

14 FEB 2012



Health
Western Sydney
Local Health District

**Financial Review: Multicultural Mental Health Australia Project Report
July 2010.**

**Financial Management Summary of Findings and Associated Management
Response - WSLHD**

<u>Finding Ref.</u>	<u>Issue</u>	<u>Management Response</u>
1	Roles & Responsibilities	<p>Financial management support for the service over the years has been evident as WSAHS/SWAHS/WSLHD provided a range of direct and indirect support to MMHA. This financial management support was in place with a full time Business Manager within Multicultural Health up to May 2009 and then by a Senior Finance and Business Analyst.</p> <p>The MMHA National Program Manager reported to the Director of Multicultural Health Services A/Prof. Abd Malak (former Executive Director of Workforce Development) who was also the Chair of the MMHA Consortium and the Joint Officers Group.</p> <p>Audit certifications were completed as required by the Funding Agreements and submitted to DOHA as required.</p> <p>The MMHA project was reviewed by DOHA on two occasions prior to this review and MMHA was found to be "a highly effective national Program that should be retained and expanded."</p>
2	Financial Ledger	<p>The capture of the associated costs and revenues over the period of the Agreement was consistently evident from the inception of the grant funding from 2003 under the previous WSAHS / SWAHS. Costs and revenues were appropriately captured by a sub system database designed to ensure expenditure was matched with the grant funding received from the Commonwealth.</p> <p>The allocation of future grants received was also captured in this Cost Centre as they were granted by the Commonwealth and to ensure an easier reconciliation process would be in place as the future of the later grants allocated was not certain.</p>

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3	MMHA Banking Arrangements	<p>The Commonwealth has been aware that it has been custom and practice from NSW Health that separate bank accounts were not to be continuously opened for all grant funds received and that such funds would be channeled via the General fund operating account.</p> <p>MMHA was reviewed by DOHA on two previous occasions and this issue was not raised as a concern in either of the reviews.</p> <p>Similarly costs and grant funds were suitably captured by Cost Centre accounting processes through the local financial system and this was consistently applied from the inception of the grant funding in the early 2000s under the previous Area Health Services.</p>
4	Income Recognition – Grant	<p>It has been custom and practice to align the grant funding claimed with the budget cycle of the Commonwealth Government to ensure that the receipt of funds was in accordance with the Agreement's funding cycles.</p>
5	Income – Other Contributions	<p>Other contributions/income have at times and when relevant to the Program been recognized in order to enhance the funding sources available from various sources to further enhance service provision.</p>
6	MMHA Finance Database - Reconciliation	<p>The MMHA reconciliation process has been subject to financial audit from the inception of the grant funding under the previous WSAHS/SWAHS as per the funding agreements.</p> <p>The NPM sought independent and external review by qualified accounting resources in response to requests from DOHA.</p> <p>This is the case now for the final report for DOHA at the end of the Agreement's funding period with the external audit review process now in progress.</p>
7	MMHA Finance Database – Allocations	<p>The allocation process has been subject to audit from the inception of the grant funding under WSAHS/ SWAHS and is currently again subject to independent and external review by qualified accounting resources.</p>
8	Expenditure – Salaries & Wages	<p>The allocation process for salaries and wages and other costs has been subject to annual audit as a requirement of the grant funding over many years under the previous WSAHS/SWAHS and is currently again subject to independent and external review by qualified accounting resources.</p>
9	Expenditure – Infrastructure Charge	<p>A small administrative charge was incorporated in the cost centre to reflect the substantial financial support from the previous Health Services into the program which are unfunded and this charge is in accordance with NSW Health practice on special projects type funding.</p>



10	Budget & Monitoring	<p>From the inception of the grant funding the cost center has been incorporated in the Financial System and is at present subject to final audit review of the 3 year Agreement that expired in Jun'11.</p> <p>A detailed internal Access Data base was set up by the former NPM from 2003-2006 for MMHA to ensure that spending was monitored. This data base was aligned to the DOHA Funding Agreement requirements and kept a record of all expenditure. It was reconciled regularly with the local Cost Centre reports from the financial system.</p>
11	Funding Agreement – Reporting Schedule	<p>The Agreement is at present subject to the final external audit review of the 3-Year Agreement that expired in Jun'11.</p>
12	Financial Statements Format	<p>Since the inception of the grant funding in the early 2000s under the previous Area Health Service, the statement of income and expenditure reporting requirement has been accepted by the Commonwealth as submitted annually.</p>
13	Certification of Financial Statements	<p>Since the inception of the grant funding in the early 2000s under the previous Area Health Service the statement of income and expenditure reporting requirement has been accepted by the Commonwealth as submitted annually.</p>
14	Auditors Deliverables	<p>There is no requirement in the Funding Agreement for the auditor to prepare a formal management letter or report.</p> <p>However, in the course of conducting the review of the financial statements (statement of receipt and expenditure), Internal Audit, through the exchange of emails, formally advised management of issues as they arose. These emails were available for review by KPMG however they were not requested and Internal Audit were not included in the consultation process.</p>
15	Auditors Statement	<p>The infrastructure charge has not been the subject of further follow up from DOHA over these years.</p>

16	Audit of year end financial statements	<p>The statement by KPMG that "There is a risk that the audit is not performed in accordance with Australian Auditing Standards" is deemed to be somewhat offensive and unprofessional and would indicate that KPMG has not examined the Audit Certificate for the financial year 2008/09 otherwise they would have seen that the certificate was signed by a Fellow of CPA Australia who is also a Member of the Institute of Internal Auditors.</p> <p>In addition, Internal Audit has been providing Audit Certificates to external organisations who have provided grants to the organisation(s), particularly the Commonwealth Department of Health and Ageing (DOHA) for over 15 years.</p> <p>In the relevant Funding Agreement, in sub section 1.1, the definition of an "approved auditor" is:</p> <ul style="list-style-type: none"> a) registered as a company auditor under the Corporations Act 2001 or an appropriately qualified member of the Institute of Chartered Accountants in Australia, or of CPA Australia or the National Institute of Accountants; and b) not a principal, member, shareholder, office holder or employee of the Participant <p>In relation to (a) above, the audit certification has always been signed by a qualified member of CPA Australia.</p> <p>In relation to (b) above, it has previously been discussed with DOHA and they accepted that it was acceptable for Internal Audit to provide the audit certification as they were sufficiently independent given such considerations as the size of the organisation(s).</p>
17	Utilisation of Prior Grant Funds for '08 – '11 MMHA Project Expenditure	<p>Prior year grant funds have been utilized to cover expenditure associated with grant funding and have been subject to audit from the inception of the grant funding under the previous Area Health Services and is currently again subject to independent and external review by qualified accounting resources</p> <p>The National Program Manager was in regular contact with DOHA re MMHA project funding and reporting. Records indicate that an Audited 2006-2008 financial statement (Dated 20/1/2009) was requested and supplied to DOHA. The statement identified expenditure from 2006-2008 Core Grant and the 2007 Special Grant itemizing where carry over funds from 2007/2008 were to be spent.</p> <p>The 2008/2011 Funding Agreement was signed by DOHA on 23/10/2008. Execution of the payment of a new grant of \$700,000 by DOHA was approved November 2008. Program records indicate that an unaudited report for the period July 2008-May 2009 (submitted to DOHA 2/7/2009) again identified the roll overs required showing their expenditure against each separate grant i.e. new core grant, old core grant and the special resources grant.</p> <p>Of note, these funds were not received until late in the year with a requirement from DOHA to expend them within a very short timeframe</p>



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		Approval to carry over funds (\$518,084) was granted in May 2009 and the return of \$230,000 to DOHA by SWAHS was finalised in December 2009.
18	Hunter Institute of Mental Health	The Hunter Institute of Mental Health was sub-contracted to deliver on a media information pack and training sessions for carers and consumers as a cost effective option as MMHA did not have staff with the specialized skills to do so.

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