needs to recognise adequately those factors which increase the cost of care which may not be picked up in the classification system—for example the additional cost of providing health services in remote areas, or to children.



# Activity Based Funding branch

IHPA's Activity Based Funding (ABF) branch has four different teams focussing on the four key building blocks required for an ABF system: classification, counting, costing and pricing. Each unit is led by a Director who is responsible for establishing and maintaining the infrastructure and systems required, enabling the delivery of a national ABF system.

In 2011–12, the first year of national ABF, the branch focused on the critical elements required to publish the *National Efficient Price Determination 2012–13* and the *Pricing Framework for Australian Public Hospital Services 2012–13* to the deadlines required under the NHRA.

The branch also established and runs a number of advisory working groups that enable IHPA to consult with jurisdictions and other stakeholders on technical issues relating to classification, costing and data specification.

In summary, the ABF branch achieved the following deliverables in 2011–12:

- Publication of *Activity Based Funding for Australian public hospitals: Towards a Pricing Framework*, which resulted in over 90 submissions to IHPA
- Publication of *Pricing Framework for Australian Public Hospital Services 2012–13*
- Delivery of the first NEP determination for 2012–13
- Publication of *Three Year Data Plan*
- Extensive project management infrastructure to support the delivery of IHPA's *Work Program 2011–12 and 2012–13*.

The branch has undergone significant changes in personnel associated with IHPA's move to Sydney. Recruitment activities in Sydney have been completed successfully and as at 30 June 2012 the branch is fully staffed.

Four teams function within the ABF branch:

1. Data Acquisition
2. Hospital Costing
3. Classification and Coding
4. Technical Funding and Pricing Models

These teams are described below:

## 1. Data Acquisition

The Data Acquisition team works with states and territories to:

- Develop appropriate data set specifications.
- Acquire, validate and maintain data in the IHPA Information Technology environment.
- Provide analytical support to the various teams in the ABF branch.

This year the team has:

- Established the data set specifications for the various data collections that IHPA relies on for ABF.
- Built the data validation tools for each data set and provided these to jurisdictions.
- Received and validated the requisite data to allow the calculation of the National Efficient Price (NEP).
- Published the first series of *Data Compliance Reports*, as required by the NHRA.
- Worked with the Department of Health and Ageing on the enterprise data warehouse project. This will enable IHPA to establish secure, online methods of data submission and validation in future years.

In the next financial year, the team plans to:

- Establish a secure data exchange infrastructure, including online data validations. This will increase the security of our data during transfers, and reduce the work required by jurisdictions in submitting data to IHPA.
- Continue to refine the data specifications for future years, to ensure that IHPA has the data it needs to perform its roles.

- Provide the annual update to the *Three Year Data Plan*, to forecast IHPA's data requirements for the coming 3 years.
- Begin data sharing arrangements with other national bodies, aimed at reducing the data burden on jurisdictions.
- Conduct Round 15 and Round 16 of the NHCDC.
- Design and implement a simplified costing methodology for smaller hospitals.
- In conjunction with all stakeholders, develop and publish version three of the *Australian Hospital Patient Costing Standards* (based on the NHCDC).

## 2. Hospital Costing

The Hospital Costing team works with stakeholders to:

- Develop and implement the national costing standards.
- Coordinate the collection, validation, analysis and reporting of the national hospital cost data collection (NHCDC), in conjunction with states and territories and private hospitals. The NHCDC is a primary input into the NEP used to fund public hospitals.

This year the team has:

- Completed Round 14 of the NHCDC, collecting cost information from a wide range of public and private hospitals.
- Implemented the first ever financial reconciliation of cost data submissions from public hospitals, including visiting hospitals in most states and territories.
- Developed the *Data Quality Assurance Framework* to assist IHPA in understanding the quality of data collected from public hospitals to ensure that the data used in the calculation of the NEP is robust.
- Commenced work on Round 15 of the NHCDC, which will be the basis of the NEP in 2013–14. This round includes revamped data specifications, which will make it easier for IHPA to ensure that the cost data captured is of the highest quality possible.

In the next financial year, the team plans to:

- Carry out a strategic review of the NHCDC, to ensure that it is fit for use for the requirements of IHPA, to balance the data burden on states and territories and hospitals against IHPA's requirements under the NHRA, and to review the governance arrangements for the NHCDC into the future.

## 3. Classification and Coding

The Classification and Coding Standards team works with stakeholders to develop and maintain the clinical classifications, coding standards and business rules associated with the implementation of a nationally consistent ABF framework for public hospital services. The work of the team covers five work streams—admitted acute, non-admitted, mental health, sub-acute and emergency.

Classification systems enable clinical information that is written in medical charts to be converted into manageable data categories. Rules for collecting and coding clinical data need to be the same across Australia to ensure that all states and territories are obtaining and providing information the same way. Effective clinical classification systems ensure that hospital data is grouped into appropriate classes, which in turn contributes to the determination of a NEP.

This year the team has:

- Coordinated the review and implementation of the Tier 2 outpatient clinic list, for collection and reporting of non-admitted patient services from 1 July 2012. This represents a significant step forward in achieving a consistent way of counting outpatient services across Australia.
- Worked in collaboration with jurisdictions to develop criteria for assessing non-admitted services for inclusion in the scope of 'Public Hospital Services' that are eligible for Australian Government funding, fulfilling a major requirement of IHPA under the NHRA.

- Developed metadata for the ABF data set specifications in the Australian Institute for Health and Welfare (AIHW) metadata registry METeOR. This is the first time that IHPA metadata has been forwarded to METeOR for publication. Clinical and demographic metadata informs us about the meaning of data, and allows people who use clinical data in their work, such as medical researchers, to make confident data decisions that contribute to reliable outcomes.

In the next financial year the team plans to:

- Complete much of the groundwork to enable the design of a new mental health classification system.
- Work to refine the sub-acute and non-acute classification systems.
- Oversee the next round of development of the Australian Refined Diagnostic Related Groups (AR-DRG) and the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) classifications systems.
- Begin work on a classification system for teaching, training and research.

## 4. Technical Funding and Pricing Models

The Technical Funding and Pricing Models team develops models that underpin IHPA's determination of the NEP. It does this by developing costing models that best explain the expenditure of LHNs nationally, and applying the policies contained within IHPA's *Pricing Framework for Australian Public Hospital Services 2012–13*.

In designing the pricing model, IHPA must comply with the requirements of the NHRA in:

- Ensuring reasonable access to public hospital services, clinical safety and quality, efficiency and effectiveness and financial sustainability of the public hospital system.

- Considering the actual cost of delivery of public hospital services in as wide a range of hospitals as practicable.
- Considering the expected changes in costs from year to year when making projections.

This year the team has:

- Designed the inaugural National Cost Model and National Pricing Model, which forms the basis of determining the NEP.
- Produced extensive supporting documentation, including technical specifications.
- Developed an approach to indexation of the 2009–10 costs to 2012–13 prices.
- Provided four confidential projections of the NEP to First Ministers for review.

In the next financial year, the team plans to:

- Continue to refine the National Cost Model and National Pricing Models, including the incorporation of sub-acute care and mental health into the NEP.
- Determine the efficient cost of block funded services, particularly for small rural hospitals.
- Undertake extensive studies to better understand a number of aspects of the public hospital system, including:
  - the best way to calculate adjustments for private patients and regional and remote patients
  - the possible additional costs of isolated highly-complex services which may not achieve economies of scale equal to those in larger capital cities.

## WHAT IS THE NATIONAL EFFICIENT PRICE (NEP)?

The NEP underpins the introduction of Activity Based Funding (ABF) for public hospital services nationally from 1 July 2012. On 8 June 2012, IHPA announced the inaugural National Efficient Price Determination 2012–13. The NEP is \$4,808 per National Weighted Activity Unit (NWAU).

The NWAU is the unit of measure of the ABF system and allows activity across a range of settings to be compared—for example, inpatients, outpatients and emergency patients.

Examples of costs of procedures:

- Adult hip replacement has a weight of 4.4175 units – \$21,239.34
- A same day in-patient admission for a cataract procedure has a weight of 0.5726 of a unit – \$2,753.06
- General medicine outpatient service has a weight of 0.0588 of a unit – \$282.71


## DISPUTE RESOLUTION

Another key program area is outlined in Part 4.3 of the *National Health Reform Act 2011* (the Act). It specifies that IHPA has a role to investigate and make recommendations concerning cross-border disputes between states and territories, and to make assessments of cost-shifting disputes. Cross-border dispute recommendations are to be accepted and implemented by jurisdictions, whilst IHPA only makes assessments of cost shifting disputes.

As outlined in the Act, where any Australian state or territory Health Ministers consider that costs in relation to health care services are attributable to another jurisdiction, they may request that IHPA investigate the dispute, which may be about cost shifting and cross-border health costs. In 2011-12, IHPA did not receive any requests relating to this function.

In 2012–13 we will develop the *IHPA Dispute Resolution Framework* to guide the timely process to investigate both cross-border and cross-shifting disputes.





## CHAPTER 4: MANAGEMENT AND ACCOUNTABILITY

- **Corporate governance**
  - External scrutiny
  - Risk management
  - Purchasing/contracting
  - Asset management
  - Consultants
- **Management of human resources**
  - Workforce planning, staff turnover and retention
  - Non-salary benefits
  - Senior Executive Service remuneration
  - Training and development
  - Work, health and safety
  - Workplace agreements
  - Ethical standards
  - Performance pay
  - Compliance with *Carer Recognition Act 2010*
  - Disability reporting
  - Equal employment opportunity



# Corporate governance

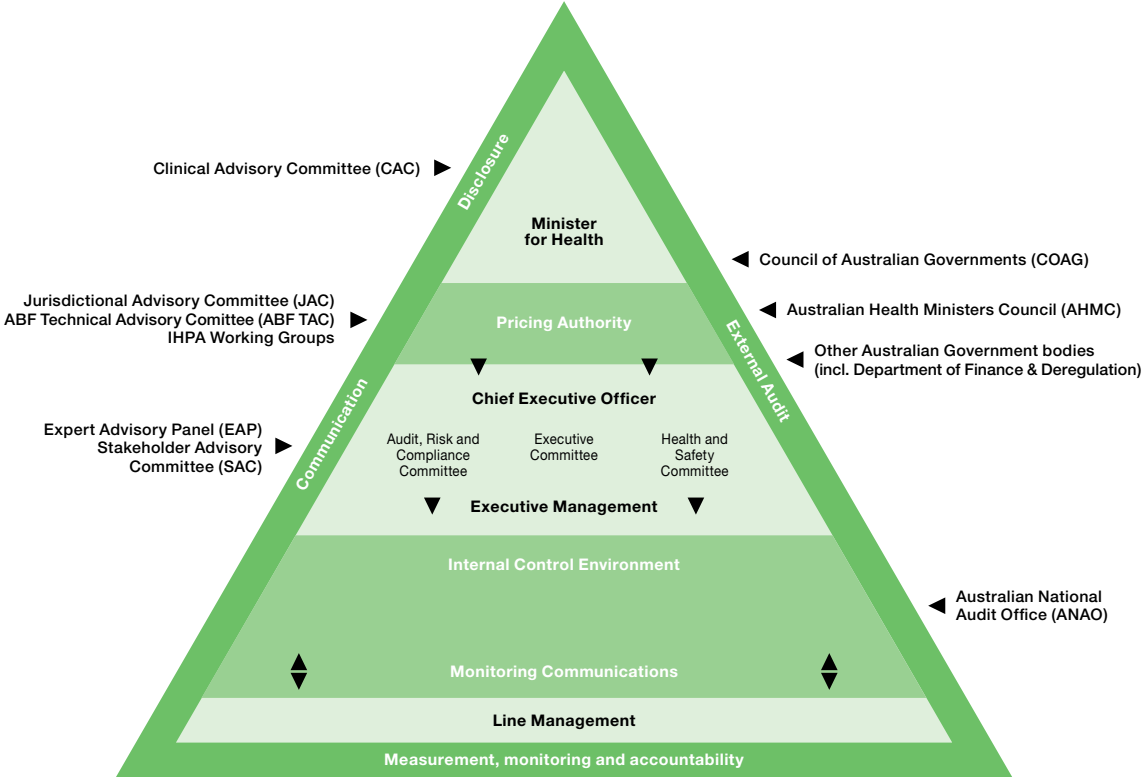
Corporate governance is the process by which IHPA manages and controls its business, encompassing concepts such as authority, accountability, risk management, leadership, direction and ethics.

IHPA's governance framework provides the structure for informed decision making. It enables efficient and effective risk and program management whilst ensuring accountability for all areas of operation.

Elements of our corporate governance framework include business planning, senior leadership, audit, risk management, fraud control, senior management committees, Chief Executive's instructions, human resource policies and guidelines, organisational structure and the strategic plan.

We operate in a comprehensive governance framework which is designed to support the ongoing achievement of our strategic and operational objectives. IHPA's corporate governance model is depicted in Figure 3.

Figure 3: IHPA's corporate governance model



## External scrutiny

In accordance with s. 46 of the *Finance Management and Accountability Act 1997*, an Audit and Risk Committee was established with the objective of providing independent assurance and assistance to the CEO, the Executive Committee and the Pricing Authority on IHPA's Risk, Control and Compliance Framework and its Financial Statement responsibilities.

At 30 June 2012, members of the Audit and Risk Committee comprised:

- Robert Butterworth, Chair and independent member
- Jon Stanhope, Pricing Authority member
- Alan Bansemer, Pricing Authority member.

The committee met once this financial year, on 29 June 2012.

The Australian National Audit Office (ANAO) did not conduct an audit of IHPA processes during 2011–12 as this was the first year of operations. There were no other significant external scrutiny events.

During 2011–12, IHPA prepared a fraud risk assessment and a fraud control plan. Governance and policy frameworks established processes that considered and dealt with fraud risk. IHPA is developing reporting and response mechanisms to ensure that detective and preventative controls are functional and effective in deterring and identifying fraudulent activity.

## Risk management

A positive culture of risk management is a central element of our operations and an essential tool to achieving outcomes. IHPA's risk management framework requires analysis to be undertaken at a number of levels, including strategic, operational and compliance fraud risk. Risk must also be considered in key decision-making processes and in particular when undertaking policy development.

The Pricing Authority and senior management committees routinely consider emerging and ongoing risks that may impact upon IHPA's achievement of its objectives.

IHPA's risk management framework and risk registers are reviewed regularly and updated quarterly.

## Purchasing/contracting

In this first year of operation, IHPA shared contracting responsibility with the Department of Health and Ageing.

In 2011–12, no contracts were exempted from reporting on AusTender on the basis that publishing contract details would disclose exempt matters under the *Freedom of Information Act 1982*. (AusTender provides centralised publication of Australian Government business opportunities, annual procurement plans, multi-use lists and contracts awarded).

All of the Agency's awarded Contracts or Deeds of Standing Offer valued at \$100,000 (GST inclusive) or greater, contained standard clauses granting the Auditor-General access to contractor's premises.

## Asset management

The asset management strategy covers a whole-of-life asset management approach. As part of the relocation to Sydney in June 2012, a stocktake of fixed and intangible assets confirmed the location and condition of IHPA assets.

## Consultants

IHPA engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to either:

- investigate or diagnose a defined issue or problem
- carry out defined reviews or evaluations, or
- provide independent advice, information or creative solutions to assist in the decision making.

Prior to engaging consultants, we take into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations including the *Commonwealth Procurement Guidelines* (CPGs) and relevant internal policies.

During 2011–12, one consultancy contract was entered into involving total actual expenditure of \$15,925.09. There were no ongoing consultancy contracts active during 2011–12.

IHPA will provide trend data on consultancy contracts as it becomes available in future years.



# Management of human resources

IHPA values the work, talent and contribution of its people and is creating organisation-wide development strategies to maintain and grow discipline, expertise and intellectual capital. IHPA facilitates an atmosphere of open communication and welcomes ideas and innovation. IHPA workplace culture encourages people to demonstrate a strong team ethic and collaborative culture and take pride in delivering quality outcomes for our stakeholders.

Human resource management this year focussed on building capacity of the new organisation. A workforce planning exercise was undertaken to decide on the organisational structure and the required number and classification of positions.

A recruitment exercise was undertaken, with 42 positions advertised in March 2012. As at the end of June 2012, recruitment activity for the majority of positions had been successfully completed. There were challenges recruiting to some technical positions in the Sydney market and specialised recruitment agencies were used to assist with the process.

The new Sydney office opened on 18 June 2012 and a comprehensive induction program was undertaken for new staff.

## Workforce planning, staff turnover and retention

Workforce planning activities focussed on the establishment of IHPA's organisational structure. The organisational structure was developed and the number of positions and appropriate classification levels were identified to ensure that IHPA can meet its legislative objectives and functions.

This structure will be reviewed and revised as the organisation develops.

As a new Agency, staff turnover and retention of staff were not an issue this financial year.

As at 30 June 2012, the majority of staff had relocated to the Sydney office.

**Table 6: APS levels salary structure at 30 June 2012**

Classification	Salary range
Executive Level 2	\$110,236 – \$130,514
Executive Level 1	\$92,395 – \$105,378
Australian Public Service (APS) Level 6	\$75,187 – \$84,823
APS Level 5	\$67,494 – \$72,635
APS Level 4	\$62,663 – \$66,210
APS Level 3	\$55,308 – \$61,305
APS Level 2	\$47,860 – \$52,227
APS Level 1	\$40,951 – \$45,990



**Table 7: Staff numbers by classification, gender and full-time/part-time status at 30 June 2012**

Classification	Female	F/T	P/T	Male	F/T	P/T	Total
HOPO	0	0	0	1	1	0	1
SES	0	0	0	1	1	0	1
EL2	5	4	1	6	6	0	11
EL1	10	10	0	1	1	0	11
APS Level 6	1	1	0	2	2	0	3
APS Level 5	2	1	1	0	0	0	2
APS Level 4	0	0	0	0	0	0	0
APS Level 3	1	1	0	0	0	0	1
<b>TOTAL</b>	<b>19</b>	<b>17</b>	<b>2</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>30</b>

**Key:** F/T = full time, P/T = part time

HOPO = Holder of Public Office (a statutory appointment – currently the acting CEO)

**Note:** Staff numbers by classification are based on actual not nominal classification.

Non-ongoing includes staff on temporary moves from other APS Agencies including the Department of Health and Ageing.

**Table 8: Staff numbers by classification, gender and ongoing/non-ongoing status at 30 June 2012**

Classification	Female	Ongoing	Non-ongoing	Male	Ongoing	Non-ongoing	Total
HOPO	0	0	0	1	0	1	1
SES	0	0	0	1	0	1	1
EL2	5	0	5	6	3	3	11
EL1	10	6	4	1	0	1	11
APS Level 6	1	1	0	2	1	1	3
APS Level 5	2	0	2	0	0	0	2
APS Level 4	0	0	0	0	0	0	0
APS Level 3	1	1	0	0	0	0	1
<b>TOTAL</b>	<b>19</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>4</b>	<b>7</b>	<b>30</b>

## Non-salary benefits

Non Senior Executive Staff (SES) staff are entitled to the following benefits:

- access to the employee assistance program
- extended purchase leave
- maternity and adoption leave
- parental leave
- leave for personal compelling reasons and exceptional circumstances
- access to paid leave at half pay
- flextime (not all officers)
- flexible working locations and home-based work including where appropriate
- access to laptop computers, dial-in facilities and mobile phones
- study assistance
- support for professional and personal development
- access to negotiated discount registration/ membership fees to join a fitness or health club
- family care rooms
- provision of eyesight testing and reimbursement of prescribed eyewear costs specifically for use with screen based equipment
- influenza and hepatitis B vaccinations for staff who are required to come into regular contact with members of the community classified as at increased risk
- annual closedown
- financial assistance to access financial advice for staff 54 years and older.

## Senior Executive Service remuneration

Senior Executive Service (SES) officers are employed under the terms of a determination made under s. 24 of the *Public Service Act 1999*. The amount of remuneration received by SES officers in IHPA is determined on an individual basis by the CEO.

## Training and development

As a new organisation, training and development has focussed on the induction of staff. Sessions paid particular attention to governance and compliance obligations of managers and staff.

Into the future, we will continue to build capability by offering opportunities for staff to undertake professional development. Staff currently have access to Department of Health and Ageing (DoHA) 'face to face' and online learning and opportunities. These will be enhanced through access to professional and industry specific training to further develop the IHPA skill base.

## Work, health and safety

IHPA's Health and Safety Committee has been established in accordance with the *Work Health and Safety Act 2011*.

Chaired by the Human Resources Manager, the committee membership includes two management representatives and two health and safety representatives. The role of the committee is to consider and deal with work, health and safety (WHS) issues and provide independent assurance to the CEO and the Executive Committee on the health and safety of IHPA staff.

The committee held its first meeting in May 2012 and will meet on a quarterly basis.

## Workplace agreements

The *Public Service Act 1999* provides the employment framework for IHPA.

A determination under s. 24.1 of the *Public Service Act 1999* was approved on 27 April 2012. This determination provides terms and conditions of employment for all IHPA staff other than Senior Executive Service staff (SES). The determination is generally based on the Department of Health and Ageing Enterprise Agreement 2011–14.

As the current determination is a short-term instrument, negotiations for an Enterprise Agreement are planned to commence in the first half of the 2012–13 financial year.

While IHPA human resource policies, procedures and guidelines are in the process of being developed, DoHA policies, procedures and guidelines are being used to provide direction for decision making.

As at 30 June 2012, 11 staff had individual determinations approving covering specific conditions of employment.

## Ethical standards

IHPA is committed to promoting and maintaining the standard of behaviour outlined in the Australian Public Sector (APS) Values and Code of Conduct as set out in the *Public Service Act 1999*. The induction program and new starter pack for all new staff provide information and guidance material covering the Australian Public Service Commission's APS values and Code of Conduct. Managers and employees also have access to information regarding the APS Values and the Code of Conduct via the Department of Health and Ageing intranet site.

## Performance pay

IHPA does not have a performance pay system.

## Compliance with Carer Recognition Act 2010

IHPA has due regard to the Australia's Carers Statement. Staff will be made aware of the statement as human resource policies and procedures on this topic are developed and implemented.

## Disability reporting

### Changes to disability reporting in annual reports:

Since 1994, Australian Government departments and agencies have reported on their performance as policy advisor, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at the Australian Public Service Commission website, at <[www.apsc.gov.au](http://www.apsc.gov.au)>. From 2010–11, departments and agencies are no longer required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a 10 year national policy framework for improving life for Australians with disability, their families and carers.

## Equal employment opportunity

IHPA is an inclusive organisation that values fairness, equity and diversity consistent with the APS Values and Code of Conduct. The Authority is committed to the principles of workplace diversity and equity in employment, which include recognising, respecting, valuing and utilising individual difference. Comprehensive diversity and harassment policies are being developed to underpin this commitment. IHPA will develop a Workplace Diversity Program to assist in giving effect to the APS Values and to address the removal of employment-related bias.



## CHAPTER 5: FINANCIAL MANAGEMENT

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# Financial performance

IHPA has received an unqualified audit report from the Australian National Audit Office on its 2011–12 Financial Statements.

## IHPA finances overview

IHPA was established on 15 December 2011. This first set of Financial Statements shows revenues and expenses to 30 June 2012. Departmental revenue from government was \$16.613 million. Own source revenue arose from auditing services received free of charge from the Australian National Audit Office. The Statement of Comprehensive Income shows a surplus of \$11.341 million. The surplus arose due to ongoing monthly expenses arising later than initially planned and through close attention to cost control delivering savings on the planned costs of the move from temporary accommodation in Canberra to a permanent establishment in Sydney.

The primary non-financial asset created in the statements is the fit-out of the IHPA offices. Department of Health and Ageing project managers brought this project in approximately \$0.4 million below budget.

Administered expenses at \$1.530 million include recognition of the final 2011–12 payment covering a contract with the University of Wollongong. Arrangements with the Department of Health and Ageing required that a proportion of expenses prior to June 2012 were included in Department of Health and Ageing Financial Statements and not the IHPA Financial Statements. As a result, the expenses at \$1.530 million are not representative of six and a half months of normal administered activity.

## Budget performance

During the year, IHPA kept expenditure within available budget and has developed an organisational culture that has a strong focus on cost control.

# Independent auditor's report



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Health

I have audited the accompanying financial statements of the Independent Hospital Pricing Authority for the year ended 30 June 2012, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies, Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; Schedule of Administered Contingencies and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Issues.

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

The Chief Executive of the Independent Hospital Pricing Authority is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***Opinion***

In my opinion, the financial statements of the Independent Hospital Pricing Authority:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Independent Hospital Pricing Authority's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Puspa Dash

Executive Director  
Delegate of the Auditor-General

Canberra  
27 September 2012

# Statement by officers

## Independent Hospital Pricing Authority

### Statement by the Chief Executive and Chief Financial Officer

In our opinion, the attached Financial Statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



**Dr Tony Sherbon**  
Acting Chief Executive Officer  
27 September 2012



**Peter Hadfield**  
Chief Financial Officer  
27 September 2012



# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2012

	Notes	2012 \$
<b>EXPENSES</b>		
Employee benefits	3A	2,624,627
Supplier	3B	2,691,234
Depreciation and amortisation	3C	7,764
<b>Total expenses</b>		<b>5,323,625</b>
<b>LESS:</b>		
<b>OWN-SOURCE INCOME</b>		
<b>Gains</b>		
Other gains	4A	51,000
<b>Total gains</b>		<b>51,000</b>
<b>Total own-source income</b>		<b>51,000</b>
<b>Net cost of services</b>		<b>5,272,625</b>
Revenue from Government	4B	16,613,134
<b>Surplus on continuing operations</b>		<b>11,340,509</b>
<b>Other comprehensive income</b>		<b>–</b>
<b>Total comprehensive income</b>		<b>11,340,509</b>

The above statement should be read in conjunction with the accompanying notes.

## BALANCE SHEET

as at 30 June 2012

	Notes	2012 \$
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and cash equivalents	5A	184,950
Trade and other receivables	5B	12,432,652
<b>Total financial assets</b>		<b>12,617,602</b>
<b>Non-financial assets</b>		
Land and buildings	6A, 6C	1,006,082
Plant and equipment	6B, 6C	375,844
<b>Total non-financial assets</b>		<b>1,381,926</b>
<b>Total assets</b>		<b>13,999,528</b>
<b>LIABILITIES</b>		
<b>Payables</b>		
Suppliers	7A	406,990
Other payables	7B	1,611,057
<b>Total payables</b>		<b>2,018,047</b>
<b>Provisions</b>		
Employee provisions	8A	485,931
Other provisions	8B	155,041
<b>Total provisions</b>		<b>640,972</b>
<b>Total liabilities</b>		<b>2,659,019</b>
<b>Net assets</b>		<b>11,340,509</b>
<b>EQUITY</b>		
<b>Parent entity interest</b>		
Retained surplus		11,340,509
<b>Total parent entity interest</b>		<b>11,340,509</b>
<b>Total equity</b>		<b>11,340,509</b>

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2012

	Retained earnings 2012 \$	Total equity 2012 \$
<b>Opening balance</b>		
Balance carried forward from previous period	–	–
<b>Adjusted opening balance</b>	–	–
<b>Comprehensive income</b>		
Surplus for the period	11,340,509	11,340,509
<b>Total comprehensive income</b>	11,340,509	11,340,509
<b>Closing balance as at 30 June</b>	11,340,509	11,340,509

The above statement should be read in conjunction with the accompanying notes.

## CASH FLOW STATEMENT

for the period ended 30 June 2012

	Notes	2012 \$
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Appropriations		5,800,000
<b>Total cash received</b>		<b>5,800,000</b>
<b>Cash used</b>		
Employees		(1,850,160)
Suppliers		(2,019,927)
Net GST paid		(510,314)
<b>Total cash used</b>		<b>(4,380,401)</b>
<b>Net cash from operating activities</b>	9	<b>1,419,599</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash used</b>		
Purchase of property, plant and equipment		(1,234,649)
<b>Total cash used</b>		<b>(1,234,649)</b>
<b>Net cash used by investing activities</b>		<b>(1,234,649)</b>
<b>Net increase in cash held</b>		<b>184,950</b>
Cash and cash equivalents at the beginning of the reporting period		–
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>184,950</b>

The above statement should be read in conjunction with the accompanying notes.



## SCHEDULE OF COMMITMENTS

as at 30 June 2012

	2012 \$
<b>BY TYPE</b>	
<b>Commitments receivable</b>	
Net GST recoverable on commitments <sup>1</sup>	365,375
<b>Total commitments receivable</b>	<b>365,375</b>
<b>Other commitments</b>	
Operating leases <sup>2</sup>	3,416,489
Other <sup>3</sup>	602,639
<b>Total other commitments</b>	<b>4,019,128</b>
<b>Total commitments payable</b>	<b>4,019,128</b>
<b>Net commitments by type</b>	<b>3,653,753</b>
<b>BY MATURITY</b>	
<b>Commitments receivable</b>	
<b>Other commitments receivable</b>	
One year or less	108,860
From one to five years	256,515
<b>Total other commitments receivable</b>	<b>365,375</b>
<b>Total commitments receivable</b>	<b>365,375</b>
<b>Operating lease commitments</b>	
One year or less	594,821
From one to five years	2,821,668
<b>Total operating lease commitments</b>	<b>3,416,489</b>
<b>Other commitments</b>	
One year or less	602,639
<b>Total other commitments</b>	<b>602,639</b>
<b>Total commitments payable</b>	<b>4,019,128</b>
<b>Net commitments by maturity</b>	<b>3,653,753</b>

Please see footnotes on the following page.

Footnotes:

1. Commitments were GST inclusive where relevant.
2. The operating lease is an accommodation lease that relates to the Independent Hospital Pricing Authority's premises in Oxford Street Sydney. The lease is effectively non-cancellable. The lease commenced on 1 June 2012 for a period of 6 years. There is no option in the lease to extend the lease term.  
As part of the lease agreement, there is a cash lease incentive of \$655,245 receivable from the landlord.
3. Other commitments relate to contracts entered into by Independent Hospital Pricing Authority where no liability currently exists.

The schedule on the proceeding page should be read in conjunction with the accompanying notes.

## SCHEDULE OF CONTINGENCIES

as at 30 June 2012

There were no contingent assets or contingent liabilities as at 30 June 2012.

The above schedule should be read in conjunction with the accompanying notes.

## ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

for the period ended 30 June 2012

	Notes	2012 \$
<b>EXPENSES</b>		
Supplier	14A	1,530,442
<b>Total expenses administered on behalf of Government</b>		1,530,442
<b>Net cost of (contribution by) services</b>		1,530,442
<b>Deficit on continuing operations</b>		(1,530,442)
Other comprehensive income		–
<b>Total comprehensive income</b>		(1,530,442)

The above schedule should be read in conjunction with the accompanying notes.

## ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2012

	Notes	2012 \$
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and cash equivalents	15A	59,988
Trade and other receivables	15B	152,989
<b>Total financial assets</b>		212,977
<b>Total assets administered on behalf of Government</b>		212,977
<b>LIABILITIES</b>		
<b>Payables</b>		
Suppliers	16A	1,559,418
<b>Total payables</b>		1,559,418
<b>Total liabilities administered on behalf of Government</b>		1,559,418
<b>Net liabilities</b>		(1,346,442)

The above schedule should be read in conjunction with the accompanying notes.

## ADMINISTERED RECONCILIATION SCHEDULE

	2012 \$
<b>Opening administered assets less administered liabilities as at 1 July</b>	–
Less: Administered expenses	(1,530,442)
Annual appropriations for administered expenses (non CAC)	184,000
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>(1,346,442)</b>

The above schedule should be read in conjunction with the accompanying notes.

## ADMINISTERED CASH FLOW STATEMENT

for the period ended 30 June 2012

	2012 \$	Notes
<b>OPERATING ACTIVITIES</b>		
<b>Cash used</b>		
Suppliers	112,789	
Net GST paid	11,223	
<b>Total cash used</b>	<b>124,012</b>	
<b>Net cash flows used by operating activities</b>	<b>(124,012)</b>	
<b>Net decrease in cash held</b>	<b>(124,012)</b>	
Cash and cash equivalents at the beginning of the reporting period	–	
Cash from Official Public Account for:		
– Appropriations	184,000	
	184,000	
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>59,988</b>	15A

The above schedule should be read in conjunction with the accompanying notes.



## SCHEDULE OF ADMINISTERED COMMITMENTS

as at 30 June 2012

2012  
\$

### BY TYPE

#### Commitments receivable

Net GST recoverable on commitments	268,084
------------------------------------	---------

<b>Total commitments receivable</b>	<b>268,084</b>
-------------------------------------	----------------

#### Other commitments<sup>1</sup>

Other <sup>2</sup>	2,948,929
--------------------	-----------

<b>Total other commitments</b>	<b>2,948,929</b>
--------------------------------	------------------

<b>Total commitments payable</b>	<b>2,948,929</b>
----------------------------------	------------------

<b>Net commitments by type</b>	<b>2,680,845</b>
--------------------------------	------------------

### BY MATURITY

#### Commitments receivable

#### Other commitments receivable

One year or less	268,084
------------------	---------

<b>Total other commitment receivable</b>	<b>268,084</b>
--	----------------

<b>Total commitments receivable</b>	<b>268,084</b>
-------------------------------------	----------------

#### Commitments payable

#### Other commitments

One year or less	2,948,929
------------------	-----------

<b>Total other commitments</b>	<b>2,948,929</b>
--------------------------------	------------------

<b>Total commitments payable</b>	<b>2,948,929</b>
----------------------------------	------------------

<b>Net commitments by maturity</b>	<b>2,680,845</b>
------------------------------------	------------------

Footnotes:

1. Commitments are GST inclusive where relevant.
2. Other commitments relate to contracts in respect of which the supplier has yet to provide the goods or services.

The above schedule should be read in conjunction with the accompanying notes.

## **SCHEDULE OF ADMINISTERED CONTINGENCIES**

as at 30 June 2012

There were no contingent assets or contingent liabilities as at 30 June 2012.

The above schedule should be read in conjunction with the accompanying notes.

# Notes to and forming part of the Financial Statements for the Independent Hospital Pricing Authority

for the year ended 30 June 2012

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## Note 1: Summary of significant accounting policies

The Independent Hospital Pricing Authority (IHPA) was established on 15 December 2011. Accordingly, this financial report covers the period from 15 December 2011 to 30 June 2012.

### 1.1 Objectives of the Independent Hospital Pricing Authority

IHPA is an Australian Government controlled entity. It is a prescribed agency under the *Financial Management and Accountability Act 1997* and its roles and functions are set out in the *National Reform Act 2011*. IHPA operates independently as a not-for-profit entity.

The objective of IHPA is to:

- determine a national efficient price for hospital services;
- ensure public hospitals receive funding based on need; and
- encourage developments in best practice care across the health care system.

IHPA is structured to meet one outcome:

**Outcome 1:** Promote improved efficiency in, and access to, public hospital services primarily through setting efficient national prices and levels of block funding for hospital activities. IHPA activities contributing to this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by IHPA in its own right.

Administered activities involve the management or oversight by IHPA, on behalf of the Government, of items controlled or incurred by the Government.

The administered activities IHPA conducts on behalf of the Government include the development of national classifications used to classify activity in public hospitals for the purposes of activity based funding and determination of the national efficient price.

## 1.2 Basis of preparation of the Financial Statements

The Financial Statements are general purpose Financial Statements and are required by s. 49 of the *Financial Management and Accountability Act 1997*.

The Financial Statements have been prepared in accordance with:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Financial Statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The Financial Statements are presented in Australian dollars and values are rounded to the nearest dollar.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to IHPA or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

## 1.3 Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

## 1.4 New Australian accounting standards

### Adoption of new Australian accounting standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to the current period, none have had a material impact on the Independent Hospital Pricing Authority.

### Future Australian accounting standard requirements

Of the new accounting standards, amendments to accounting standards and interpretations issued by the Australian Accounting Standards Board that are applicable to future periods, none are expected to have a material impact on the Independent Hospital Pricing Authority.



## 1.5 Revenue

Revenue generated from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) IHPA retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to IHPA.

Revenue generated from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to IHPA.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

## Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

## Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when IHPA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

## 1.6 Gains

### Resources received free of charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

#### **Sale of assets**

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer. The gain on disposal is calculated as the difference between the carrying amount of the non-current asset at the time of disposal and the net proceeds on disposal.

### **1.7 Transactions with the Government as owner**

#### **Equity injections**

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCB) are recognised directly in contributed equity in that year.

#### **Restructuring of administrative arrangements**

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

### **1.8 Employee benefits**

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 months at the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

#### **Leave**

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of IHPA is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including IHPA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates, pay increases and inflation.

#### **Superannuation**

The majority of IHPA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the Financial Statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

IHPA makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. IHPA accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the financial year.

## 1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

IHPA does not have any finance leases.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Where a lease incentive is included in an operating lease in the form of cash, free leasehold improvements or rent-free periods, the net value of the minimum lease payments is expensed on a straight-line basis over the term of the lease.

## 1.10 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand; and
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

## 1.11 Financial assets

IHPA classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

### Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

### Impairment of financial assets

Financial assets are assessed for impairment at the end of each balance date.

## 1.12 Financial liabilities

Financial liabilities are recognised and derecognised upon trade date.

### 1.13 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

### 1.14 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

### 1.15 Property, plant and equipment

#### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions and property leases taken up by IHPA where there exists an obligation to restore the property to its original condition. These costs are included in the value of IHPA's leasehold improvements with a corresponding provision for the 'make good' recognised.

#### Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

IHPA has determined that the fair value of plant and equipment as at 30 June 2012 is not materially different from the carrying amount.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to IHPA using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

2012	
Leasehold improvements	Lease term
Other property, plant and equipment	3 to 10 years

### Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if IHPA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### 1.16 Taxation

IHPA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b) for receivables and payables.



### 1.17 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

#### **Administered cash transfers from the Official Public Account**

Revenue collected by the entity for use by the Government rather than the entity is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

There were no transfers to the OPA during the reporting period.

#### **Revenue**

All administered revenues are revenues relating to ordinary activities performed by the entity on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

## Note 2: Events after the reporting period

### **Departmental**

There were no significant events occurring after 30 June 2012.

### **Administered**

There were no significant events occurring after 30 June 2012.

## Note 3: Expenses

2012  
\$

### Note 3A: Employee benefits

Wages and salaries	2,009,724
Superannuation:	
Defined contribution plans	118,563
Defined benefit plans	212,618
Leave and other entitlements	283,722
<b>Total employee benefits</b>	<b>2,624,627</b>

### Note 3B: Supplier

#### Goods and services

Contractors	1,102,863
Recruitment	378,814
Property and utilities	301,132
Travel	243,733
Advertising, communications and records management	236,883
Information technology services	116,617
Legal expenses and audit fees	106,050
Other	205,142
<b>Total goods and services</b>	<b>2,691,234</b>

#### Goods and services are made up of:

Provision of goods – related entities	1,765
Provision of goods – external parties	195,768
Rendering of services – related entities	194,393
Rendering of services – external parties	2,299,308
<b>Total goods and services</b>	<b>2,691,234</b>

#### Total supplier expenses

2,691,234

### Note 3C: Depreciation and amortisation

#### Depreciation:

Property, plant and equipment	7,764
<b>Total depreciation</b>	<b>7,764</b>

## Note 4: Income

2012  
\$

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### OWN-SOURCE INCOME

#### GAINS

##### Note 4A: Other gains

Resources received free of charge – services	51,000
<b>Total other gains</b>	<b>51,000</b>

### REVENUE FROM GOVERNMENT

##### Note 4B: Revenue from Government

#### Appropriations:

Departmental appropriations	16,613,134
<b>Total revenue from Government</b>	<b>16,613,134</b>

## Note 5: Financial assets

2012  
\$

### Note 5A: Cash and cash equivalents

Cash on hand or on deposit	184,950
<b>Total cash and cash equivalents</b>	<b>184,950</b>

### Note 5B: Trade and other receivables

#### Appropriations receivable:

For existing programs	10,813,134
<b>Total appropriations receivable</b>	<b>10,813,134</b>

#### Other receivables:

Receivable from Department of Health and Ageing*	287,535
Receivable from other Australian Government agencies*	134,076
GST receivable from the Australian Taxation Office	542,662
Lease incentive	655,245
<b>Total other receivables</b>	<b>1,619,518</b>
<b>Total trade and other receivables (gross)</b>	<b>12,432,652</b>
<b>Total trade and other receivables (net)</b>	<b>12,432,652</b>

\* comprises leave liabilities associated with staff transferring from other Commonwealth agencies.

#### Receivables are expected to be recovered in:

No more than 12 months	12,432,652
<b>Total trade and other receivables (net)</b>	<b>12,432,652</b>

#### Receivables are aged as follows:

Not overdue	12,432,652
<b>Total receivables (gross)</b>	<b>12,432,652</b>

## Note 6: Non-financial assets

2012  
\$

### Note 6A: Land and buildings

Leasehold improvements	
Gross carrying value (at fair value)	1,011,625
Accumulated depreciation	(5,543)
<b>Total leasehold improvements</b>	<b>1,006,082</b>
<b>Total land and buildings</b>	<b>1,006,082</b>

### Note 6B: Plant and equipment

Gross carrying value (at fair value)	378,065
Accumulated depreciation	(2,221)
<b>Total plant and equipment</b>	<b>375,844</b>

No indicators of impairment were found for property, plant and equipment.  
No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

### Note 6C: Reconciliation of the opening and closing balances of property, plant and equipment 2012

	Land and buildings \$	Plant and equipment \$	Total \$
<b>As at 1 July 2011</b>			
Gross book value	–	–	–
Accumulated depreciation and impairment	–	–	–
<b>Net book value 1 July 2011</b>	<b>–</b>	<b>–</b>	<b>–</b>
Additions:			
By purchase	1,011,625	378,065	1,389,690
Depreciation expense	(5,543)	(2,221)	(7,764)
<b>Net book value 30 June 2012</b>	<b>1,006,082</b>	<b>375,844</b>	<b>1,381,926</b>
<b>Net book value as of 30 June 2012 represented by:</b>			
Gross book value	1,011,625	378,065	1,389,690
Accumulated depreciation and impairment	(5,543)	(2,221)	(7,764)
<b>Net book value 30 June 2012</b>	<b>1,006,082</b>	<b>375,844</b>	<b>1,381,926</b>



## Note 7: Payables

2012  
\$

### Note 7A: Suppliers

Trade creditors and accruals	365,442
Operating lease rentals	41,548
<b>Total suppliers payables</b>	<b>406,990</b>

#### Suppliers payables expected to be settled within 12 months:

Related entities	40,940
External parties	366,050
<b>Total</b>	<b>406,990</b>
<b>Total suppliers payables</b>	<b>406,990</b>

Settlement was usually made within 30 days.

### Note 7B: Other payables

Payable to Department of Health and Ageing	710,128
Wages and salaries	220,395
Superannuation	34,390
Lease incentive	646,144
<b>Total other payables</b>	<b>1,611,057</b>

#### Total other payables are expected to be settled in:

No more than 12 months	1,611,057
<b>Total other payables</b>	<b>1,611,057</b>

## Note 8: Provisions

2012  
\$

### Note 8A: Employee provisions

Leave	485,931
<b>Total employee provisions</b>	<b>485,931</b>

#### Employee provisions are expected to be settled in:

No more than 12 months	202,162
More than 12 months	283,769
<b>Total employee provisions</b>	<b>485,931</b>

### Note 8B: Other provisions

Provision for restoration obligations	155,041
<b>Total other provisions</b>	<b>155,041</b>

#### Other provisions are expected to be settled in:

More than 12 months	155,041
<b>Total other provisions</b>	<b>155,041</b>

Provision for restoration  
\$

<b>Carrying amount 1 July 2011</b>	<b>–</b>
Additional provisions made	155,041
Amounts used	–
<b>Closing balance 30 June 2012</b>	<b>155,041</b>

## Note 9: Cash flow reconciliation

	2012 \$
<hr/>	
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>	
<b>Cash and cash equivalents as per:</b>	
Cash flow statement	184,950
Balance sheet	184,950
<b>Difference</b>	–
<hr/>	
<b>Reconciliation of net cost of services to net cash from operating activities:</b>	
Net cost of services	(5,272,625)
Add revenue from Government	16,613,134
<b>Adjustments for non-cash items</b>	
Depreciation / amortisation	7,764
<b>Changes in assets / liabilities</b>	
(Increase) / decrease in net receivables	(12,432,652)
Increase / (decrease) in employee provisions	485,931
Increase / (decrease) in supplier payables	406,990
Increase / (decrease) in other payables	900,929
Increase / (decrease) in inter agency payable for expenses paid by the Department of Health & Ageing	710,128
<b>Net cash from operating activities</b>	1,419,599

## Note 10: Senior executive remuneration

### Note 10A: Senior executive remuneration expenses for the reporting period

	2012
	\$
<hr/>	
<b>Short-term employee benefits:</b>	
Salary	191,913
Annual leave accrued	14,051
Other	1,112
<b>Total short-term employee benefits</b>	<b>207,076</b>
<hr/>	
<b>Post-employment benefits:</b>	
Superannuation	25,475
<b>Total post-employment benefits</b>	<b>25,475</b>
<hr/>	
<b>Other long-term benefits:</b>	
Long-service leave	4,492
<b>Total other long-term benefits</b>	<b>4,492</b>
<hr/>	
<b>Total employment benefits</b>	<b>237,043</b>

Footnotes:

1. Note 10A is prepared on an accrual basis.
2. Note 10A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$150,000.

### Note 10B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

2012

Average annual reportable remuneration <sup>1</sup>	Senior executives No.	Reportable salary <sup>2</sup> \$	Contributed superannuation <sup>3</sup> \$	Reportable allowances <sup>4</sup> \$	Bonus paid <sup>5</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>						
less than \$150,000	1	49,859	7,409	–	–	57,268
\$180,000 to \$209,999	1	182,667	23,992	–	–	206,659
<b>Total</b>	<b>2</b>					

Footnotes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
  - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
  - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
  - exempt foreign employment income.
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
- Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

### Note 10C: Other highly paid staff

During the reporting period, there were no employees whose salary was \$150,000 or more.



## Note 11: Remuneration of auditors

2012  
\$

Financial Statement audit services were provided free of charge to IHPA by the Australian National Audit Office (ANAO).

### Fair value of the services provided

Financial Statement audit services	51,000
<b>Total</b>	<b>51,000</b>

No other services were provided by the auditors of the Financial Statements.

## Note 12: Financial instruments

### Note 12A: Categories of financial instruments

#### Financial assets

##### Loans and receivables:

Cash and cash equivalents	184,950
Receivable from the Department of Health and Ageing	287,535
Receivable from other Australian Government agencies	134,076
Lease incentive	655,245
<b>Total</b>	<b>1,261,806</b>
<b>Carrying amount of financial assets</b>	<b>1,261,806</b>

#### Financial liabilities

##### At amortised cost:

Payable to the Department of Health and Ageing	710,128
Trade creditors and accruals	365,442
Operating lease rentals	41,548
<b>Total</b>	<b>1,117,118</b>
<b>Carrying amount of financial liabilities</b>	<b>1,117,118</b>

The carrying amounts of all financial assets and financial liabilities approximate fair value.

### Note 12B: Credit risk

IHPA is exposed to minimal credit risk as receivables were cash and other receivables. The maximum exposure to credit risk for other receivables is the risk that arises from potential default of a debtor. IHPA manages its credit risk policies and procedures that guide employees in debt management and recovery. IHPA has no significant exposures to any concentrations of credit risk.

<b>Ageing of financial assets that were past due but not impaired for 2012</b>	0 to 30 days \$	Total \$
Other receivables	421,611	421,611
<b>Total</b>	<b>421,611</b>	<b>421,611</b>

### Note 12C: Liquidity risk

IHPA's financial liabilities comprise payables. The exposure to liquidity risk is negligible for IHPA as it does not have any borrowings. It is also highly unlikely that IHPA will encounter difficulty in meeting its obligations. This is because annual funding is provided to IHPA from the Australian Government and other funding mechanisms are available to IHPA such as Advances from the Finance Minister. Internal policies and procedures have also been put in place to ensure IHPA has appropriate resources available to meet its financial obligations.

<b>Maturities for non-derivative financial liabilities 2012</b>	Within 1 year \$	Total \$
Trade creditors and accruals	406,990	406,990
Other	710,128	710,128
<b>Total</b>	<b>1,117,118</b>	<b>1,117,118</b>

IHPA had no derivative financial liabilities in 2012.

### Note 12D: Market risk

IHPA holds basic financial instruments that do not expose it to material market risks. IHPA is not exposed to significant 'interest rate risk', 'currency risk' or 'other price risk'.

## Note 13: Financial assets reconciliation

	Notes	2012 \$
<b>Financial assets</b>		
<b>Total financial assets as per balance sheet</b>		12,617,602
Less: non-financial instrument components:		
Appropriations receivable	5B	10,813,134
Other receivables	5B	542,662
<b>Total non-financial instrument components</b>		<b>11,355,796</b>
<b>Total financial assets as per financial instruments note</b>	<b>12A</b>	<b>1,261,806</b>

## Note 14: Administered – expenses

### Note 14A: Suppliers

#### Goods and services

Consultants	15,925
Contractors	1,513,861
Other	656
<b>Total goods and services</b>	<b>1,530,442</b>

#### Goods and services are made up of:

Provision of goods – external parties	656
Rendering of services – external parties	1,529,786
<b>Total goods and services</b>	<b>1,530,442</b>
<b>Total suppliers expenses</b>	<b>1,530,442</b>

## Note 15: Administered – financial assets

2012  
\$

### Note 15A: Cash and cash equivalents

Cash on hand or on deposit	59,988
<b>Total cash and cash equivalents</b>	<b>59,988</b>

### Note 15B: Trade and other receivables

#### Other receivables:

GST receivable from Australian Taxation Office	152,989
<b>Total other receivables</b>	<b>152,989</b>
<b>Total trade and other receivables (gross)</b>	<b>152,989</b>

#### Receivables are expected to be recovered in:

No more than 12 months	152,989
<b>Total trade and other receivables (net)</b>	<b>152,989</b>

#### Receivables were aged as follows:

Not overdue	152,989
<b>Total receivables (gross)</b>	<b>152,989</b>

## Note 16: Administered – payables

2012  
\$

### Note 16A: Suppliers

Trade creditors and accruals	1,559,418
<b>Total suppliers</b>	<b>1,559,418</b>

#### Supplier payables expected to be settled within 12 months:

External parties	1,559,418
<b>Total suppliers</b>	<b>1,559,418</b>

Settlement was usually made within 30 days.

## Note 17: Administered – cash flow reconciliation

### Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement

#### Cash and cash equivalents as per:

Schedule of administered cash flows	59,988
Schedule of administered assets and liabilities	59,988

<b>Difference</b>	<b>–</b>
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#### Reconciliation of net cost of services to net cash from operating activities:

Net cost of services	(1,530,442)
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#### Changes in assets / liabilities

(Increase) / decrease in net receivables	(11,223)
Increase / (decrease) in supplier payables	1,417,653

<b>Net cash from operating activities</b>	<b>(124,012)</b>
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## Note 18: Administered – financial instruments

2012  
\$

### Note 18A: Categories of financial instruments

#### Financial assets

##### Loans and receivables:

Cash on hand or on deposit	59,988
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<b>Total loans and receivables</b>	<b>59,988</b>
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<b>Carrying amount of financial assets</b>	<b>59,988</b>
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#### Financial liabilities

##### At amortised cost:

Trade creditors and accruals	1,559,418
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<b>Total financial liabilities at amortised cost</b>	<b>1,559,418</b>
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<b>Carrying amount of financial liabilities</b>	<b>1,559,418</b>
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### Note 18B: Fair value of financial instruments

#### Financial assets

The fair values of all monetary financial assets approximate their carrying amounts.

#### Financial liabilities

The fair values of all monetary financial liabilities approximate their carrying amounts.

### Note 18C: Credit risk

IHPA is exposed to minimal credit risk as receivables were cash and other receivables. The maximum exposure to credit risk for other receivables is the risk that arises from potential default of a debtor. IHPA manages its credit risk policies and procedures that guide employees in debt management and recovery. IHPA has no significant exposures to any concentrations of credit risk.

### Note 18D: Liquidity risk

IHPA's financial liabilities comprise trade creditors and accruals. IHPA will be exposed to liquidity risk if it encounters difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as IHPA was appropriated funding from the Australian Government which IHPA manages and controls to ensure it has adequate funds to meet payments as and when they fall due. Internal policies and procedures have also been put in place to ensure IHPA has appropriate resources available to meet its financial obligations.

<b>Maturities for non-derivative financial liabilities 2012</b>	Within 1 year \$	2012 Total \$
Trade creditors and accruals	1,559,418	1,559,418
<b>Total</b>	<b>1,559,418</b>	<b>1,559,418</b>

### Note 18E: Market risk

IHPA holds basic financial instruments that do not expose it to material market risks. IHPA is not exposed to significant 'interest rate risk', 'currency risk' or 'other price risk'.

### Note 19: Administered financial assets reconciliation

	<b>Notes</b>	2012 \$
<b>Financial assets</b>		
<b>Total financial assets as per schedule of administered assets and liabilities</b>		212,977
Less: non-financial instrument components		
Other receivables	15B	152,989
Total non-financial instrument components		152,989
<b>Total financial assets as per financial instruments note</b>	18A	59,988

## Note 20: Appropriations

Table A: Annual appropriations ('recoverable GST exclusive')

	2012 appropriations							Appropriation applied in 2012 (current and prior years) \$	Variance <sup>3</sup> \$
	Appropriation Act		FMA Act			Total appropriation \$			
	Annual appropriation \$	Appropriations reduced <sup>1</sup> \$	AFM	Section 30	Section 31		Section 32 <sup>2</sup>		
			\$	\$	\$	\$			
<b>DEPARTMENTAL</b>									
Ordinary annual services	-	-	-	-	-	16,613,134	16,613,134	(5,104,736)	11,508,398
<b>Total departmental</b>	-	-	-	-	-	16,613,134	16,613,134	(5,104,736)	11,508,398
<b>ADMINISTERED</b>									
Ordinary annual services Administered items	-	(2,156,558)	-	-	-	3,687,000	1,530,442	(112,789)	1,417,653
<b>Total administered</b>	-	(2,156,558)	-	-	-	3,687,000	1,530,442	(112,789)	1,417,653

### Notes:

- For administered appropriations reduced under section 11 of Appropriation Acts (Nos. 1, 3 & 5) 2011–12 and section 12 of Appropriation Acts (Nos. 2, 4 & 6) 2011–12, the appropriation is taken to be reduced to the required amount specified in Table D of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's Determination, which is disallowable by Parliament.
- A Determination under section 32 of the *Financial Management and Accountability Act 1997* was signed on 21 June 2012 resulting in the transfer of funds from the Department of Health and Ageing to IHPA.
- The variance for Departmental ordinary annual services has arisen as a result of the section 32 Determination being signed late in the financial year. The variance for Administered ordinary annual services reflects the unpaid invoices as at 30 June 2012. These invoices were all paid within 2 months of the balance date.

## Table B: Departmental and administered capital budgets ('recoverable GST exclusive')

There was no Departmental Capital Budget appropriated to IHPA in 2011–12.

**Table C: Unspent annual appropriations ('recoverable GST exclusive')**

Authority	2012 \$
<b>DEPARTMENTAL</b>	
Appropriation Act (No. 1) 2011–12 <sup>1</sup>	10,998,084
<b>Total</b>	10,998,084
<b>ADMINISTERED</b>	
Appropriation Act (No. 1) 2011–12 <sup>2</sup>	59,988
<b>Total</b>	59,988

1. Appropriation Act (No. 1) 2011–12 includes cash at bank of \$184,950 and appropriation receivable of \$10,813,134.
2. This amount in its entirety is cash at bank.

**Table D: Reduction in administered items ('recoverable GST exclusive')**

2012	Amount required <sup>3</sup> – by Appropriation Act		Total amount required <sup>3</sup>	Total amount appropriated <sup>4</sup>	Total reduction <sup>5</sup>
Ordinary annual services	Act (No.1)	Act (No.3)	Act (No.5)		
Outcome 1	1,530,441.98	–	–	3,687,000.00	(2,156,558.02)

Notes:

1. Numbers in this section of the table must be disclosed to the cent.
2. Administered items for 2012 were reduced to these amounts when these Financial Statements were tabled in Parliament as part of IHPA's 2012 annual report. This reduction was effective in 2013, but the amounts were reflected in Table A in the 2012 Financial Statements in the column 'Appropriations reduced' as they were adjustments to 2012 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2012.
5. Total reduction effective in 2013.

## Note 21: Compensation and debt relief

### Compensation and debt relief – departmental

No payments were made under section 73 of the *Public Service Act 1999* during the reporting period.

### Compensation and debt relief – administered

No 'Act of Grace' expenses were incurred during the reporting period.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.

No ex-gratia payments were made during the reporting period.

## Note 22: Reporting of outcomes

### Note 22A: Net cost of outcome delivery

	Outcome 1 <sup>1</sup> 2012 \$
<hr/>	
<b>Departmental</b>	
Expenses	5,323,625
Own-source income	(51,000)
<b>Administered</b>	
Expenses	1,530,442
<b>Net cost of outcome delivery</b>	<b>6,803,067</b>

1. Outcome 1 is described in Note 1.1. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget Outcome.

**Note 22B: Major classes of departmental expense, income, assets and liabilities by outcome**

	Outcome 1 <sup>1</sup>
	2012
	\$
<hr/>	
<b>Expenses</b>	
Employees	2,624,627
Suppliers	2,691,234
Depreciation and amortisation	7,764
<b>Total</b>	<b>5,323,625</b>
<hr/>	
<b>Income</b>	
Other gains	(51,000)
<b>Total</b>	<b>(51,000)</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	184,950
Trade and other receivables	12,432,652
Land and buildings	1,006,082
Plant and equipment	375,844
<b>Total</b>	<b>13,623,684</b>
<hr/>	
<b>Liabilities</b>	
Suppliers	406,990
Other payables	1,611,057
Employee provisions	485,931
Other provisions	155,041
<b>Total</b>	<b>2,659,019</b>
<hr/>	

1. Outcome 1 is described in Note 1.1. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget Outcome.



**Note 22C: Major classes of administered expenses, income, assets and liabilities by outcome**

	Outcome 1 <sup>1</sup> 2012 \$
<b>Expenses</b>	
Suppliers	1,530,442
<b>Total</b>	<b>1,530,442</b>
<b>Assets</b>	
Cash and cash equivalents	59,988
Receivables	152,989
<b>Total</b>	<b>212,977</b>
<b>Liabilities</b>	
Suppliers	1,559,418
<b>Total</b>	<b>1,559,418</b>

1. Outcome 1 is described in Note 1.1.

**Note 23: Net cash appropriation arrangements**

	2012 \$
<b>Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations<sup>1</sup></b>	<b>11,340,509</b>
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	–
<b>Total comprehensive income – as per the Statement of Comprehensive Income</b>	<b>11,340,509</b>

1. From 2010–11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.



## APPENDICES

- Appendix A: Further information
- Appendix B: Acronyms and abbreviations
- Appendix C: Glossary
- Appendix D: Compliance index
- Appendix E: Index

# Appendix A: Further information

## Freedom of Information

The *Freedom of Information Act 1982* (FOI Act) promotes disclosure of government information and expressly recognises that public access to government information is to be provided promptly and at the lowest reasonable cost.

The Information Publication Scheme (IPS) was established by Part II of the FOI Act with effect from 1 May 2011. This requirement has replaced the previous requirement for agencies to publish a Section 8 statement in their Annual Report.

Our Information Publication Scheme is available on our website at <[www.ihpa.gov.au](http://www.ihpa.gov.au)>. This includes information about the type of documents we hold and our FOI procedures, facilities and contact details.

More information about the classes of personal information we hold is available at the Office of the Australian Information Commissioner website at <[www.privacy.gov.au](http://www.privacy.gov.au)>.

## How to lodge an FOI request

If you want to view one or more documents, you must send us a request in writing—by mail, fax or email. You need to include as much detail as possible about the document(s) you want to access. FOI application forms are available on our website. The FOI Act provides that charges may be imposed for processing requests. If access is granted to the documents under the FOI Act, you will be provided with either a copy of the document(s) or the opportunity to inspect them at our Sydney office.

## More information

For more information, contact our Freedom of Information Officer using the following details:

FOI Officer  
Independent Hospital Pricing Authority  
PO Box 483  
Darlinghurst NSW 1300

Email: [FOI\\_IHPA@ihpa.gov.au](mailto:FOI_IHPA@ihpa.gov.au)  
Phone: (02) 8215 1107  
Fax: (02) 8215 1111

## Ecologically sustainable development and environmental performance

S. 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act) requires Australian Government organisations to detail their environmental performance and contribution to ecologically sustainable development in their annual reports.

We are committed to the principles of sustainable development and recognise our responsibility to the Australian Government and the wider community to make a contribution to minimise the impact of our operations on the environment.

During 2011–12 we have demonstrated environmental responsibility by minimising the negative impacts we have on the environment through efficient use of resources, effective waste management and pollution prevention. Our range of measures include:

- Recycling paper, cardboard and printer cartridges.
- Setting printers to default to printing on both sides of the papers.
- Ensuring equipment such as desktop computers, photocopiers, dishwashers and printers incorporate energy saving features.
- Sensors to allow automatic turn-off of lighting in rooms not occupied.
- Providing facilities to allow staff to recycle a range of kitchen and general waste.
- Using teleconferences wherever possible to cut down on travel and minimise our carbon footprint.
- Using flexible working locations and home-based work where appropriate.
- Our decision-making processes effectively integrate long-term and short-term economic, environmental and social considerations.

## Advertising and market research

During January 2012, a small advertising campaign was conducted to seek public comment on IHPA's draft *Pricing Framework*. This document guides IHPA in its core function, the determination of the NEP. Advertisements were placed in all metropolitan and major regional newspapers. The advertisements were placed by AdCorp at a cost of \$55,556.34 (inclusive of GST).

In response, almost 100 submissions were received from stakeholders assisting IHPA in the development of an informed and transparent final *Pricing Framework*. The submissions have been made available to the public to view and can be accessed on our website at <[www.ihpa.gov.au](http://www.ihpa.gov.au)>.

IHPA has not conducted any market research this financial year.

## Grant programs

IHPA did not administer any grant programs during the period 15 December 2011–30 June 2012.



# Appendix B: Acronyms and abbreviations

Term	Description
<b>ABF</b>	Activity Based Funding
<b>ACSQHC</b>	The Australian Commission on Safety and Quality in Health Care
<b>Act (the)</b>	The <i>National Health Reform Act 2011</i>
<b>ANAO</b>	Australian National Audit Office
<b>AIHW</b>	Australian Institute for Health and Welfare
<b>APC</b>	Admitted Patient Care
<b>APS</b>	Australian Public Service
<b>APSC</b>	Australian Public Service Commission
<b>AR-DRG</b>	Australian Refined Diagnosis Related Group
<b>ASGC-RA</b>	Australian Standard Geographical Classification – Remoteness Areas system
<b>CAC</b>	Clinical Advisory Committee
<b>CEO</b>	Chief Executive Officer
<b>COAG</b>	Council of Australian Governments
<b>CFO</b>	Chief Financial Officer
<b>CSO</b>	Community Service Obligations
<b>DoHA</b>	Department of Health and Ageing
<b>DSS</b>	Data Set Specification
<b>ED</b>	Emergency Department
<b>EL</b>	Executive Level
<b>ES</b>	Emergency Services
<b>HOPO</b>	Holder of Public Office
<b>ICD-10-AM</b>	International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification

Term	Description
<b>ICT</b>	Information and Communication Technology
<b>IHPA</b>	Independent Hospital Pricing Authority
<b>JAC</b>	Jurisdictional Advisory Committee
<b>LHN</b>	Local Hospital Network
<b>NAP</b>	Non-admitted Patient
<b>NEP</b>	National Efficient Price
<b>NHCDC</b>	National Health Cost Data Collection
<b>NHFB</b>	National Health Funding Body
<b>NHPA</b>	National Health Performance Authority
<b>NHRA</b>	National Health Reform Agreement (2011)
<b>NMDS</b>	National Minimum Data Sets
<b>NWAU</b>	National Weighted Activity Unit
<b>PBS</b>	Portfolio Budget Statements
<b>PHED</b>	Public Hospital Establishment Data
<b>PICU</b>	Paediatric Intensive Care Unit
<b>SCoH</b>	Standing Council on Health
<b>SES</b>	Senior Executive Service
<b>TAC</b>	Technical Advisory Committee
<b>TTR</b>	Teaching, Training and Research
<b>UDG</b>	Urgency Disposition Groups
<b>URG</b>	Urgency Related Groups
<b>WHS</b>	Work, Health and Safety

# Appendix C: Glossary

**Activity Based Funding** means an activity comprising in-scope public hospital services which will be funded by the Australian Government in the 2012–13 financial year in the manner described at clause A32.c of the National Health Reform Agreement 2011. An ABF Activity may take the form of a separation, presentation or service event

**Adjustment** means an amount added to, or subtracted from a Price Weight, in recognition of legitimate and unavoidable variations in the cost of service delivery.

**Agreement** means the National Health Reform Agreement (NHRA) between the Australian Government and state and territory governments, dated 2 August 2011.

[www.yourhealth.gov.au/internet/yourhealth/publishing.nsf/Content/nhra-justreleased](http://www.yourhealth.gov.au/internet/yourhealth/publishing.nsf/Content/nhra-justreleased)

**AR-DRG** refers to a group within the classification system known as Australian Refined Diagnostic Related Groups version 6.x (also known as AR-DRG V6.x).

**ASGC-RA** means the Australian Standard Geographical Classification – Remoteness Areas system, developed by the ABS (ABS publication 1216.0).

**Block funding** refers to a way of funding hospitals that is not tied to outputs.

**Carer Recognition Act 2010** is an Act to provide for the recognition of carers, and for related purposes.

[www.comlaw.gov.au/Details/C2010A00123](http://www.comlaw.gov.au/Details/C2010A00123)

**Environment Protection and Biodiversity Conservation Act 1999** (EPBC Act) is the Australian Government’s central piece of environmental legislation. It provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places—defined in the EPBC Act as matters of national environmental significance.

[www.environment.gov.au/epbc/](http://www.environment.gov.au/epbc/)

**Emergency Department Service** means the provision of care to a person by an Emergency Department.

**Financial Management and Accountability Act 1997** (FMA Act) provides the framework for the proper management of public money and public property by the Executive arm of the Commonwealth. Public money and public property is defined in the Act as money and property in the custody or control of the Commonwealth.

[www.finance.gov.au/financial-framework/fma-legislation/fma-act.html](http://www.finance.gov.au/financial-framework/fma-legislation/fma-act.html)

**Freedom of Information Act 1982** gives members of the public rights of access to official documents of the Australian Government and of its agencies.

[www.comlaw.gov.au/Series/C2004A02562](http://www.comlaw.gov.au/Series/C2004A02562)

**Health and Safety Act 2011** is an Act relating to work health and safety, and for related purposes.

[www.comlaw.gov.au/Details/C2011A00137](http://www.comlaw.gov.au/Details/C2011A00137)

**Metadata** is often called ‘data about data’. More precisely, it is the underlying definition or structured description of the content, quality, condition or other characteristics of data.

**METeOR** is Australia's repository for national metadata standards for health, housing and community services statistics and information.

**National Efficient Price** means the price that IHPA has determined as the price that will be paid for a NWAU.

**National Health Reform Act 2011** an Act relating to National Health Reform based on the National Health Reform Agreement.

[www.comlaw.gov.au/Details/C2011C00952](http://www.comlaw.gov.au/Details/C2011C00952)

**National Weighted Activity Unit** is the unit of measure in the national ABF system. It allows activity across different setting to be compared on the basis of resource use.

**Outer Regional** means an area that is classified as Outer Regional Australia under the ASGC-RA.

**Public Service Act 1999** is the principal Act governing the establishment and operation of, and employment in, the Australian Public Service.

[www.comlaw.gov.au/Series/C2004A00538](http://www.comlaw.gov.au/Series/C2004A00538)

**Price Weight** means the weight assigned to an ABF Activity.

**Remote** means an area that is classified as remote Australia under ASGC-RA.

**Remoteness Area Adjustment** means the Outer Regional Adjustment, the Remote Area Adjustment and the Very Remote Area Adjustment.

**State** means the State of New South Wales, the State of Victoria, the State of Queensland, the State of Western Australia, the State of South Australia, the State of Tasmania, the Australian Capital Territory and the Northern Territory of Australia, as applicable.

**Tier 2** is the classification system for non-admitted patients that IHPA is currently using.

**Triage** is a process of assessment of a patient on arrival to the emergency department to determine the priority for medical care based on the clinical urgency of the patient's presenting condition. Triage enables allocation of limited resources to obtain the maximum clinical utility for all patients presenting to the emergency department.

**UDG** refers to a group within the classification system known as Urgency Disposition Groups. It classifies a patient attending the emergency department based on the combination of triage and disposition. Refer to Appendix B, table 2 of the *National Efficient Price Determination 2012-13* for a full list of UDGs.

[www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/\\$File/NEPDetermination2012-2013.pdf](http://www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/$File/NEPDetermination2012-2013.pdf)

**URG** refers to a group within the classification system known as Urgency Related Groups. It is applied across disposition categories (admitted and non-admitted). Refer to Appendix B, table 3 of the *National Efficient Price Determination 2012/13* for a full list of the UDGs.

[www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/\\$File/NEPDetermination2012-2013.pdf](http://www.iHPA.gov.au/internet/iHPA/publishing.nsf/Content/NEP-determ-12-13/$File/NEPDetermination2012-2013.pdf)



# Appendix D: Compliance index

## Compliance with annual reporting requirements

Part of Report	Description	Requirement	Page
	Letter of transmittal	Mandatory	iv
	Table of contents	Mandatory	1
	Index	Mandatory	92
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	Contact officer(s)	Mandatory	ii
	Internet home page address and Internet address for report	Mandatory	ii
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	Summary of significant issues and developments	Suggested	11
	Overview of department's performance and financial results	Suggested	23, 29
	Outlook for following year	Suggested	12
	Significant issues and developments – portfolio	Portfolio departments – suggested	n/a
<b>Departmental Overview</b>	Role and functions	Mandatory	4-6
	Organisational structure	Mandatory	7
	Outcome and program structure	Mandatory	25–28
	Where outcome and program structures differ from PB Statements/ PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	n/a
	Portfolio structure	Portfolio departments – mandatory	13–16

Part of Report	Description	Requirement	Page
<b>Report on Performance</b>	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	25-28
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	25
	Where performance targets differ from the PBS/ PAES, details of both former and new targets, and reasons for the change	Mandatory	n/a
	Narrative discussion and analysis of performance	Mandatory	25–28, 39
	Trend information	Mandatory	n/a
	Significant changes in nature of principal functions/services	Suggested	n/a
	Performance of purchaser/provider arrangements	If applicable, suggested	32
	Factors, events or trends influencing departmental performance	Suggested	n/a
	Contribution of risk management in achieving objectives	Suggested	32
	Social inclusion outcomes	If applicable, mandatory	n/a
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	n/a
	Discussion and analysis of the department's financial performance	Mandatory	39
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	n/a
	Agency resource statement and summary resource tables by outcomes	Mandatory	n/a
<b>Management and Accountability</b>			30
<b>Corporate Governance</b>	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	iv
	Statement of the main corporate governance practices in place	Mandatory	31
	Names of the senior executive and their responsibilities	Suggested	7
	Senior management committees and their roles	Suggested	31
	Corporate and operational planning and associated performance reporting and review	Suggested	31
	Approach adopted to identifying areas of significant financial or operational risk	Suggested	32-33
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	37
	How nature and amount of remuneration for SES officers is determined	Suggested	36

Part of Report	Description	Requirement	Page
<b>External Scrutiny</b>	Significant developments in external scrutiny	Mandatory	32
	Judicial decisions and decisions of administrative tribunals	Mandatory	n/a
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<b>Management of Human Resources</b>	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	34
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	Training and development undertaken and its impact	Suggested	36
	Work health and safety performance	Suggested	36
	Productivity gains	Suggested	n/a
	Statistics on staffing	Mandatory	34–35
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	36–37
	Performance pay	Mandatory	37
<b>Assets management</b>	Assessment of effectiveness of assets management	If applicable, mandatory	33
<b>Purchasing</b>	Assessment of purchasing against core policies and principles	Mandatory	32
<b>Consultants</b>	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	33
<b>Australian National Audit Office Access Clauses</b>	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	32
<b>Exempt contracts</b>	Contracts exempt from the AusTender	Mandatory	32
<b>Financial Statements</b>	Financial Statements	Mandatory	43–81

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<b>Other Mandatory Information</b>	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i> )	Mandatory	36
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i> ) and statement on advertising campaigns	Mandatory	84
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	Compliance with the agency's obligations under the Carer Recognition Act 2010	If applicable, mandatory	37
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	Disability reporting – explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	37
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