

Our finances

PART FIVE: OUR FINANCES

Part Five provides an overview of the National Blood Authority's financial position in 2006–07, including a summary of the resources used to deliver outputs in the reporting year and the resources used to deliver objectives.

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5.1 Summary resource table

The total value of the National Blood Authority’s outputs in 2006–07 was \$10.2 million. This is summarised in Table 12. The information in the table demonstrates that total administered expenses varied by \$21.4 million, which was due to capital payment for the Australian Red Cross Blood Service being rolled over to 2007–08 in accordance with the Deed of Agreement. The table also highlights the variance of \$1.1 million in the departmental price of outputs. This relates to information communication technology purchases made in 2006–07 for implementation in 2007–08.

TABLE 12: TOTAL RESOURCES FOR OUTCOME 1, 2006–07

	(1) Actual 2006–07 (\$'000)	(2) Budget 2006–07 (\$'000)	Variation (1) - (2) (\$'000)	Budget 2006–07 (\$'000)
Administered expenses				
Grants	303,080	326,532	(23,452)	322,275
Suppliers	305,770	303,735	2,035	303,735
Total administered expenses	608,850	630,267	(21,417)	626,010
Departmental price of outputs				
Output 1: Manage and coordinate Australia’s blood supply in accordance with the National Blood Agreement agreed by the Australian Government, States and Territories	9,059	10,175	(1,116)	10,175
Revenue from government (appropriation) for departmental outputs	6,065	6,065	-	6,065
Revenue from other sources	4,160	4,110	50	4,110
Total departmental price of outputs	10,225	10,175	50	10,175
Total for Outcome 1 (total price of outputs and administered expenses)	619,075	640,442	(21,367)	636,185
Staffing	50	40	10	40
		(a)		(b)

(a) This column shows the full year budget including additional and supplementary estimates.

(b) This column shows the budget estimates prior to additional estimates.

5.2 Purchasing

The National Blood Authority adheres to the principles of the *Commonwealth Procurement Guidelines and Best Practice Guidance* when undertaking procurement. These guidelines are applied to the National Blood Authority's activities through the Chief Executive's Instructions and procedural rules, management instructions and key business processes.

To procure blood and blood-related products, the National Blood Authority developed key business processes to ensure that procurements were documented and followed agreed procedures. The National Blood Authority's internal auditor completed a number of audits to test processes and ensure they met legislative requirements, government policies and best practice. The audit findings were favourable in connection with compliance with mandatory processes and offered some opportunities for improvement, which will be implemented in the future. The key business processes are reviewed and refined as part of continuous improvement in the management of core business functions.

The National Blood Authority completed a number of open source procurements in 2006–07 in line with the annual procurement plan. The key procurements were:

- the information communication technology infrastructure refresh
- the diagnostic reagents standing offer
- the independent business study on Australian Red Cross Blood Service efficiency and effectiveness
- consultancies to deliver functions as specified by the *National Blood Authority Act 2003*, including a pilot for product tracking, a pilot to assist in clinical assessment and authorisation for product use, and preparation of an exposure *Criteria for the Clinical Use of Intravenous Immunoglobulin in Australia*.

The National Blood Authority outsourced travel services and subscribed to the Australian Government standard of 'best fare of the day' when procuring air travel.

The National Blood Authority did not administer any discretionary grants in 2006–07.

Exempt contracts

The Chief Executive Officer did not issue any exemptions from the required publication of any contract or standing offer in the *Purchasing and Disposal Gazette* in 2006–07.

5.3 Competitive tendering and contracting

No contracts of \$100,000 or more (including GST) were executed in 2006–07 that did not provide for the Auditor-General to have access to the contractor’s premises.

5.4 Asset management

Physical assets are a minor part of the National Blood Authority’s strategic management. An asset replacement strategy has been developed to ensure that the National Blood Authority has adequate funds for the replacement of assets as these come to the end of their useful lives. A full refresh of information communication technology infrastructure was carried out in 2006–07 following the completion of a review into the strategic IT needs of the National Blood Authority (see page 71).

5.5 Advertising and market research

In 2006–07, the total expenditure on all advertising, market research and direct mail services amounted to \$38,090. The expenditure for advertising, market research and direct mailing services reported in 2005–06 was \$61,668. The drop in advertising costs was due largely to a decrease in recruitment and tender advertising. Details of total payments of \$10,300 and above, as required to be reported by section 311A of the Commonwealth Electoral Act 1918, are set out in Table 13. All amounts are GST inclusive.

TABLE 13: TOTAL EXPENDITURE FOR PAYMENTS OVER \$10,300 ON ADVERTISING, MARKET RESEARCH AND DIRECT MAILING SERVICES IN 2006–07

Organisation	Purpose	Expenditure (\$)
hma Blaze Pty Ltd	Tendering	22,074
hma Blaze Pty Ltd	Recruitment	16,016
Total expenditure for payments over \$10,300 (GST inclusive)		38,090

5.6 Consultants

In 2006–07, seven new consultancy contracts were entered into, which involved total actual expenditure of \$357,781 (GST inclusive). Eight ongoing consultancy contracts were active in 2006–07 and resulted in total actual expenditure of \$224,585 (GST inclusive).

The selection of consultants and approval of expenditure complied with Chief Executive’s Instructions, management instructions and key business processes and adhered to the principles of the *Commonwealth Procurement Guidelines* and *Best Practice Guidance*.

A suite of standard form contracts have been developed for consultancies and, where necessary, are modified to suit individual circumstances.

Table 14 shows total expenditure on all consultancy services by year, covering both new contracts let in the applicable year and ongoing contracts let in previous years.

TABLE 14: TOTAL EXPENDITURE ON CONSULTANCY SERVICES FROM 2004–05 TO 2006–07

2006–07		2005–06		2004–05	
No. let	Total expenditure on new and existing consultancies (\$)	No. let	Total expenditure on new and existing consultancies (\$)	No. let	Total expenditure on new and existing consultancies (\$)
7	582,366	13	754,304	16	633,954

Table 15 provides details of consultancy contracts let by the National Blood Authority in 2006–07. It also includes the total value of the contract over its entire life. Contracts with a value of less than \$10,000 have not been included in line with the annual reporting requirements set down by the Joint Committee of Public Accounts and Audit. All figures are GST inclusive.

TABLE 15: CONSULTANCY SERVICES LET IN 2006–07 OF \$10,000 OR MORE

Consultant name	Description	Contact price (\$ (GST inc)	Selection process	Justification
Departmental				
Corex Pty Ltd	Provision of services provided to prepare and report on the findings of the NBA Data Workshop 2006 under panel arrangement	22,000	Open tender	A
Duloe Willcock Services Pty Ltd	Provision of professional services in relation to project management advice and support for the NBA IT Refresh	22,000	Direct sourcing	A
University of Sydney	Development of an exposure draft of <i>Criteria for the Clinical Use of Intravenous Immunoglobulin in Australia</i>	1 21,564	Select tender	A
Logistics Bureau Pty Ltd	Provision of consultancy services – <i>Research and Report on Track and Trace Systems Used in the Supply of IVlg</i>	1 26,500	Open tender	B
Truscott - Crisis Leaders	Provision of services to develop a National Blood Supply Contingency Plan	202,670	Open tender	A
Administered				
KPMG Australia	Procurement to conduct an independent business study of the Australian Red Cross Blood Service	881,540	Open tender	B

(1) Explanation of selection process terms

Open tender: A procurement procedure in which a request for tender is published inviting all businesses that satisfy the conditions for participation to submit tenders.

Select tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders in accordance with the mandatory procurement procedures.

Direct sourcing: A procurement process, available only under certain defined circumstances, in which an agency may contact a single potential supplier or suppliers of its choice and for which conditions for direct sourcing apply under the mandatory procurement procedures.

(2) Justification for decision to use consultancy

A—Requirement for specialist expertise not available within the National Blood Authority.

B—Requirement for independent assessment of research considered desirable.

5.7 Finances

The financial management of the National Blood Authority's budget is driven by its responsibilities and resource structure. As a material statutory agency, the organisation has a range of corporate and compliance responsibilities which are defined in and under the *National Blood Authority Act 2003*, the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999* and a range of ministerial, parliamentary and financial reporting requirements.

Funding

The National Blood Authority is funded 63 percent by the Australian Government and 37 percent by state and territory governments. The funding is for both the national blood supply and the operations of the National Blood Authority. All governments must approve any changes in the National Supply Plan and Budget for products used in the blood sector, any new products and initiatives, and any change in resources for the National Blood Authority.

The National Blood Authority also received funding for a range of one-off investments, including the establishment of the data and system infrastructure required to drive and inform strategies for demand management.

Financial performance in 2006–07

The following provides a summary of the National Blood Authority's financial performance for 2006–07. Departmental and administered results are shown in the audited financial statements. This summary should be read in conjunction with those statements.

Audit report

The National Blood Authority received an unqualified audit report for 2006–07.

Operating result

The National Blood Authority's income statement reports an operating surplus for the 2006–07 reporting period of \$1.166 million. In 2005–06, a \$0.565 million operating surplus was reported. Table 16 demonstrates the National Blood Authority's key results for the financial years 2006–07 and 2005–06.

TABLE 16: KEY RESULTS IN FINANCIAL PERFORMANCE

	2006–07 (\$'000)	2005–06 (\$'000)	Movement (%)
Contributions from the Australian Government	6,161	4,623	33
Contributions from states and territories and other revenue	4,064	3,570	14
Total revenue	10,225	8,193	25
Employee expenses	5,712	4,859	18
Supplier expenses	2,941	2,395	23
Other expenses	406	374	9
Total expenses	9,059	7,628	19
Operating result	1,166	565	106

Special Accounts

The National Blood Authority manages the National Blood Account and the National Managed Fund special accounts.

Blood and blood-related products are funded from the National Blood Account, which was established under section 40 of the *National Blood Authority Act 2003*. The National Blood Authority's activities contribute to outcomes and are classified as either departmental or administered expenses. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled by the National Blood Authority in its own right, that is, for operations. Administered activities involve the management or oversight by the National Blood Authority on behalf of the government of activities and expenses controlled or incurred by the Australian Government. This includes procurement of the products and services which make up the blood supply.

The National Managed Fund (Blood and Blood Products) Special Account was established under section 20 of the *Financial Management and Accountability Act 1997*. Contributions to the account include annual funding from all governments and the Australian Red Cross Blood Service and special account interest from the Australian Government.

Revenue

Total revenue received in 2006–07 was \$10.2 million. It was made up of \$6 million from appropriations for outputs, \$0.1 million from resources received free of charge, \$3.8 million from contributions received from states and territories and \$0.3 million from other sources. This represented an increase of \$2.03 million over the revenue for 2005–06.

The increase in funding reflects the decision of the Funding Review in 2005–06, which allocated additional funds to enable a range of new activities to be undertaken by the National Blood Authority.

Revenue from other sources includes contributions received under the net appropriation instrument (S31 receipts) arising from officers transferring from other agencies and part receipt of insurance compensation following flood damage to the National Blood Authority's premises in February 2007.

Expenses

The National Blood Authority's expenses for 2006–07 were \$9.1 million. This is \$1.4 million more than in the previous period due to an increase of \$0.6 million in employee expenses as a result of the additional funding received in 2006–07. The increase was still less than expected due to delays in recruitment. There was also an increase in supplier expenses of \$0.6 million, as the National Blood Authority commenced a number of projects for which it sought additional funding from governments in 2005–06. The National Blood Authority expects to progress a number of these projects in 2007–08, at which time the expenses and revenues will increase.

Operating surplus

The surplus for 2006–07 was \$1.2 million, compared to \$0.6 million in 2005–06. The increase is due to expenditure on capital for work in progress on the Integrated Data Management System and the Information Technology Refresh Project, due to be completed in 2007–08, but developed in 2006–07.

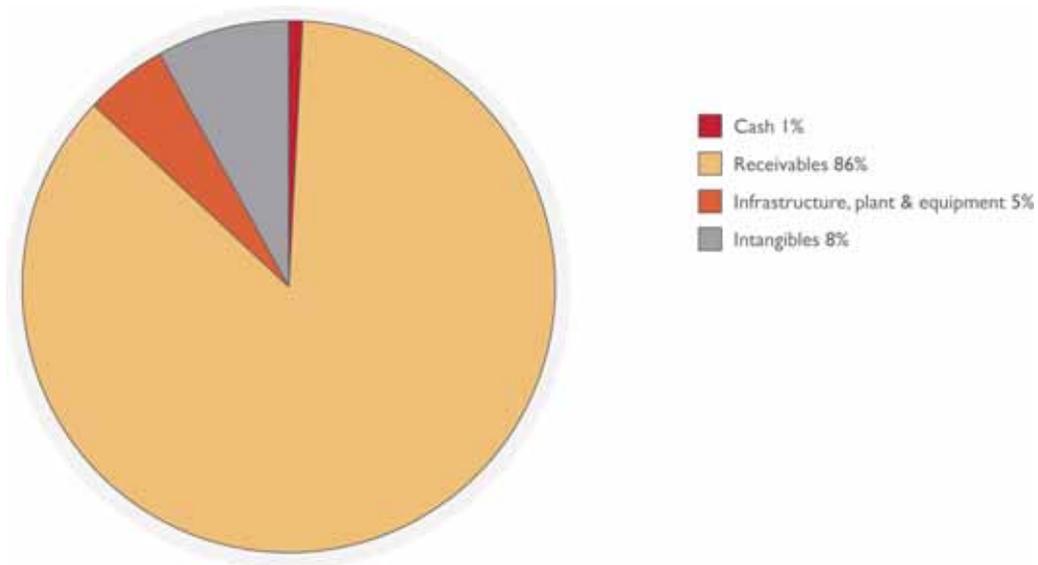
Assets

The National Blood Authority's assets are divided into four main categories:

- cash
- infrastructure, plant and equipment
- intangibles (non-physical assets such as software)
- receivables (amounts due to be paid to the NBA).

The proportions of each category of asset are illustrated in Figure 18.

FIGURE 18: COMPOSITION OF ASSETS AT 30 JUNE 2007



The National Blood Authority had \$0.05 million in cash at 30 June 2007. The cash balance is the minimum required to be held in the National Blood Authority's bank account at the end of each month. Funds received from all jurisdictions are transferred into the official public account, held by the Department of Finance and Administration. This is recorded as an appropriation receivable by the National Blood Authority and represents 86 percent of the current asset base. Funds have been set aside to enable the National Blood Authority to implement key information communication technology projects and consultancies on the quality and appropriate use of products in Australia. It is expected that in 2007–08 the National Blood Authority will further use this funding. A schedule of projects that will occur in 2007–08 and 2008–09 is currently being updated.

The National Blood Authority's total assets increased from \$8.6 million in 2005–06 to \$10.6 million in 2006–07. This increase consisted of \$2 million in cash to be used for major information communication technology implementation in 2007–08.

Liabilities

The National Blood Authority's total liabilities increased by \$0.4 million to \$5.3 million. This was due to an increase in unearned revenue as a result of the delay in information communication technology projects and commencement of other significant projects.

Administered items

The National Blood Authority is funded by all Australian governments for the supply of blood and blood-related products in Australia. The composition of contributions from all governments is illustrated in Figure 19.

Administered expenses

Table 17 provides a comparison of the National Blood Authority's administered expenses between 2006–07 and 2005–06.

FIGURE 19: COMPOSITION OF CONTRIBUTIONS FROM ALL GOVERNMENTS FOR 2006–07

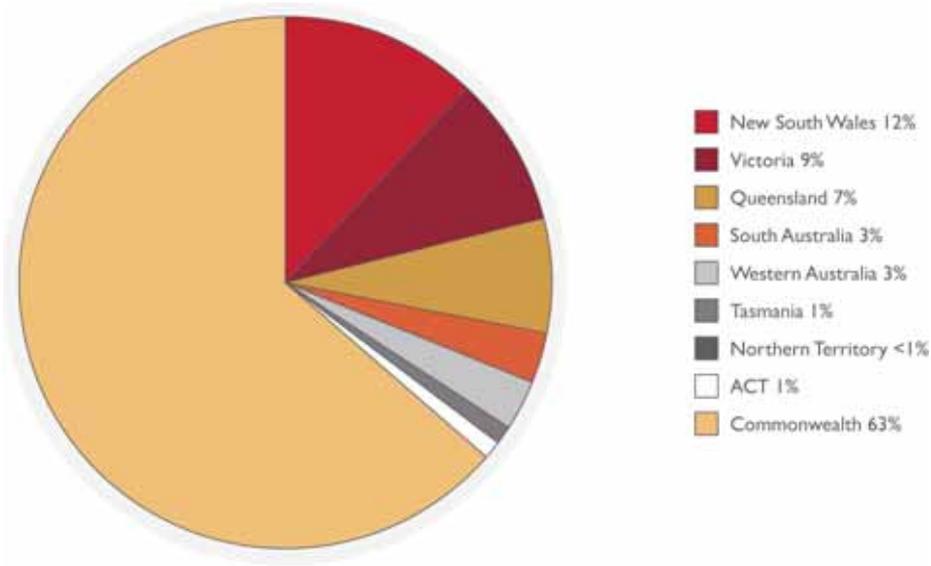


TABLE 17: KEY RESULTS OF ADMINISTERED EXPENSES

	2006–07 (\$'000)	2005–06 (\$'000)	Movement (%)
Grants to the private sector - non-profit organisation	305,770	299,296	2
Rendering of goods and services - external entities	303,080	266,843	14
Total administered expenses	608,850	566,139	8

An increase in administered expenses in 2006–07 was due to a rise in demand for recombinant and plasma-derived products.

Administered assets

Administered assets comprise inventory held for distribution, including the national reserve of blood products and receivables. The increase in administered assets of \$22.5 million in 2006–07 is due to higher levels in inventories held by the National Blood Authority through the recognition of plasma-derived products held by the Australian Red Cross Blood Service and a prepayment of supplier costs. Receivables for the end of 2006–07 decreased by \$3.7 million and related to credits raised on all Australian governments to match product demand and the Australian Red Cross Blood Service capital funding.

Inventories increased by \$16.2 million. These are under the control of the National Blood Authority but are held by a major supplier and managed by the supplier on behalf of the National Blood Authority.

Prepayments of \$10 million were made to a supplier for future unavoidable fixed costs in the production of certain blood products.

Administered liabilities

Administered liabilities comprised accrued expenses, creditors (suppliers) and unearned revenue. In 2006–07 there was a decrease of \$14.2 million in liabilities in comparison to the previous year. Supplier liabilities decreased by \$26.3 million due to the rollover of capital funding for the Australian Red Cross Blood Service.

Unearned revenue increased by \$12.1 million in 2006–07 due to funding received from all Australian governments being held over until 2007–08.

Erratum

The National Blood Authority annual report must include the financial statements of the National Blood Authority for that financial year, together with the independent audit report from the Australian National Audit Office and the statement by the General Manager and the Chief Finance Officer. The 2005–06 annual report included the financial statements for 2005–06. However, the independent audit report published was the electronic presentation of the independent audit report and not the audit report itself. Additionally, the statement by the General Manager and the Chief Finance Officer was missing.