New South Wales Auditor-General's Report
Financial Audit

Volume Twelve 2014
Focusing on Health

audit office
OF NEW SOUTH WALES

The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Twelve of my 2014 report.

Grant Hehir
Auditor-General
9 December 2014

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Section One

Health

Executive Summary

This report sets out the results of the financial statement audits of entities in the Health Cluster for the year ended 30 June 2014. Unqualified audit opinions were issued on all financial statements for the year.

The report also provides Parliament and other users of the financial statements with an analysis of the NSW Government health entities' results and key observations in the following areas:

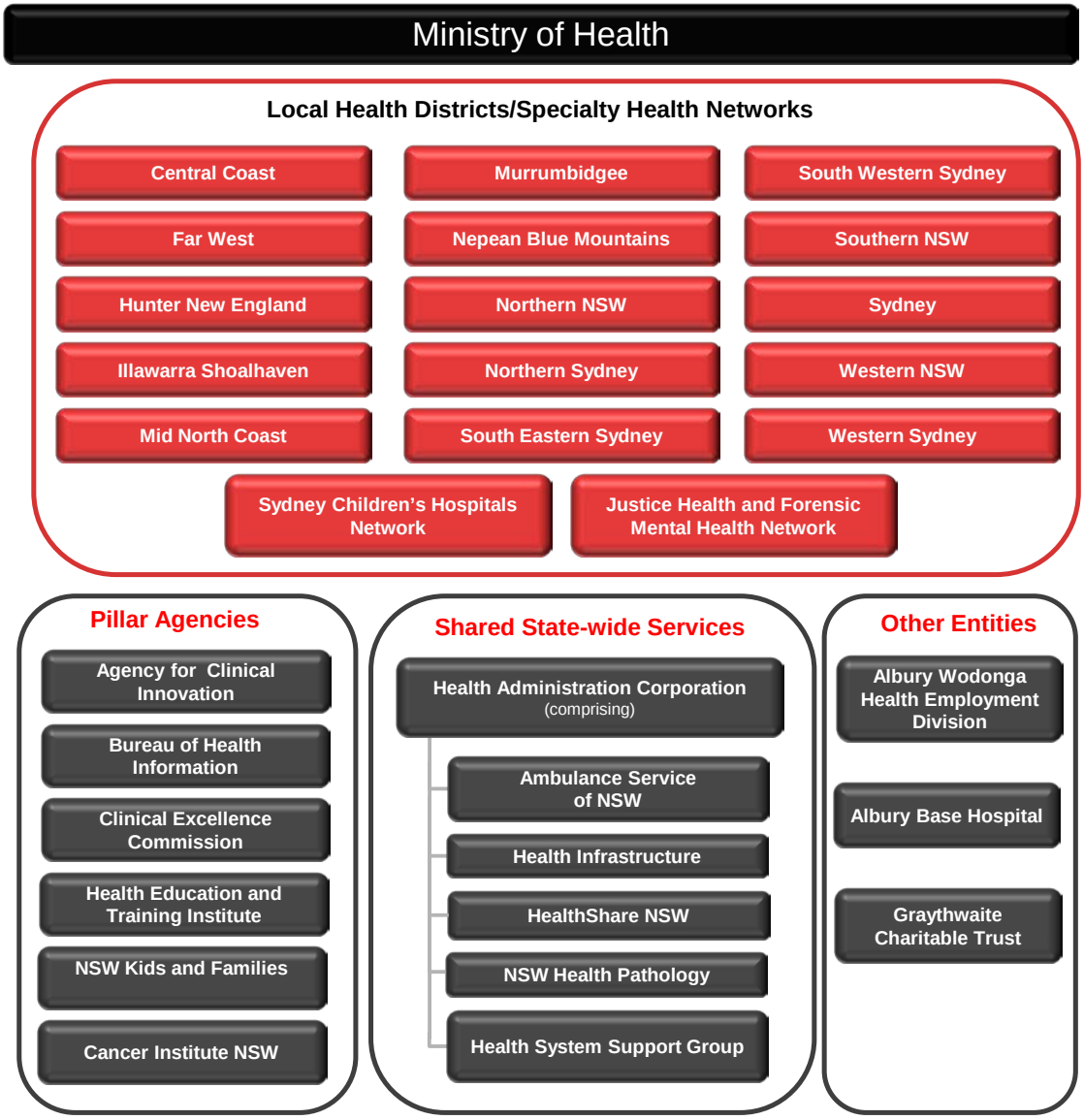
- Financial and Performance Reporting
- Financial Controls
- Governance
- Service Delivery.

Structure of the Health Cluster

The Ministry of Health is the lead agency in the Health Cluster. It is responsible for:

- providing health care services to patients and the community
- promoting wellness and illness prevention
- developing health care policy and planning
- managing, monitoring and reporting on health system performance
- building healthy communities by working with other parts of the NSW Government.

The commentary covers the Ministry of Health and its controlled entities as shown in the diagram below.

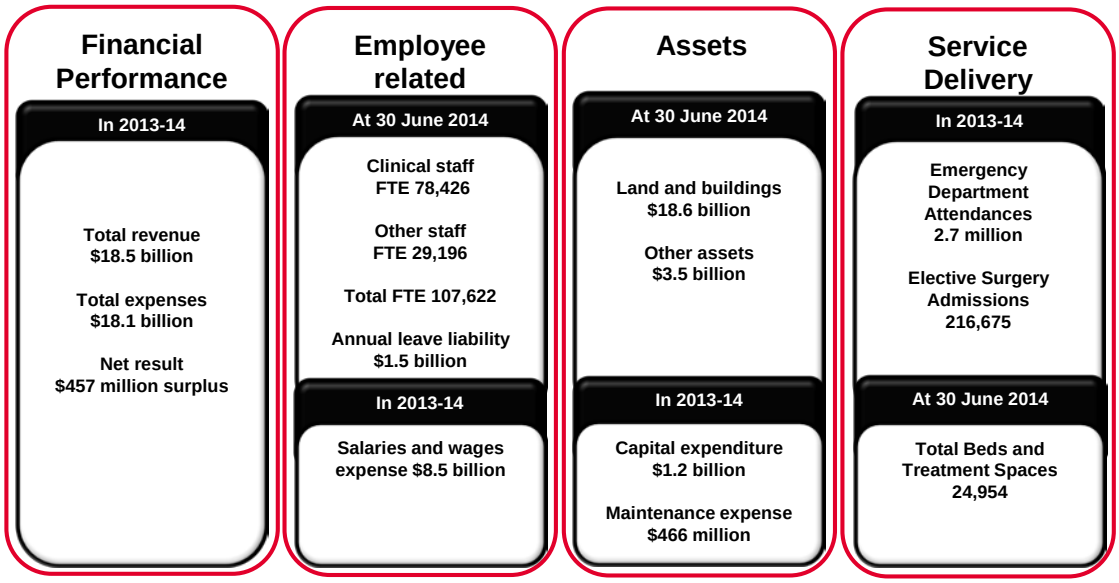


Pillar agencies provide expert advice and guidance to NSW Health in consultation with clinicians.

The Health Cluster also includes the Health Care Complaints Commission and the Mental Health Commission of New South Wales which are independent entities, not controlled by the Ministry of Health.

Snapshot of NSW Health

A snapshot of NSW Health for the year ended 30 June 2014 is shown below.



Financial and Performance Reporting

Financial and performance reporting is an important aspect of good governance. Government requires accurate and timely financial and performance information from agencies to enable effective decision making and to allow effective, efficient and economical delivery of services.

The quality of NSW Health entities financial reporting continues to improve. All 2013-14 financial statements were submitted earlier for audit and contained significantly fewer misstatements. All financial statements received unqualified audit opinions and entities were broadly successful with NSW Treasury's early close procedures.

The overall net result for NSW Health in 2013-14 was a $457 million surplus ($275 million surplus), which was $18.5 million (4.1 per cent) over the budget of $439 million. The surplus was impacted by capital funding.

Five local health districts (nine in 2012-13) required cash assistance to pay their bills on time. Cash management processes within the Health Cluster need to be strengthened. Some health entities operate on low levels of liquidity, with quick ratios ranging from 0.66 to 16.46 at 30 June 2014. The higher ratio at some health entities indicates excess cash on hand. The Ministry has acted on our previous year's recommendation and developed a liquidity ratio definition and target for local health districts. It has not communicated this to health entities or included it in service agreements with them.

The Ministry uses Activity Based Funding to set the majority of health entities budgets. Transition grants are paid when entities cannot meet the State efficient price for activity based services. Fewer health entities required these grants in 2014-15. Six health entities (11 health entities in 2013-14) will receive transition grants in 2014-15 totalling $105 million ($168 million) for acute and emergency department services.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of entity policies. They are essential for quality and timely decision making to achieve desired outcomes. The 2014 audits of health entities identified that, while controls are generally adequate to produce accurate financial reporting, there are a number of areas that require management attention.

There are many issues with workforce management to be addressed by NSW Health entities. Managing excess annual leave is a significant challenge with almost 30 per cent of staff above target. Records indicate that many staff take no or very little leave in a year, however there are concerns that many timesheets are not reviewed and leave records are inaccurate. Health entities also need to reduce sick leave, overtime payments, salary overpayments and address the issue of visiting medical officers submitting late claims.

The Ambulance Service's liability for partial and permanent disability claims reduced for the first time in four years and was $10.6 million at 30 June 2014. The Ambulance Service can commission a review of its disability scheme when the long-term cost to government exceeds 3.6 per cent of salary expenses.

In May 2014, it was confirmed the long-term cost to government will significantly exceed 3.6 per cent of salary expenses and in August 2014, the Ambulance Service's insurance premiums increased significantly due to claims experience and general insurance market conditions. The Ministry of Health has initiated a working group to consider options to address the unfavourable trend in scheme costs.

The Ambulance Service of NSW continues to encounter problems with its patient billing system. At 30 June 2014 it had debts owed by patients of $98.4 million, of which $86.2 million was considered doubtful. We reported both of these matters to management as high risk and needing urgent attention. We are advised that an external review is being commissioned.

Health entities have information technology issues that need to be addressed. Many need to review their disaster recovery plans to ensure they can restore financial systems in the event of a disaster. User administration processes need to be tightened to prevent unauthorised access to these systems.

Across NSW Health there continues to be significant levels of fully depreciated assets that remain in use. The Ministry has set up an asset and facilities maintenance working party to address a number of issues including the lack of information across the Cluster to target strategic maintenance spending.

A number of major projects have been delayed due to problems with chosen contractors and changes in the project scope. Post implementation reviews of completed IT projects have not been performed to capture lessons to apply to future projects and assess if intended benefits are being realised.

Special purpose accounts of $149 million remained idle during the year as some local health districts awaited advice from the Ministry on how to correctly manage these funds.

In the procurement area, the use of purchase orders needs further improvement.

Governance

Governance refers to the framework of rules, relationships, systems and processes where authority is exercised and controlled. It includes the systems the entities, and those charged with governance, use and are held to account by others.

At 30 June 2014, the Ministry considered three local health districts to be underperforming and a further four to be seriously underperforming. Finance was a common performance issue.

Service agreements are required between health entities to clarify their roles and accountabilities, service levels and pricing. To be effective, they need to be signed by the head of the organisation in a timely manner. Service agreements between the Secretary of NSW Health and all Pillar agencies, HealthShare NSW and NSW Health Pathology were not signed at the time of writing this report.

The Ministry advises that service level compacts/agreements between shared State-wide services (including HealthShare NSW, eHealth NSW and NSW Health Pathology) and health entities will not be required in the future. It is replacing these with customer charters as it believes they more accurately reflect the governance arrangements in NSW Health and the underpinning statutory framework. The Ministry advises the charters will transparently and concisely document service offerings, pricing and performance indicators. The Ministry needs to ensure effective monitoring of service levels and performance indicators by shared State-wide services and health entities.

The Ministry is addressing our prior year recommendation and updating its policy directives, including those related to corporate governance. It plans to also issue a new policy directive on Enterprise Risk Management in December 2014. We are advised that this new policy will link risk management with the performance management framework. In addition, the Ministry has developed a governance training program for NSW Health board members.

Service Delivery

The achievement of government outcomes can be improved through the effective commissioning of the right mix of services, whether from the public, private or not for profit sectors.

In June 2014, the NSW State Health Plan: Towards 2021 was released, setting out the priorities across the system for delivery of the NSW State Plan 2021 goal for health of having the right care in the right place at the right time.

Patients are spending less time in hospital with the average length of stay in 2013-14 being 3.1 days (3.3 days). Patients generally stay longer in metropolitan hospitals because they deal with more complex conditions than rural hospitals. Re-admission rates vary significantly across the State. Patients attending rural emergency departments are more likely to re-present within 48 hours of being discharged.

In 2013-14, there was a 1.3 per cent increase in admissions for elective surgery in NSW public hospitals. Generally, there has been improvement across the State in the percentage of patients admitted for surgery within clinically appropriate timeframes.

In 2013-14, there was a 2.9 per cent increase in the number of people presenting at hospital emergency departments. On average, NSW Health maintained or bettered its emergency triage performance.

Only four local health districts achieved the Australian Government's 2014 target for the six months ended 30 June 2014, of admitting, transferring or discharging emergency department patients within four hours. The Ministry concedes that meeting the Australian Government's 2015 target will be a challenge.

The average ambulance response time reduced to 10.8 minutes (11.1 minutes in 2012-13), the first reduction in five years. Transfer of patients from the care of the ambulance officers to emergency department staff also improved, but remains below target.

Recommendations

Financial Reporting and Performance

The Ministry should:

1. communicate its liquidity ratio definition and target to health entities and include it in the service agreement with health entities, extend its monitoring of health entities liquidity to include Pillar agencies and divisions within Health Administration Corporation, and improve cash management across NSW Health to ensure health entities do not have liquidity well in excess of target levels.

Financial Controls

The Ministry should:

2. review whether there are any other types of employment arrangements, in addition to Clinical Academic employees, where leave may not be recorded.
3. develop a project plan for its asset and facilities maintenance working party, with deliverable dates for its key activities, and report against that plan.
4. document a policy as to which goods and services require a purchase order and ensure this is reflected in the monthly reporting for health entities.
5. issue guidance and work with each health entity to determine what they should do with any dormant special purpose funds or funds whose purpose is unclear (repeat issue).

Health agencies should:

6. address information technology issues. Specifically they need to:
   - review and test their disaster recovery plans to ensure they can restore financial systems in the event of a disaster
   - improve processes around user administration to prevent unauthorised access to the financial systems.
7. manage excessive annual leave balances more effectively in 2014-15 (repeat issue). They should:
   - agree formal leave plans with employees to reduce their leave balances over an acceptable timeframe
   - monitor current and projected leave balances to the end of the financial year on a monthly basis.
8. ensure relevant information systems support the management of annual leave (HealthShare NSW and health entities).
9. monitor employees who take no or very little leave in a rolling 12 month period (repeat issue).
10. review the annual leave balances of Clinical Academic employees to ensure all leave taken has been recorded and internal controls around the processing of Clinical Academic leave records to ensure leave taken is processed in the payroll system.
11. manage sick leave more effectively in 2014-15 and implement targeted strategies to reduce sick leave.
12. have their Chief Executives advise supervisors of their obligation to approve timesheets.
13. strengthen their internal control processes to ensure visiting medical officers submit claims for payment in a timely manner.
14. develop their asset maintenance plans and identify and measure maintenance backlog by 30 June 2015 (partial repeat issue).
15. review asset useful lives across the sector by no later than 28 February 2015 (repeat issue).
16. monitor purchase order usage for each budget holder to improve compliance with the Ministry of Health's purchase order target.

17. arrange approval to move funds from special purpose accounts to the Public Contributions Trust Fund by 31 March 2015.

The Ambulance Service of NSW should:

18. implement targeted human resource strategies to respond to significant challenges it faces in managing annual leave, sick leave and overtime (including call back) payments.
19. review its rostering practices to identify further strategies to reduce excessive overtime and call back payments.
20. complete the review of the effectiveness of its revenue system and patient billing practices by 31 March 2015.
21. significantly improve compliance with the Ministry of Health's purchase order target.

NSW Kids and Families should:

22. significantly improve compliance with the Ministry of Health's purchase order target.

Northern Sydney Local Health District should:

23. plan its 2014-15 stocktake to ensure it is completed and relevant accounting records updated before 30 June 2015.

Health Infrastructure should:

24. capture key lessons learnt for future projects after one of its contractors went into administration. It should ensure it has appropriate strategies in place to monitor how suppliers are performing, especially for multi-year contracts.

eHealth NSW should:

25. conduct post implementation reviews of recently completed information technology projects. The reviews should be performed as soon as possible to:
    - assess whether the projects achieved their intended outcomes
    - determine whether management practices were effective in keeping the project on time and budget
    - capture lessons learnt for application to future projects.
26. have robust systems and processes to measure the benefits realisation for completed information technology projects. eHealth NSW should by 30 June 2015:
    - clearly define roles and responsibilities for measuring benefits realisation
    - establish a timeline for regularly assessing and re-assessing the benefits realisation
    - formally measure and document the benefit realisation for each completed project.
27. capture the reasons for delays in information technology projects as well as lessons learnt for application to future projects.

Governance

The Ministry should:

28. finalise 2014-15 service agreements immediately and in the future, before the end of the previous financial year.
29. review the reasons for significant delays in finalising HealthShare NSW and NSW Health Pathology service agreements, to ensure these are dealt with in the new model charters and that accountability is clearly defined.

Service Delivery

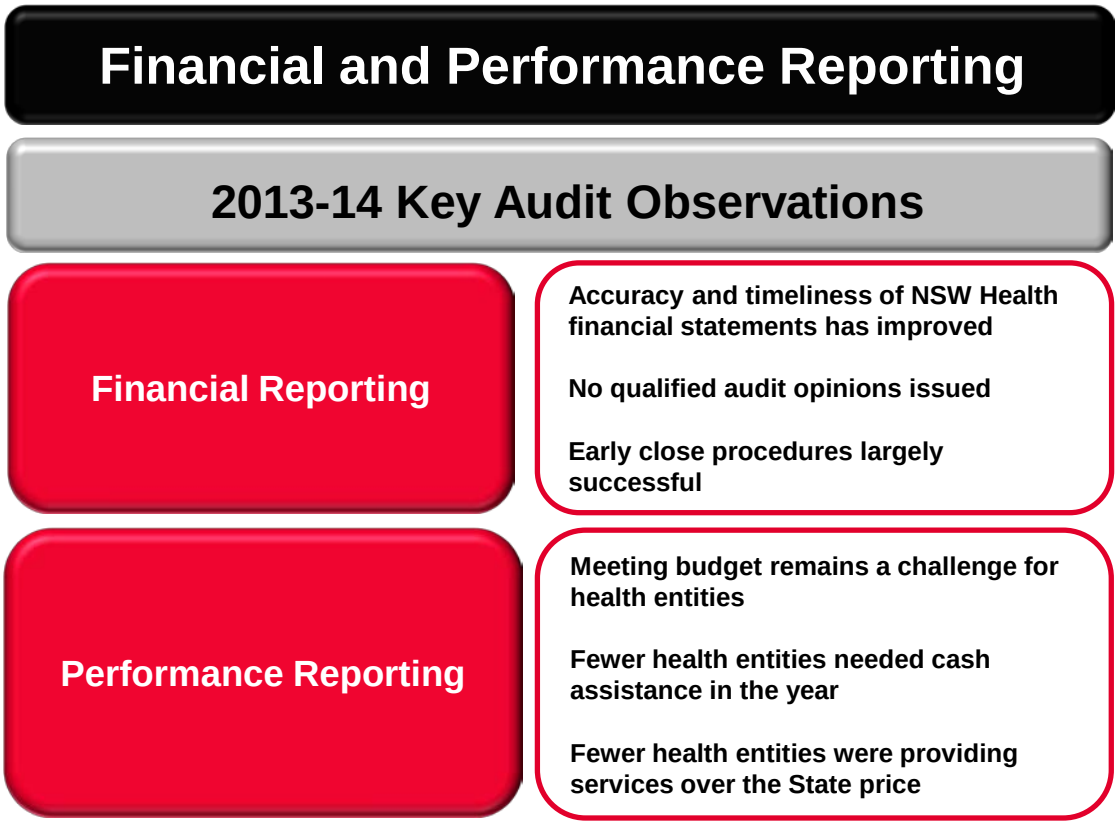
Western NSW Local Health District should:

30. implement appropriate strategies and controls to more accurately capture and record triage data over imminently life threatening (T2) incidents.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. It is only when people have access to accurate and timely information about what their Government is doing can they hold it to account. Confidence in public sector decision making and transparency is enhanced when financial and performance reporting is accurate, timely and clear.

Government requires accurate and timely financial and performance information from agencies to enable effective decision making and financial management.



Quality of Financial Reporting

As a result of timely financial reporting, the Audit Office was able to complete the audit of the Ministry of Health's financial statements and issue audit opinions within the earlier statutory deadlines.

No qualified audit opinions were issued on health entities financial statements and the quality of them continues to improve. Nine significant matters were reported to management.

Health entity	Audit result		Reported misstatements for the year ended 30 June		
	Modified opinion	Number of significant matters	2014	2013	2012
Cluster lead entity					
Ministry of Health	No	--	7	14	11
Local health districts and speciality health networks					
Central Coast	No	--	1	3	21
Far West	No	--	8	9	5
Hunter New England	No	--	4	5	16
Illawarra Shoalhaven	No	--	2	4	5
Justice Health and Forensic Mental Health	No	--	--	4	5
Mid North Coast	No	--	9	11	13
Murrumbidgee	No	--	2	--	13
Nepean Blue Mountains	No	--	1	3	6
Northern NSW	No	1	2	3	11
Northern Sydney	No	--	2	9	28
South Eastern Sydney	No	1	5	9	12
South Western Sydney	No	--	--	3	13
Southern NSW	No	--	1	1	5
Sydney	No	1	1	6	12
Sydney Children's Hospitals Network	No	--	--	2	5
Western NSW	No	--	5	7	6
Western Sydney	No	--	1	2	11
Pillar agencies					
Agency for Clinical Innovation	No	--	3	1	10
Bureau of Health Information	No	--	1	2	5
Cancer Institute NSW	No	--	2	3	2
Clinical Excellence Commission	No	--	3	5	9
Health Education and Training Institute	No	--	3	10	12
NSW Kids and Families	No	--	--	8	--
Shared State-wide services					
Health Administration Corporation[#]	No	6	11	18	32
Other controlled health entities					
Albury Wodonga Health Employment	No	--	--	--	--
Albury Base Hospital	No	--	2	1	1
Graythwaite Charitable Trust	No	--	2	0	--
Other health entities					
Health Care Complaints Commission	No	1	5	1	3
Mental Health Commission of New South Wales	No	--	3	7	N/A
Total		**10**	**86**	**151**	**272**

Health Administration Corporation comprises the Ambulance Service of NSW, Health Infrastructure, HealthShare NSW, NSW Health Pathology, and Health System Support Group.

N/A indicates the agency did not exist in that year.

Source: Statutory Audit Reports issued by the Audit Office.

The table below shows the number of high dollar value misstatements is reducing.

	Number of misstatements					
	2014		2013		2012	
	Corrected	Uncorrected	Corrected	Uncorrected	Corrected	Uncorrected
Less than $50,000	2	13	7	25	6	15
$50,000-$250,000	1	12	2	23	8	47
$250,000-$1,000,000	1	26	1	36	11	53
$1,000,000-$5,000,000	1	23	6	35	36	56
Greater than $5,000,000	3	4	6	10	18	22
Total number of misstatements	**8**	**78**	**22**	**129**	**79**	**193**

Source: Statutory Audit Reports issued by the Audit Office.

The number of misstatements fell significantly from 272 in 2011-12 to 86 in 2013-14, including seven (16 in 2012-13) individually greater than $5.0 million. The entities are not required to correct their financial statements for misstatements which are not considered material by management and the Audit Office.

Significant Matters Identified During Audit

In addition to the 86 misstatements identified in the 2013-14 financial statements, ten significant matters were reported to the Treasurer, Minister and those charged with governance of the respective health entities. The significant matters reported within NSW Health in 2013-14 were:

- Northern NSW Local Health District's financial liquidity was the lowest of all local health districts and it required $5.3 million in cash assistance in 2013-14 (nil in 2012-13)
- South Eastern Sydney Local Health District required $25.0 million in cash assistance in 2013-14 ($37.6 million in 2012-13) due to unfavourable budget results. The District has commissioned two reviews into its operations
- Sydney Local Health District entered into a service concession arrangement with Lifehouse Australia to construct a medical facility for the treatment of cancer patients. In respect of this agreement, management needs to reassess the assumptions used in calculating its emerging assets and review the classification of leases in 2014-15
- last year, we recommended that HealthShare NSW and health entities finalise their 2014-2016 service agreements by no later than 31 January 2014. To be effective, such agreements should be signed by the end of the previous financial year. Four health entities signed their agreements in June 2014. See the 'Governance' section for further details
- last year, we recommended that NSW Health Pathology and local health districts/speciality networks should finalise their 2013-14 service agreements by no later than 31 December 2013. Three health entities signed their agreements in June 2014. See the 'Governance' section for further details
- further issues were identified with the Ambulance Service of NSW's billing system and approximately $3.9 million in revenue was not collected due to ambulance response records not completely transferring to the billing system. This issue is further discussed in the 'Financial Controls' section
- patient debts owing to the Ambulance Service of NSW were $98.4 million ($47.0 million as at 30 June 2013). Of this amount, $86.2 million are considered doubtful, an increase of $58.2 million when compared to 30 June 2013. The Service is reforming its debt recovery processes to improve its debt management performance
- the Ambulance Service of NSW needs to improve the quality of its bank reconciliation
- the audit of the 2012-13 financial statements for the Shared State-wide Services Group Special Purpose Service Entity was incomplete. Separate financial statements have not been prepared for each of the employment divisions representing Health Administration Corporation employees
- issues were identified with the timeliness and quality of working papers supporting the financial statements submitted for audit by the Health Care Complaints Commission.

Timeliness of Financial Reporting

As a result of timely financial reporting, the Audit Office was able to complete the audit of the Ministry of Health's financial statements and issue audit opinions earlier.

The Ministry of Health's financial statements were again signed off and audited within the statutory deadline, confirming the continued success of the early close process. The Independent Auditor's Report on the Ministry's financial statements was issued on 19 September 2014, which compares favourably to previous years as shown in the table below.

Key audit completion dates			
Date issued/signed	**2014**	**2013**	**2012**
Independent Auditor's Report and Statutory Audit Report	19 September 2014	20 September 2013	30 October 2012
Statutory deadline	19 September 2014	20 September 2013	28 September 2012
Result	**Within Deadline**	**Within Deadline**	**Late**

Source: Audit Office Independent Auditor's Report and Statutory Audit Report.

Results of Early Close Procedures

During 2013-14, NSW Treasury issued NSW Treasury Circular 14/02 'Mandatory early close procedures for 2014', which amongst other things, was aimed at ensuring continuing improvements to the quality and timeliness of agencies' annual financial reporting. The Circular required the Ministry of Health to:

- perform certain early close procedures and submit supporting work papers to the Audit Office within specified timeframes
- submit their 30 June 2014 financial statements to the Audit Office by a certain date.

The Ministry of Health generally performed the early close procedures in accordance with the Circular. All health entities in the Cluster submitted their early close financial statements and 30 June 2014 financial statements within the specified timeframes.

The early close procedures largely assisted in ensuring the effective resolution of issues and risk areas in a timely manner. This in turn enabled the Audit Office to complete the audits and issue unqualified audit opinions by the agreed earlier deadlines.

Group Consolidation

Last year's report to Parliament included a recommendation that the Ministry document its group consolidation procedures given the complexity of the process. The Ministry responded to this recommendation by documenting its process.

Intra-health Balances

Last year's report to Parliament included a recommendation that the Ministry improve the intra-health reconciliation and confirmation process by doing it every quarter, ensure all intra-health transactions are included and educating health entities in the use of correct ledger accounts to record different intra-health transactions.

The Ministry responded to this recommendation by performing quarterly reconciliations in the 2013-14 financial years. The Ministry also developed formal guidelines and held a number of workshops with finance staff of health entities to educate them on the process for recording intra health transactions.

At 30 June 2014, the net amount that could not be agreed was $5.9 million. This compares with a difference of $12.1 million at 30 June 2013 and $28.0 million at 30 June 2012.

Accounting Manuals to be Updated

The 2012 report to Parliament included a recommendation that the Ministry update its Accounts and Audit Determination for Public Health Organisations and its Accounting Manual by 30 June 2013. These documents were last updated in 2005 and 1995 respectively.

In November 2013, the Ministry drafted a statement of intent to engage a consultant to update these documents by 30 June 2014. At the time of writing this report, a revised version of both documents had been drafted. The Ministry is in the process of reviewing and finalising both documents with completion expected by the end of 2014.

Key Financial Information

The Ministry's net result in 2013-14 was a $457 million surplus, an increase of $182 million from the $275 million surplus in 2012-13. The Ministry budgeted for a net result of $439 million in 2013-14. The net result was impacted by significant capital expenditure funding. In 2013-14, total revenue increased by $1.2 billion and total expenditure increased by $981 million.

The value of assets held by NSW Health totalled $15.5 billion at 30 June 2014, up from $14.7 billion at 30 June 2013. Total liabilities increased to $4.3 billion at 30 June 2014 from $4.1 billion in the previous year.

Further financial information for entities within the Cluster is located in the Abridged Financial Statements in Appendix One of this report.

Financial Sustainability

Health entities need to meet current and future expenditure as it falls due. They also need to absorb foreseeable changes and financial risks that materialise, without significantly changing their revenue and expenditure policies.

Financial sustainability should be viewed from both short-term and long-term perspectives. Short-term indicators show the ability of an entity to maintain positive operating cash flows in the near future, or to generate an operating surplus in the next financial year. Long-term indicators focus on strategic issues, such as the ability to fund ongoing asset maintenance programs.

Financial Sustainability Indicators at 30 June 2014

The table below shows some performance indicators for NSW Health at, and for, the year ended 30 June 2014. The assessment of financial sustainability assists in identifying trends that either warrant attention or highlight positive results.

Financial Analysis Indicators at 30 June 2014

Cluster Agencies	Net result: Surplus/ (deficit) $'000	Government funding (%)	Expense growth rate (%)	Liquidity*	Capital replacement
Cluster lead entity					
Ministry of Health	457,535	84.3%	6.1%	--	1.9
Local health districts/specialty health networks					
Central Coast	(13,523)	86.2%	7.0%	2.2	0.6
Far West	(1,618)	86.7%	2.6%	0.7	0.3
Hunter New England	40,050	84.1%	5.6%	3.2	1.7
Illawarra Shoalhaven	43,269	86.6%	6.4%	4.9	3.1
Justice Health and Forensic Mental Health Network	4,507	94.7%	6.1%	16.5	1.2
Mid North Coast	77,994	87.6%	5.1%	1.8	7.2
Murrumbidgee	44,312	83.6%	6.7%	1.1	4.3
Nepean Blue Mountains	(6,762)	88.3%	6.4%	0.7	0.9
Northern NSW	687	86.6%	5.0%	0.7	1.4
Northern Sydney	108,090	83.0%	6.3%	2.9	3.3
South Eastern Sydney	(16,946)	81.7%	6.2%	1.0	1.3
South Western Sydney	15,606	87.2%	5.9%	2.6	1.5
Southern NSW	35,325	87.4%	1.6%	2.7	4.8
Sydney	(9,013)	82.5%	4.6%	1.2	1.6
Sydney Children's Hospitals Network	(12,610)	76.5%	8.1%	1.8	0.5
Western NSW	5,693	86.1%	2.3%	1.6	1.2
Western Sydney	29,406	85.3%	1.6%	1.9	1.6
Pillar agencies					
Agency for Clinical Innovation	1,310	95.8%	16.5%	--	3.6
Bureau of Health Information	325	98.3%	68.2%	--	18.9
Cancer Institute of NSW	10,507	96.4%	-6.4%	--	0.4
Clinical Excellence Commission	(110)	97.2%	18.5%	--	0.6
Health Education and Training Institute	(3,117)	78.6%	17.3%	--	0.1
NSW Kids and Families	368	98.7%	26.5%	--	--
Shared State-wide services					
Health Administration Corporation[#]	58,613	35.2%	7.7%	--	2.3

\# Health Administration Corporation comprises the Ambulance Service of NSW, Health Infrastructure, HealthShare NSW, NSW Health Pathology and Health System Support Group.

* Liquidity measure is the quick ratio (see Appendix 2). The quick ratio is not available for the Pillar Agencies and Health Administration Corporation at 30 June 2014.

Source: Liquidity – NSW Ministry of Health (unaudited). Other indicators - audited financial statements.

Net Result – Surplus of Deficit

Eight health entities recorded an operating deficit in 2013-14. They were Central Coast Local Health District, Far West Local Health District, Nepean Blue Mountains Local Health District, South Eastern Sydney Local Health District, Sydney Local Health District, Sydney Children's Hospitals Network, Clinical Excellence Commission and the Health Education and Training Institute.

Five health entities recording an operating surplus more than $40.0 million in 2013-14. This was due to the capital allocation received during the year for new facilities, upgrades and redevelopments.

Health entities including the local health districts and speciality health networks, as an essential public service, should manage their operating funding as operating deficits cannot be sustained in the long term.

Government Funding

Health entities revenue mostly comes from state and Commonwealth grant funding tied to the delivery of health care. Private patients provide a source of revenue independent of government funding for local health districts and speciality health network public hospitals. Health entities also self-generate other revenue from additional services such as pharmacy sales, cafeteria sales, diagnostic imaging, private practice fees, car park fees and income on investments.

The State Government funding percentages in the table above, generally show a disparity between the metropolitan local health districts and speciality health networks and the rural and regional ones. The metropolitan health entities generally had a lower percentage of State Government funding and higher revenue from private patient fees and other revenue sources.

The Sydney Children's Hospitals Network had the lowest State Government funding percentage at 76.5 per cent. This is because it had a higher percentage of funding from its sales of goods and services (11.4 per cent) and grants and contributions (9.3 per cent). In contrast, Nepean Blue Mountains Local Health District, which received 88.3 per cent of its funding from government, had lower percentage of funding from its sales of goods and services (10.2 per cent) and grants and contributions (1.1 per cent).

The Health Education and Training Institute was the Pillar agency with the lowest State Government funding percentage at 78.6 per cent. This is because it had a higher percentage of funding from its sales of goods and services (8.7 per cent) and grants and contributions (11.5 per cent).

The Health Administration Corporation had 35.2 per cent of State Government funding. This is because three divisions within the Corporation, being the Ambulance Service of NSW, HealthShare NSW and NSW Health Pathology, generate revenue on a fee for service arrangement.

Expense Growth Rate

The Ministry of Health and its controlled entities had a 6.1 per cent expenses growth rate for the year. The Ministry advises that expenses increased generally as a result of higher activity levels and award increases leading to higher employee related costs. In 2013-14 across NSW Health, there were more emergency department attendances, admitted patients and elective surgical cases than in 2012-13.

The expense growth rate can be impacted by significant, one-off expenses in the current, or prior year. For example in 2012-13, Western Sydney Local Health District's grants and subsidies expense was higher due to a grant it paid to the Westmead Millenium Insitute exceeding $50.0 million that was not incurred in 2013-14.

The Pillar agencies organisation structures have undergone major changes as most have taken on an expanded portfolio of responsibilities. Functions and staff have transferred to the Pillars from the Ministry.

Liquidity

Recommendation

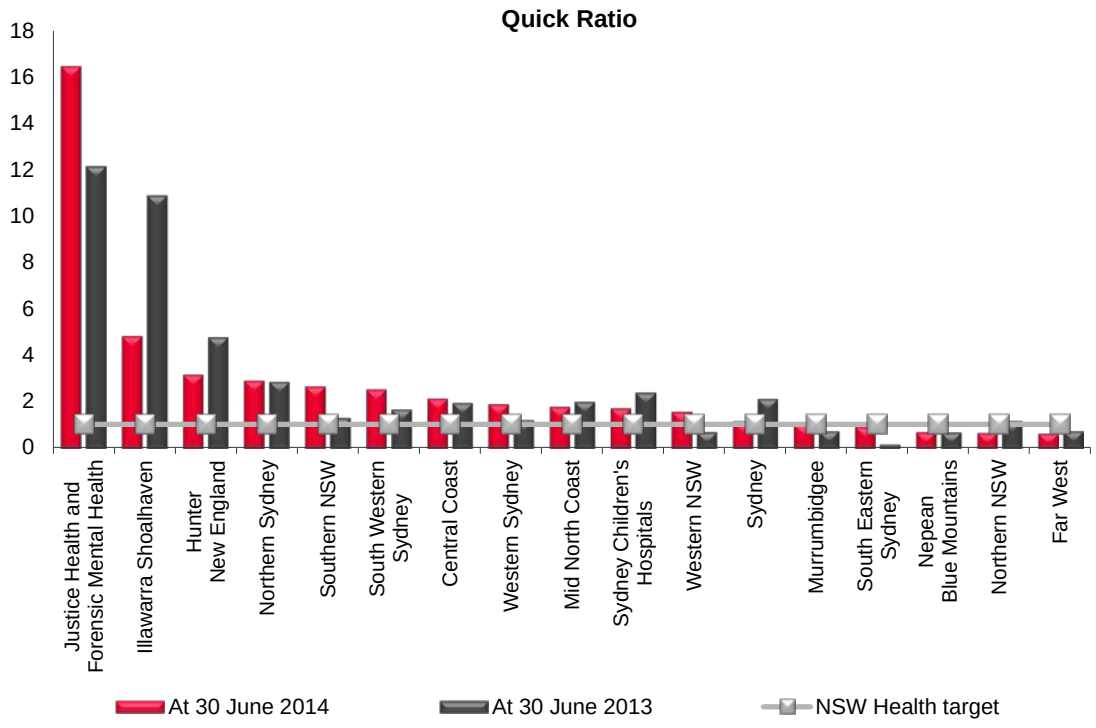
The Ministry should:

- **communicate its liquidity ratio definition and target with health entities and include it in the service agreements with health entities**
- **extend its monitoring of health entities liquidity to include Pillar agencies and divisions within Health Administration Corporation**
- **improve cash management across NSW Health to ensure health entities do not have liquidity well in excess of the Ministry's target.**

The liquidity of local health districts and speciality health networks ranged from a quick ratio of 0.66 to 16.46 at 30 June 2014.

Last year's report to Parliament included a recommendation that the Ministry develop a liquidity ratio definition and target for local health districts and speciality health networks, taking into account the nature of their operations and funding model. In 2013-14, the Ministry reviewed different liquidity measures and selected a quick ratio of one as an appropriate liquidity ratio for local health districts and speciality health networks. The Ministry has not included the liquidity measure in the service agreements with health entities, and its monitoring is currently limited to local health districts/speciality networks.

The quick asset ratio is a liquidity indicator which measures the amount of highly liquid current assets (excluding restricted assets) available to cover current liabilities. As shown below, the ratio for health entities at 30 June 2014 ranged from 0.66 to 16.46 against a target of one.



Source: NSW Ministry of Health (unaudited).

At 30 June 2014, Justice Health and Forensic Mental Health Network, Central Coast, Illawarra Shoalhaven, Hunter New England, Northern Sydney, Southern NSW, and South Western Sydney local health districts had a quick asset ratio of two or more. This indicates these entities were more financially secure in the short term than health entities with lower quick ratios at 30 June 2014. It may also highlight where cash management across NSW Health may need to be improved to ensure health entities do not have liquidity well in excess of the Ministry's target.

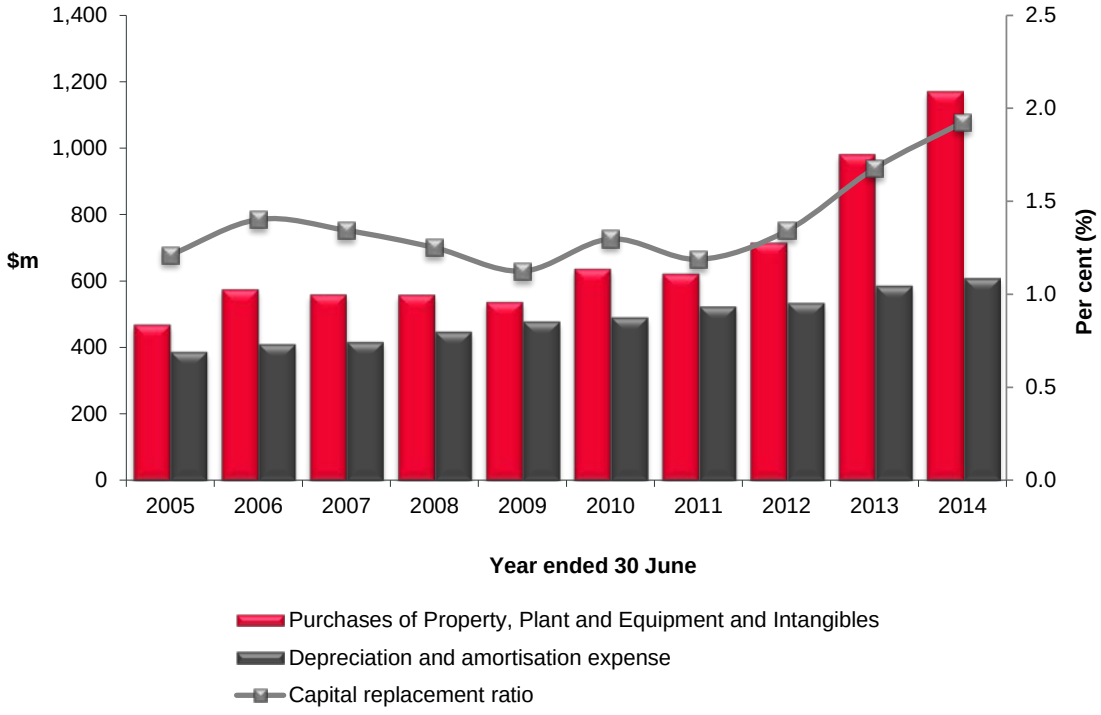
At 30 June 2014, Far West, Northern NSW, Nepean Blue Mountains and South Eastern Sydney local health districts had a quick asset ratio of one or less. These entities did not have sufficient short term assets to cover their immediate liabilities at 30 June 2014. However, health entities receive weekly funding from the Ministry. Health entities also have the capacity to review the timing of subsidy cash flows to ensure debts can be paid when they become due and payable.

Capital Replacement

Capital replacement, or asset sustainability ratio, is an approximation of the extent to which the physical assets managed by health entities are being replaced as they reach the end of their useful lives. It compares the rate of spending on renewing or growing capital assets with their depreciation. A ratio greater than one indicates capital expenditure is greater than the rate of depreciation.

In 2013-14, capital expenditure across NSW Health was 1.9 times greater than depreciation, up from 1.7 in 2012-13. The ratio is greater than one due to the significant capital expenditure for new facilities, upgrades and redevelopments. The following graph shows the capital replacement ratio in NSW Health over the past ten years.

NSW Health Capital Replacement Ratio



Source: Audited financial statements.

The capital replacement ratios at 30 June 2014 for local health districts and speciality networks ranged from 0.3 to 7.2 reflecting that some have significant capital programs.

In 2013-14, Mid North Coast Local Health District's capital expenditure was 7.2 times greater than depreciation, the highest of all local health districts and speciality health networks. This was due to the significant amount of capital expenditure on the Port Macquarie Base Hospital Expansion project and Kempsey Hospital Redevelopment during the year. Similarly, Southern NSW Local Health District's capital expenditure was 4.8 times greater than depreciation due to the significant amount of capital expenditure on the South East Regional Hospital in Bega during the year.

In 2013-14, Far West Local Health District (0.3), Sydney Children's Hospitals Network (0.5), Central Coast Local Health District (0.6) and Nepean Blue Mountains Local Health District (0.9) had capital replacement ratios less than one. This is a long-term indicator, but suggests the districts may be consuming assets at a rate greater than they are being replaced.

Performance against Budget

Comparing agency performance against budget assists in understanding how public funds are being used to achieve NSW Government policy objectives.

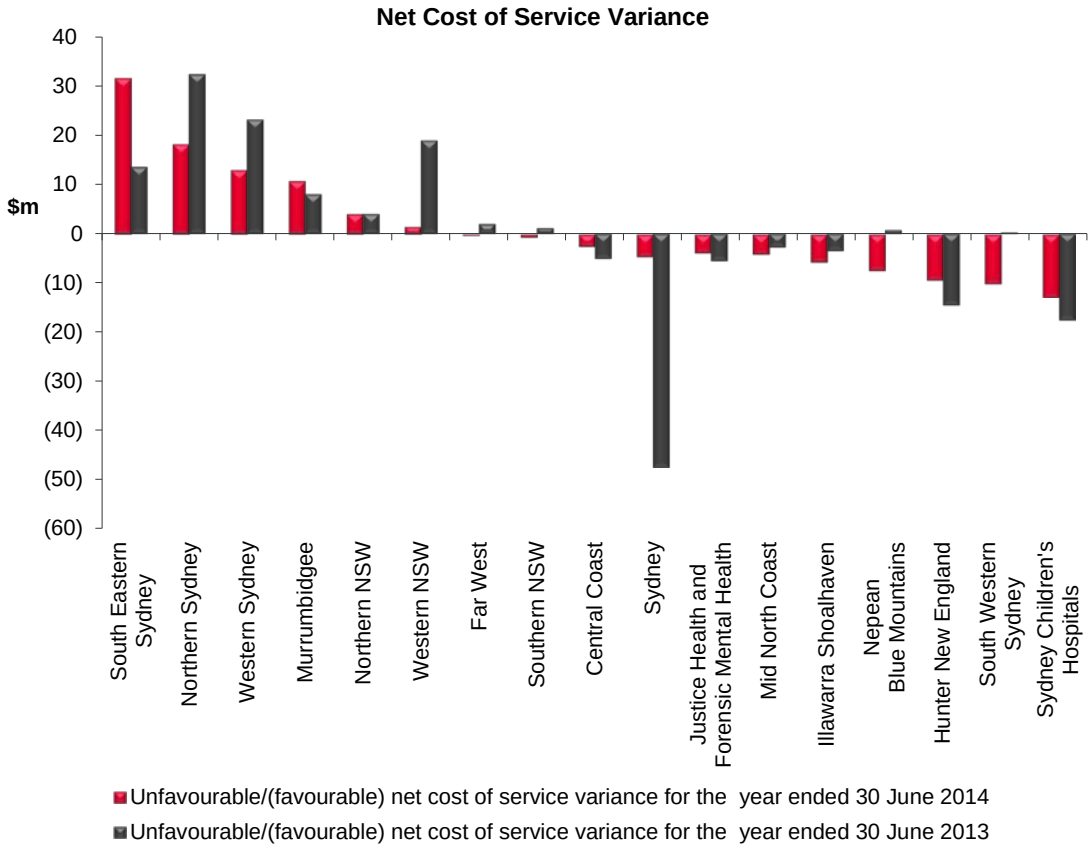
The Treasurer has continued to communicate with agency Chief Financial Officers, the importance of accurate financial information at various forums. The Treasurer's request for the Auditor-General to review the estimates and forecasts in the 2013-14 'Half Yearly Budget Review' and 2014-15 'Budget Papers' was also aimed at improving the overall quality of budgets and projections.

Net Cost of Services Performance

The Secretary of NSW Health is responsible for control and management of the budget for the Health Cluster to achieve a net result within budget. The Ministry uses performance against the health entities net cost of services budget as the key measure of financial performance. Net cost of services is based on total expenses less third party revenue, excluding government contributions.

Four local health districts each exceeded their 2013-14 net cost of services budget by more than $10.0 million.

The graph below shows local health districts and speciality health networks net cost of service variance against budget.



Source: Audited financial statements.

In 2013-14, eleven local health districts/specialty networks had a favourable net cost of service variance against revised budget (seven local health districts in 2012-13). The five local health districts that had the largest net cost of services overrun in 2013-14 were South Eastern Sydney ($31.6 million), Northern Sydney ($18.3 million), Western Sydney ($13.0 million), Murrumbidgee ($10.8 million) and Northern NSW ($4.1 million).

Budget Performance for the Health Cluster

The Ministry monitors individual health entities performance against budget and provides cash assistance as required within the Cluster to meet required service levels. Health entities budget figures, as presented below, are updated frequently throughout the year to reflect transfers of functions, awards and supplementations received after the initial budget was provided.

Health entities' actual operating results against revised budget, inclusive of additional cash assistance from the Ministry, are shown below.

Year ended 30 June 2014	Budgeted operating surplus/(deficit) $m	Actual operating surplus/(deficit) $m	Favourable/ (unfavourable) variance $m	Variance^ %
South Eastern Sydney*	(7.7)	(16.9)	(9.2)	0.6
Northern Sydney*	115.1	108.1	(7.0)	0.5
Murrumbidgee*	48.8	44.3	(4.5)	0.9
Western NSW	7.6	5.7	(1.9)	0.2
Far West	(0.2)	(1.6)	(1.4)	1.4
Hunter New England	41.2	40.1	(1.1)	0.1
Southern NSW	35.9	35.3	(0.5)	0.2
Northern NSW*	(0.2)	0.7	0.9	0.1
Western Sydney*	28.1	29.4	1.3	0.1
Central Coast	(15.6)	(13.5)	2.1	0.3
Mid North Coast	74.8	78.0	3.2	0.6
Sydney	(12.3)	(9.0)	3.3	0.2
Illawarra Shoalhaven	39.6	43.3	3.7	0.5
Justice Health and Forensic Mental Health	0.6	4.5	3.9	2.1
Nepean Blue Mountains	(12.3)	(6.8)	5.5	0.9
South Western Sydney	9.6	15.6	6.0	0.4
Sydney Children's Hospitals	(25.1)	(12.6)	12.5	1.9

* Health entity received additional cash assistance in 2013-14. Refer to commentary below.

^ Absolute value of favourable/(unfavourable) variance as a percentage of total expenses excluding losses for 2013-14.

Source: Budgeted operating surplus/(deficit) – Local Health Districts/Speciality Health Networks (unaudited). Budget based on amount agreed with the Ministry at the beginning of the year and adjusted for additional supplementation provided. Actual operating surplus/(deficit) – Financial statements (audited).

In 2013-14, seven local health districts had unfavourable budget results (five local health districts in 2012-13). In some cases, this was due to lower capital funding than budgeted. In other cases it was due to expenses not being effectively managed. Another two local health districts only exceeded their budgeted operating result because the Ministry provided additional cash assistance (see below).

As a proportion of total expenses, the budget variances ranged from 0.1 per cent to 2.1 per cent. However, this result is impacted by the frequent budget revisions discussed below.

South Eastern Sydney Local Health District had the largest unfavourable operating result due to higher than projected employee related and visiting medical officer costs, medical and surgical supplies and maintenance. The Ministry advises it has received a comprehensive improvement plan from the District, and plans to work closely with the District in 2014-15 to assist with their financial improvement strategies.

Five local health districts received a total of $63.7 million in cash assistance to pay their bills on time.

The table below shows the cash assistance the Ministry provided to some local health districts.

Additional cash assistance		
Year ended 30 June Local health district	**2014 ($m)**	**2013 ($m)**
South Eastern Sydney	25.0	37.6
Western Sydney	14.8	12.8
Northern Sydney	13.4	42.0
Murrumbidgee	5.2	4.4
Northern NSW	5.3	--
Western NSW	--	21.4
Nepean Blue Mountains	--	10.1
Sydney	--	2.6
Southern NSW	--	1.7
Total	**63.7**	**132.6**

Source: Ministry of Health (unaudited).

In 2013-14, five local health districts received a total of $63.7 million in additional cash assistance from the Ministry. This is significantly less than the $132.6 million of cash assistance provided in 2012-13. The extra cash helped them manage their financial positions and pay suppliers.

South Eastern Sydney Local Health District, Northern Sydney Local Health District and Murrumbidgee Local Health District reported unfavourable budget results in 2013-14 despite receiving cash assistance. Western Sydney Local Health District and Northern NSW Local Health District reported favourable budget results, however had they not received cash assistance during the year, would have reported unfavourable budget results.

Activity Based Funding (ABF) and Transition Grants

Last year's report to Parliament included a recommendation that the Ministry conduct a formal ABF readiness review before 1 July 2014 to review whether NSW Health has effective systems and processes in place to support ABF. The Ministry advised it has engaged an independent firm to conduct the readiness review and expects it to be completed by December 2014.

Under the national health reform, which started on 1 July 2012, 84 facilities across NSW Health are now funded using the ABF model. This funding model applies to: acute; emergency; non-admitted; sub-acute; non-acute; and admitted mental health services. The Ministry has determined health entities 2014-15 budgets for activity based services using the State price of $4,583 per weighted activity. Transition grants are paid when health entities are providing services at a cost greater than the State price.

Fewer health entities are providing services at a cost exceeding the State price and require transition grants.

The table shows transition grants to health entities in 2014 and planned for 2015.

Health entities	Transition grant (acute and emergency services)	Transition grant (non-admitted)	Transition grant - other services	Total transition grants	Total transition grants
Year ended 30 June	2015 $m	2015 $m	2015 $m	2015 $m	2014 $m
Western NSW	27.2	--	27.7	**54.9**	21.3
Western Sydney	39.6	--	10.5	**50.1**	44.1
Hunter New England	--	38.9	--	**38.9**	9.3
Sydney	--	29.9	--	**29.9**	17.6
Southern NSW	14.3	--	9.4	**23.7**	21.1
Nepean Blue Mountains	--	12.9	5.5	**18.4**	28.8
Far West	10.7	--	2.0	**12.7**	19.8
South Eastern Sydney	8.4	--	--	**8.4**	55.3
Central Coast	--	2.1	4.0	**6.1**	19.0
Murrumbidgee	5.2	--	--	**5.2**	13.5
Northern Sydney	--	--	--	**--**	29.3
Sydney Children's Hospitals Network	--	--	--	**--**	20.9
Illawarra Shoalhaven	--	--	--	**--**	19.9
Northern NSW	--	--	--	**--**	15.5
Mid North Coast	--	--	--	**--**	4.7
South Western Sydney	--	--	--	**--**	--
Total	**105.4**	**83.8**	**59.1**	**248.3**	**340.1**

Source: NSW Ministry of Health (unaudited).

Six health entities (11 health entities in 2013-14) will receive transition grants in 2014-15 totalling $105 million ($168 million) for acute and emergency department services. Following the introduction of ABF for other services, including non-admitted, admitted mental health and block funded small and rural hospitals, eight health entities (14 health entities) will also receive transition grants totalling $143 million in 2014-15 ($173 million).

Six of the sixteen health entities will not receive transition grants in 2014-15. South Western Sydney Local Health District is the only district that did not receive a transition grant in 2012-13, 2013-14 and 2014-15.

While transition grants will reduce $91.8 million to $248 million in 2014-15, the following local health districts will receive higher transition grants in 2014-15:

- Hunter New England Local Health District – increased from $9.3 million for non-admitted services in 2013-14 to $38.9 million in 2014-15
- Southern NSW Local Health District – increased from $10.8 million for acute and emergency services in 2013-14 to $14.3 million in 2014-15
- Sydney Local Health District – increased from $17.6 million for non-admitted services in 2013-14 to $29.9 million in 2014-15
- Western NSW Local Health District – increased from $13.5 million for acute and emergency services in 2013-14 to $27.2 million in 2014-15
- Western Sydney Local Health District – increased from $4.0 million for sub-acute services in 2013-14 to $9.2 million in 2014-15.

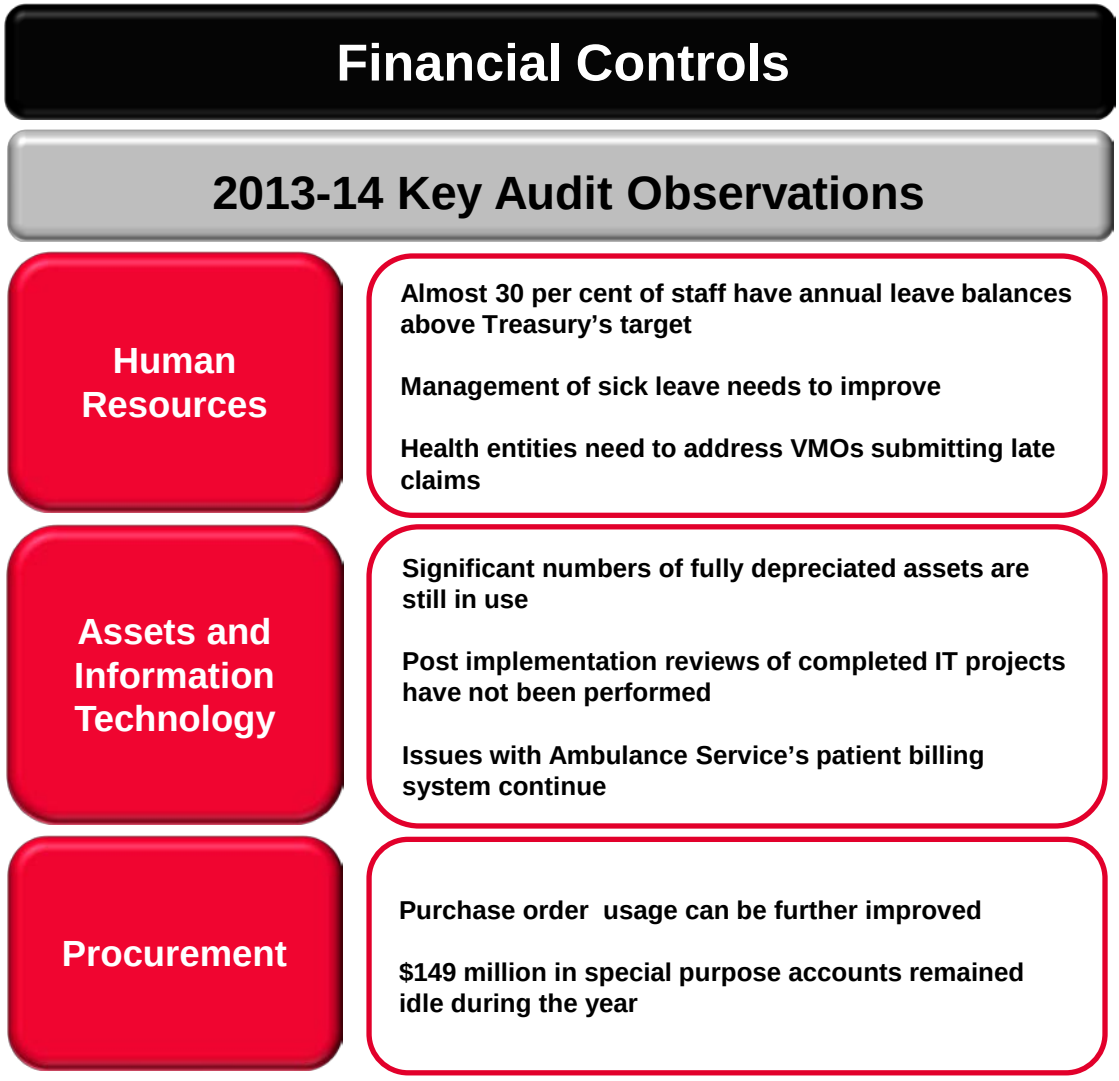
The transition grant calculations are influenced by the quality of costing and patient activity data. As local health districts and the Sydney Children's Hospital Network continue to review and improve their data accuracy, and therefore more accurately reflect the cost of providing each service, this can result in transition grants increasing or decreasing from year to year. Last year's report to Parliament included a recommendation that the Ministry develop a formal data quality assurance framework to improve the accuracy and reliability of data used to make activity based funding decisions. In August 2014, the Ministry engaged an independent firm to develop a framework and expects it to be completed by December 2014.

Last year's report to Parliament also recommended the data quality assurance framework include a mandatory internal audit of the costing and patient data included in the annual District and Network Return, and mandatory annual clinical coding audits. The Ministry of Health supports this recommendation. In October 2014, the Ministry issued a request for proposal for the design and implementation of an audit program to assess the information reported in the annual District and Network Returns of local health districts and speciality networks.

The Ministry advises the inclusion of clinical coding audits in health entities internal audit programs will be mandatory from 2015. This will help local management improve the accuracy of data and identify the underlying causes for errors. In 2013-14, almost half of the local health districts and speciality networks did not conduct an internal audit of their costing and patient data.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of NSW Health policies. They are essential for quality and timely decision making to achieve desired outcomes.



Internal Controls

Weaknesses in internal controls increase the risk of fraud or error. The financial statement audits for 2013-14 concluded that, generally, the entities' internal controls are appropriately designed and operating effectively to produce reliable and timely financial reports.

My audits did, however, identify areas where internal controls could be improved, and these were reported to management. A total of 200 issues were reported (259 in 2012-13), including two high risk and 73 repeat issues.

Issues specific to an individual health entity

- Revenue of $3.9 million was not collected by one health entity due to critical records not transferring to the billing system (reported as high risk to management)
- Doubtful debts for one health entity increased by $58.2 million in 2013-14 and it needs to improve its debt management (reported as high risk to management)
- Instances were identified where staff were sharing passwords to the local health district's online banking. The system was accessed using a staff members login details who was on leave
- There were no formal processes to approve higher grade duties processed through the local health district's rostering system which exceeded predetermined gradings for the particular cost centres.

Issues common across multiple health entities

- Some health entities did not have a centralised contracts register to capture all relevant details of contracts entered into
- Some health entities need to improve the quality, timeliness and review of general ledger reconciliations
- Some health entities need to address segregation of duties issues over manual journals.

Repeat issues

- Policies and procedures are outdated in a number of health entities
- Management of excessive annual leave balances needs improvement at most health entities
- Many timesheets are not being approved by supervisors before pay runs are complete
- Fully depreciated assets are still in use in a number of health entities
- No action was taken for dormant special purpose accounts as the local health district was waiting on advice from the Ministry of Health. We have reported this issue in past reports to Parliament and it is further discussed below.

Information technology issues

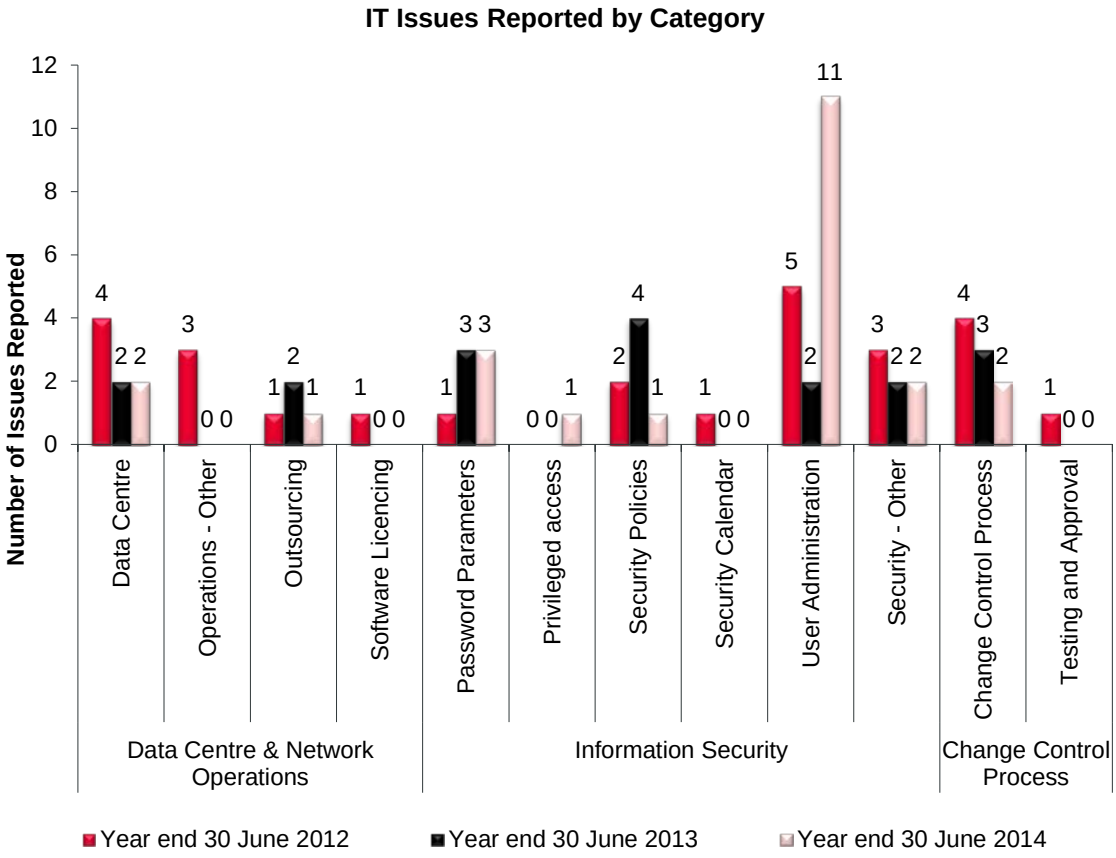
Recommendation

Health entities have information technology issues that need to be addressed. Specifically they need to:

- **review and test their disaster recovery plans to ensure they can restore financial systems in the event of a disaster**
- **improve processes around user administration to prevent unauthorised access to the financial systems.**

The 2013-14 audits considered the information technology (IT) processes and controls supporting the integrity of financial data used in the preparation of health entities' financial statements. The audits identified a total of 23 IT issues (18 in 2012-13) and 13 of these issues were repeat issues.

The following graph shows the categories of IT issues identified.



Information security issues represent 78 per cent of all IT issues identified in 2013-14. The number of user administration process issues increased particularly around timely removal of user access, approval of new user accounts and review of user access levels. This increases the risk of unauthorised access to the financial systems.

Disaster Recovery Planning

In 2014, five health agencies completed a self-assessment of their disaster recovery planning and testing capabilities. The assessments indicate only the Ambulance Service of NSW had established and regularly reviewed disaster recovery plans in place for the financial systems. Since 2012, none of the agencies have fully tested their plans. Without adequate testing, agencies have little comfort over the effectiveness of their disaster recovery plans in helping to restore their financial processes and systems in the event of a disaster.

Oracle Financial Management Information System (FMIS) Upgrade

In April 2014, HealthShare NSW upgraded the Oracle Financial Management Information System (FMIS) in an effort to deliver a fully integrated finance and procurement system across NSW Health.

The original implementation date in October 2013 was delayed to provide sufficient time for key project decisions, and milestones around testing and data migration to be formally reviewed and approved. Resources were dedicated to ensuring end users were adequately prepared for the new system, through the implementation of a project communications plan, formal training and e-Learning programs, as well as the establishment of post go-live support frameworks.

Human Resources

Recommendation

The Ambulance Service of NSW should implement targeted human resource strategies to respond to significant challenges it faces in managing annual leave, sick leave and overtime (including call back) payments.

Excess Annual Leave

Recommendation (repeat issue)

Health entities need to manage excessive annual leave balances more effectively in 2014-15. They should:

- **agree formal leave plans with employees to reduce their leave balances over an acceptable timeframe**
- **monitor current and projected leave balances to the end of the financial year on a monthly basis.**

NSW Treasury Circular TC14/11 'Reduction of Accrued Recreation Leave Balances' requires agencies to make all reasonable attempts to reduce accrued employee recreation leave balances to a maximum of 30 days or less by 30 June 2015. This target is reduced from 40 days or less at 30 June 2013 to 35 days or less at 30 June 2014. Some employees in NSW Health accrue four weeks of annual leave each year. For others, such as those working a seven day roster, the accrual can be as high as seven weeks per year.

The table below provides the number of employees in NSW Health with excessive leave.

Excessive annual leave balances				
At 30 June	**2014**	**2013**	**2012**	**Trend**
Number of employees with excessive leave*	34,999	28,707	28,051	**INCREASING**
Percentage of workforce	28.7	23.8	22.9	**INCREASING**

* 2014 figures based on 35 days or more, 2013 and 2012 figures based on 40 days or more.

Source: NSW Ministry of Health (unaudited).

Despite instructions from the Ministry and expectations set out in the State Budget, health entities are not effectively managing employee annual leave balances. While the target reduced from 40 to 35 days at 30 June 2014, the number of employees in NSW Health with leave balances above target increased from 28,707 employees at 30 June 2013 to 34,999 employees at 30 June 2014.

Annual leave in local health districts/speciality networks

The table below provides the number of employees with excessive annual leave balances for each local health district and speciality health network.

Health entity At 30 June	Percentage of workforce with excessive annual leave 2014	Percentage of workforce with excessive annual leave 2013	Movement
South Western Sydney	40.2	33.4	↑
Sydney	37.7	32.4	↑
Far West	31.0	23.8	↑
Western Sydney	30.2	25.6	↑
South Eastern Sydney	27.9	22.9	↑
Northern Sydney	26.2	22.3	↑
Western NSW	25.6	19.2	↑
Nepean Blue Mountains	24.9	20.2	↑
Mid North Coast	24.5	21.0	↑
Hunter New England	24.2	20.1	↑
Central Coast	23.9	18.9	↑
Sydney Children's Hospitals Network	23.3	19.1	↑
Justice Health and Forensic Mental Health Network	22.3	21.8	↑
Northern NSW	22.7	18.4	↑
Illawarra Shoalhaven	20.8	17.2	↑
Murrumbidgee	19.1	14.1	↑
Southern NSW	15.0	10.4	↑

Key: ↑ Increase

Source: NSW Ministry of Health (unaudited).

Annual leave in other agencies within NSW Health

The percentage of employees with excessive annual leave in the Ambulance Service of NSW increased from 51.4 per cent at 30 June 2013, to 60.7 per cent at 30 June 2014.

At 30 June 2014, there were 107 employees (17.5 per cent of staff) at the Ministry of Health with annual leave balances exceeding 35 days.

There were 5,691 employees (36.7 per cent of staff) within the Health Administration Corporation with balances exceeding 35 days at 30 June 2014. This included the Ambulance Service of NSW (60.7 per cent), HealthShare NSW (29.1 per cent), NSW Health Pathology (24.4 per cent), Health Infrastructure (17.4 per cent) and Health System Support Group (17.3 per cent).

At 30 June 2014, there were 58 (9.1 per cent of staff) within the Pillar Agencies with balances exceeding 35 days. This included the Clinical Excellence Commission (22.0 per cent), Agency for Clinical Innovation (12.4 per cent), NSW Kids and Families (12.0 per cent), Health Education and Training Institute (8.2 per cent), Bureau of Health Information (3.3 per cent) and the Cancer Institute NSW (2.4 per cent).

Health entities need to manage excessive annual leave balances more effectively. Excess leave entitlements can adversely affect an organisation because the liability generally increases over time as salary rates increase, which can impact cash flow requirements. The health and welfare of staff can also be adversely affected if staff do not take sufficient leave. Further, fraud is more likely to be detected when people are on leave, as staff performing key control functions are replaced.

Monitoring employees who took no, or little, leave

Recommendation

The Ambulance Service of NSW should implement targeted human resource strategies to respond to significant challenges it faces in managing annual leave, sick leave and overtime (including call back) payments.

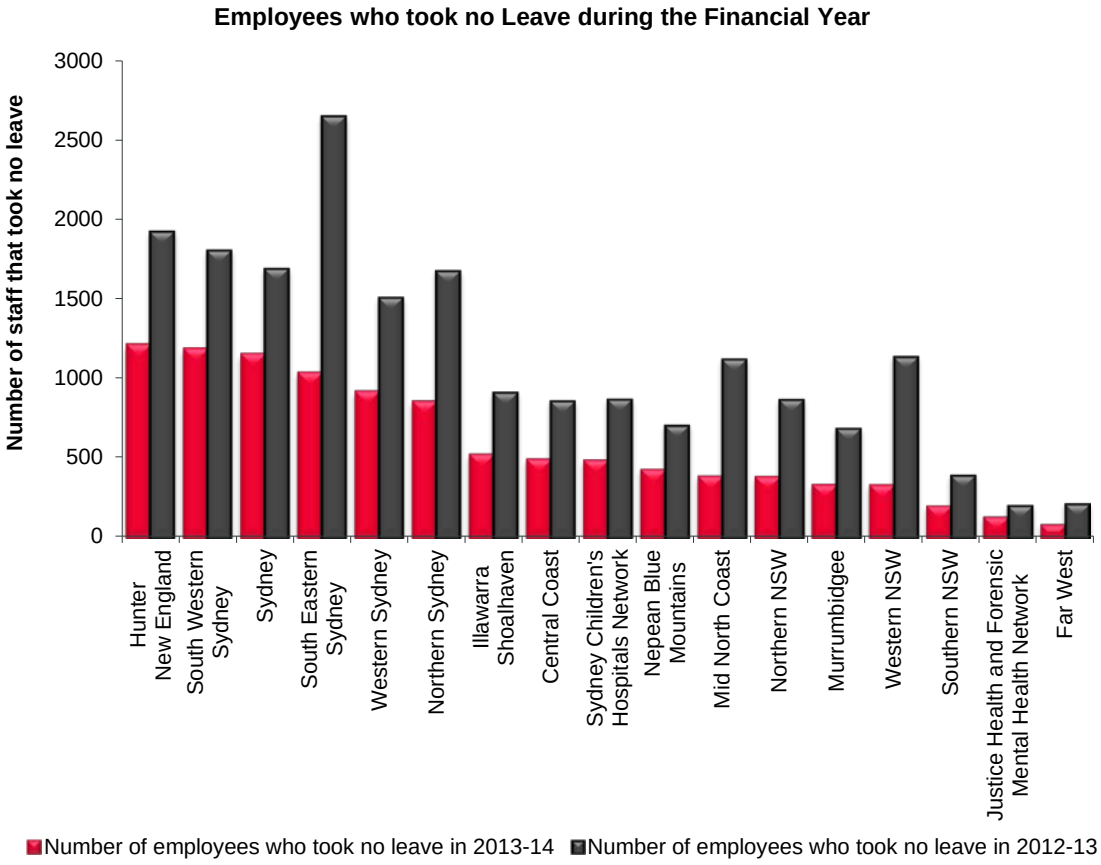
Recommendation (repeat issue)

Health entities should monitor employees who take no or very little leave in a rolling 12 month period.

Last year's report to Parliament recommended all health entities monitor employees who take no or very little annual leave in a rolling 12 month period. A number of health entities have reported to us that they are doing this, while others are not. NSW Health Pathology, Sydney, Central Coast, Mid North Coast, Murrumbidgee, South Eastern Sydney and Southern NSW local health districts are not doing this review. Some of these health entities indicated that they were unable to identify any reports that provided this information but would welcome this reporting enhancement as a further tool to assist with managing excess leave. These health entities should discuss the reporting from the system with those that have the information to enhance their monitoring of annual leave.

All health entities should develop exception reporting to identify such employees as another mechanism to manage annual leave. This will help identify employees who are taking leave but not recording it in the system, as well as employees who should be, but are not, taking leave to mitigate fraud risks associated with their roles.

The following graph shows the benefits of better monitoring annual leave information.



Source: NSW Ministry of Health (unaudited).

At those health entities that do monitor leave, the number of employees who did not take leave during the year decreased from 22,327 in 2012-13 to 11,468 in 2013-14. The number of employees with excessive annual balances who took no annual leave during the year also decreased from 2,237 in 2012-13 to 1,909 in 2013-14.

Clinical Academic leave records

Recommendation

Health entities should review:

- **the annual leave balances of Clinical Academic employees to ensure all leave taken has been recorded**
- **their internal controls around the processing of Clinical Academic leave records to ensure leave taken is processed in the payroll system.**

The Ministry should review whether there is any other types of employment arrangements where leave may not be recorded.

Clinical Academic staff are employed across NSW Health to provide clinical and associated administrative services for public patients in public hospitals. Their primary employment is within a New South Wales university's faculty of medicine, however they are on the NSW Health payroll system including their leave entitlements. There are approximately 225 Clinical Academic staff employed across NSW Health.

Clinical Academic staff leave records are not always being processed in the NSW Health payroll system at Sydney, Northern Sydney and South Western Sydney local health districts. Two Clinical Academic staff members had 398 days and 344 days respectively of annual leave accrued at 30 June 2014. The local health districts where these two staff work, confirmed that the annual leave balances were not accurate, because leave request forms were sent to the university had not been entered into the payroll system. One of the local health districts has since confirmed that the leave liability for their Clinical Academic (344 days) was overstated by some 295 days.

Health entities should review their internal controls around the processing of Clinical Academic leave records to ensure leave taken is processed in the payroll system. Failure to process leave in the payroll system may result in staff taking leave they are not entitled to and financial loss to the health entity. The Ministry should also review whether there are any other employment arrangements where leave may not be recorded.

Sick Leave

Recommendation

Health entities need to manage sick leave more effectively in 2014-15 and implement targeted strategies to reduce sick leave.

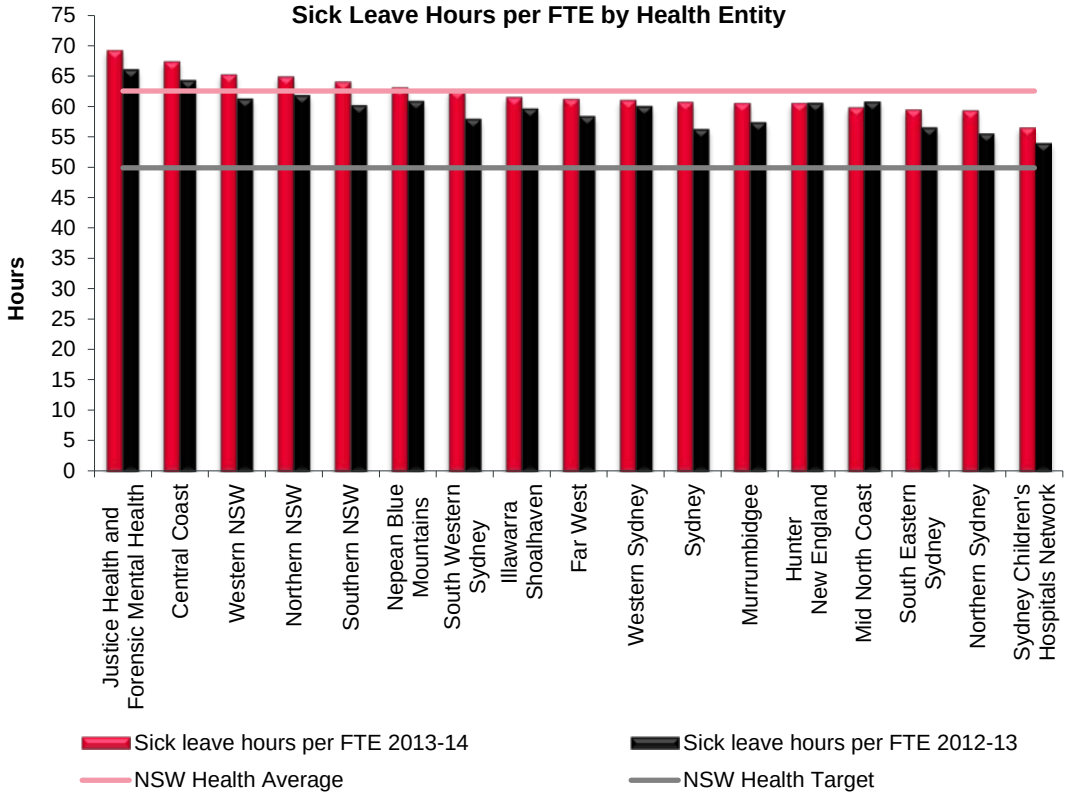
Employees are eligible for sick leave when ill or injured, or, in certain cases, when looking after ill or injured family members. The table below provides the average sick leave hours per full time equivalent (FTE) employee in NSW Health compared to the Ministry of Health target.

Sick leave				
Service measure	**Actual**	**Target**	**Status**	**Actual**
Year ended 30 June		**2014**		**2013**
Average sick leave hours per full time equivalent employee	62.6	50.0	**NOT MET**	59.7

Source: NSW Ministry of Health (unaudited).

Sick leave in local health districts/speciality networks

The following graph shows all local health districts and speciality networks failed to meet the Ministry's sick leave target for the second consecutive year.



Source: NSW Ministry of Health (unaudited).

The Justice Health and Forensic Mental Health Network had the highest sick leave per FTE of all local health districts and networks. Its employees took on average 69.3 hours of sick leave per FTE in 2013-14 (66.2 hours in 2012-13). The Sydney Children's Hospitals Network, while also not meeting the target, had the lowest sick leave, with its employees taking on average 56.6 hours of sick leave per FTE (54.1 hours).

The graph shows only Mid North Coast and Hunter New England local health districts recorded, on average, fewer sick leave hours per FTE in 2013-14 than 2012-13. All other local health districts and speciality networks had an increase in 2013-14.

Sick leave in other agencies within NSW Health

Sick leave at the Ambulance Service of NSW is significantly higher than the Ministry's sick leave target. Each full time equivalent employee takes 30 hours more sick leave per year than the Ministry's target.

In 2013-14, employees working in the Ministry of Health took on average 51.7 hours of sick leave per FTE. The Ministry did not meet its target of 50 hours per FTE.

In 2013-14, apart from Health Infrastructure, each of the divisions within the Health Administration Corporation (HAC) failed to meet the Ministry's target. The Ambulance Service of NSW had the highest average sick leave per FTE, with its employees taking 80.8 hours in 2013-14 (82.1 hours in 2012-13). Sick leave taken in 2013-14 for the other divisions within HAC was: Health Infrastructure (39.1 hours), HealthShare NSW (67.7 hours), NSW Health Pathology (61.0 hours) and Health System Support Group (61.3 hours).

In 2013-14, two of the Pillar Agencies failed to meet the Ministry's target of 50 hours per FTE. These were the Bureau of Health Information (51.5 hours) and NSW Kids and Families (51.9 hours). Pillar Agencies that met the target included the Agency for Clinical Innovation (44.0 hours), Clinical Excellence Commission (40.1 hours), Cancer Institute NSW (44.6 hours) and the Health Education Training Institute (45.8 hours).

Health entities need to better manage absenteeism. High levels of sick leave can have adverse operational and financial impacts on health entities, because fewer employees are available to deliver services and overtime is paid to other employees to maintain minimum staffing levels.

The Ministry advises NSW Health has recently reissued its State-wide policy on the management of sick leave, with supporting information on the NSW Health Intranet. The policy requires health entities to develop strategies to promote health and safety and attendance at the workplace.

The Ambulance Service of NSW advises that it monitors sick leave closely. Monthly sick leave reports are distributed to allow a review of attendance patterns of individuals, stations and zones. It also monitors the use of sick leave to top up workers' compensation payments and ensures prompt recoupment where a claim is accepted. The prognosis of staff on long term sick leave is reviewed to determine if alternate duties are possible, and in the case of long term illness, consideration is given to medical retirement.

Western Sydney, Northern NSW and Murrumbidgee local health districts indicated they did not have targeted strategies to reduce sick leave in 2013-14.

Only Western Sydney, Northern NSW and Murrumbidgee local health districts indicated they did not have targeted strategies to reduce sick leave in 2013-14. Northern NSW Local Health District indicated it is in the process of initiating a number of strategies to reduce sick leave rates, while Murrumbidgee Local Health District advised that it monitors overall sick leave, however sick leave performance and compliance with policies and guidelines is a priority project for 2014-15.

Elsewhere, other positive initiatives local health districts and speciality networks were implementing to reduce sick leave include: individual staff with poor sick leave records having one on one meetings with their manager and if appropriate, medical certificates are required for all absences, sick leave management plans being required for employees with excessive sick leave, training courses including online courses being developed for cost centre managers to assist manage sick leave, and sick leave data in graphical and statistical formats being reviewed at Finance and Performance Committees.

Overtime Payments (including call backs)

Health entities have improved the management of overtime. The table below shows total overtime payments in NSW Health has declined over the last three years as a percentage of salaries and wages expense.

Overtime (including call backs)				
Year ended 30 June	**2014**	**2013**	**2012**	**Trend**
Total overtime payments (including call backs) ($m)	368	370	390	DECREASING
Percentage of salaries and wages expense	4.3	4.5	5.0	DECREASING

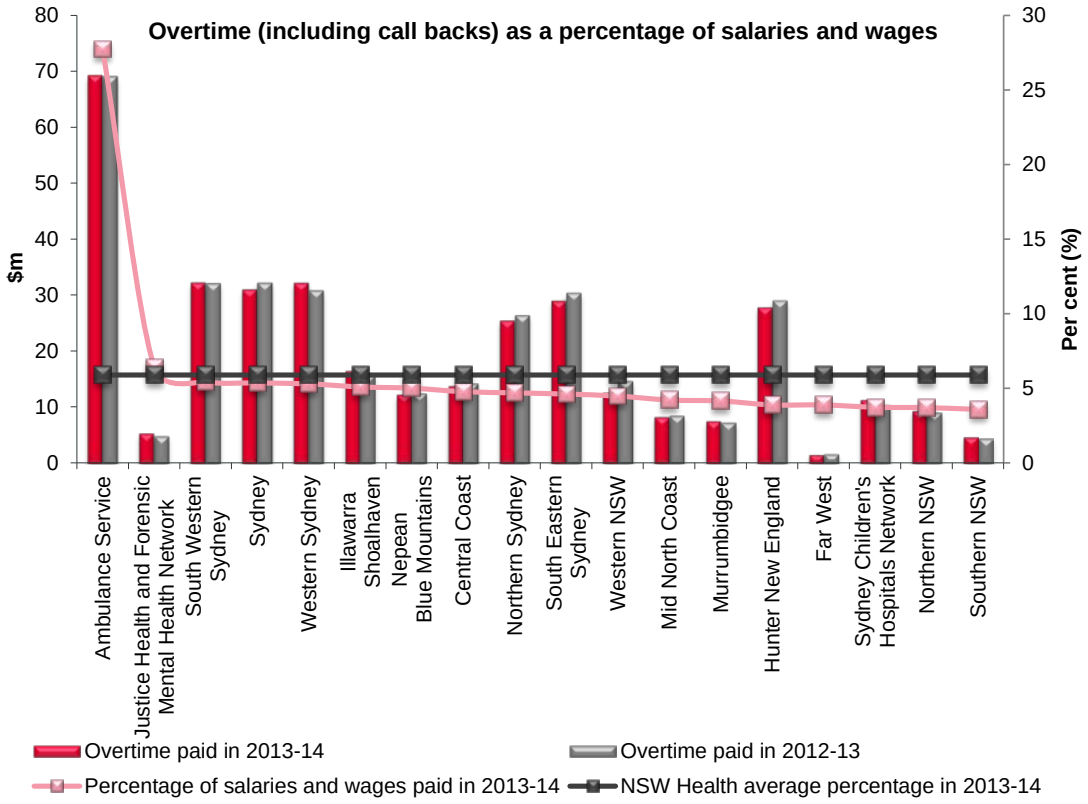
Source: NSW Ministry of Health (unaudited).

Total overtime payments (including call backs) decreased to $368 million in 2013-14 ($370 million in 2012-13) and have decreased to 4.3 per cent of total salaries and wages expense from 4.5 per cent in the previous year.

Recommendation

The Ambulance Service of NSW needs to further review its rostering practices to identify additional strategies to reduce excessive overtime and call back payments.

The graph below shows overtime (including call backs) by health entity.



Source: NSW Ministry of Health (unaudited).

In 2013-14, overtime (including call backs) for the Ambulance Service represented 27.7 per cent of its salaries and wages expense (29.5 per cent in 2012-13). The Ambulance Service's overtime (including call backs) is significantly higher than other health entities. It advises that this is due to award provisions, the nature of its operations and the number of staff on call, particularly in rural areas where there is not enough staff to achieve a 24 hour roster. Because of its high overtime, the Ambulance Service reviews the highest 20 overtime earners each quarter (in terms of hours worked and overtime paid) to assess if there are fatigue issues. The Service advised that it analyses the zones with high overtime earners, and made a number of reforms to its rostering practices.

After the Ambulance Service, the Justice and Forensic Mental Health Network paid the most in overtime (including call backs) as a percentage of salary and wages, at 6.4 per cent. It advises that its high overtime earners are influenced by unpredictable factors. These include the need for forensic hospital staff to stay with a patient if they remain in an external hospital for treatment, or need one-on-one care. The Network has implemented a number of strategies to reduce overtime payments.

The following table shows the total overtime (including call backs) paid, and the number of employees who worked more than 500 hours overtime in 2013 and 2014.

Health entity	Total overtime (including call backs) paid ($m)	Number of employees who worked more than 500 hours overtime	Total overtime (including call backs) paid ($m)	Number of employees who worked more than 500 hours overtime	Movement in total overtime (including call backs) paid ($m)
Year ended 30 June	2014	2014	2013	2013	
Ambulance Service of NSW	69.3	717	69.1	767	↑
South Western Sydney	32.3	98	32.2	101	↑
Western Sydney	32.3	98	30.9	110	↑
Sydney	31.1	120	32.3	123	↓
South Eastern Sydney	29.1	71	30.5	44	↓
Hunter New England	27.9	84	29.1	67	↓
Northern Sydney	25.6	81	26.5	63	↓
Illawarra Shoalhaven	16.6	56	15.8	66	↑
Central Coast	13.9	36	14.3	22	↓
Western NSW	12.7	39	14.7	41	↓
Nepean Blue Mountains	12.3	26	12.5	55	↓
Sydney Children's Hospitals Network	11.3	14	10.5	14	↑
Northern NSW	9.4	27	9.1	12	↑
Mid North Coast	8.4	21	8.6	28	↓
HealthShare NSW	8.3	4	9.2	19	↓
NSW Health Pathology	8.2	23	6.6	16	↑
Murrumbidgee	7.6	18	7.3	17	↑
Justice Health and Forensic Mental Health Network	5.4	32	4.9	28	↑
Southern NSW	4.7	14	4.5	17	↑
Far West	1.6	5	1.7	6	↓
Total	**367.9**	**1,584**	**370.3**	**1,616**	↓

Key: ↑ Increase
↓ Decrease

Source: NSW Ministry of Health (unaudited).

In 2013-14, total overtime payments (including call backs) by the Health Administration Corporation (HAC) was $85.8 million, representing 6.4 per cent of salaries and wages expense. For each division within HAC for 2013-14 it was: Ambulance Service of NSW ($69.3 million), HealthShare NSW ($8.3 million) and NSW Health Pathology ($8.2 million). Health Infrastructure's and Health System Support Group's total overtime payments (including call backs) were nil or insignificant.

Value for money and patient safety

Overtime is paid at a premium rate and, if not effectively managed, can result in higher than necessary expenditure and increase work, health and safety issues, particularly when fatigued employees perform high-risk tasks. Since 2012, our reports have recommended health entities identify their top one per cent of overtime earners (including call backs) and investigate whether excessive reliance on these employees represents value for money or compromises patient safety. Mid North Coast Local Health District was the only health entity not to conduct this review in 2013-14, although it advises it has since completed the review and no issues were identified of concern.

Far West Local Health District did perform this review and advised that it helped identify needed changes to its rostering practices. These changes were implemented to reduce overtime payments.

Given the significant cost of overtime and the potential adverse outcomes of staff working excessive hours, health entities should continue reviewing at least the top one per cent of overtime earners to help identify smarter, safer and more cost effective rostering and operational practices.

The Big Overtime Earners

The table below shows five employees consistently claimed, and were paid, more than $130,000 in overtime (including call backs) from 2011-12. It also shows the highest overtime earner, a career medical officer, earned more than $699,000 in overtime and call backs over the past three years.

Year ended 30 June		2014		2013	2012	Total
Position	Local health district / specialist health network	Annual base salary	Overtime/ call back paid	Overtime/ call back paid	Overtime/ call back paid	Overtime/ call back paid 2012 to 2014
		$	$	$	$	$
Career Medical Officer Grade 2	Nepean Blue Mountains	141,434	255,603	219,545	224,334	699,482
Career Medical Officer Senior	Northern NSW	189,789	145,971	158,818	214,449	519,238
Career Medical Officer Senior	Western Sydney	189,789	156,713	197,486	162,882	517,081
Career Medical Officer Transit Grade 2	Western Sydney	164,237	135,857	170,609	184,355	490,821
Registrar, Fourth Year	Nepean Blue Mountains	110,222	136,113	156,963	169,071	462,147

Source: NSW Ministry of Health (unaudited).

The table below shows the five employees who were paid the highest amount of overtime (including call backs) in 2013-14.

Year ended 30 June		2014	
Position	Local health district / specialist health network	Annual base salary	Overtime/ call back paid
		$	$
Career Medical Officer Grade 2	Nepean Blue Mountains	141,434	255,603
Senior Registrar, First Year	Hunter New England	123,929	223,171
Career Medical Officer Senior	Western NSW	189,789	191,995
Career Medical Officer Senior	South Western Sydney	189,789	188,148
Registrar, Fourth Year	South Western Sydney	110,222	188,039

Source: NSW Ministry of Health (unaudited).

Last year's report to Parliament included a recommendation that the Ministry should investigate whether the payroll system can separately record overtime and call backs. The amount paid for overtime and call backs cannot currently be split to determine what proportion relates to the employee being at work for a full shift as opposed to coming in for a short period because they were on call. The Ministry advises the progressive implementation of a new State-wide rostering system in 2015 will capture and report this information. This information would help health managers better understand their rostering practices and whether they are effectively using their available workforce.

A call back occurs when a staff member is on call and is asked to come to work. Under the award, the staff member is paid a minimum of four hours regardless of the time worked.

Time Recording

Recommendation

Chief Executives of health entities should advise supervisors of their obligation to approve timesheets.

Last year's report to Parliament recommended the Ministry issue a State-wide directive reminding supervisors of their obligation to approve timesheets. The Ministry advises it considered this recommendation, but felt the management of timesheet approval processes was a responsibility of health entities. Some health entities were proactive and implemented the recommendation. For example, management of Hunter New England and Northern NSW local health districts wrote to General Managers and Service Managers reminding them of their responsibility to approve timesheets. This strong communication from senior management, together with other initiatives helped improve the number of timesheets that were unapproved at the end of each pay run by up to 15 per cent.

Across NSW Health, a large number of people get paid despite a supervisor not confirming they worked the hours recorded on their timesheets.

The failure by supervisors to approve employee timesheets continues to be a common problem identified during the audits of health entities. In some cases, up to 30 per cent of timesheets remained unapproved at the end of each pay period. This means three in ten people get paid despite a supervisor not confirming they worked the hours recorded on their timesheets.

The absence of timesheet approvals increases the risk of staff claiming, and being paid for, hours they have not worked. Focus on approval of timesheets before submission for payroll processing would reduce the high volume of roster adjustments, manual pays, salary overpayments (see below) and the accrual of excessive annual leave balances for staff taking leave but not recording it in the system. Timesheet approval is an important preventative control to mitigate these risks.

HealthShare NSW is working closely with health entities to improve their timesheet rostering practices and controls to ensure timesheets are approved in a timely manner. This includes the provision of regular reports that detail the quality of roster data submitted and errors that have required manual adjustment by HealthShare NSW.

Salary Overpayments

HealthShare NSW is improving their internal controls following past recommendations to review the causes of salary overpayments.

In 2013-14, HealthShare NSW and health entities detected salary overpayments totalling $11.8 million ($11.9 million in 2012-13). In one instance, an employee was mistakenly overpaid $86,022 in a single pay. The employee fully repaid the amount, resulting in no financial loss to the health entity. After this incident, HealthShare NSW changed their procedure to check entries greater than 24 hours a day on the excessive hours report.

The table below provides key statistics on salary overpayments for the last three years.

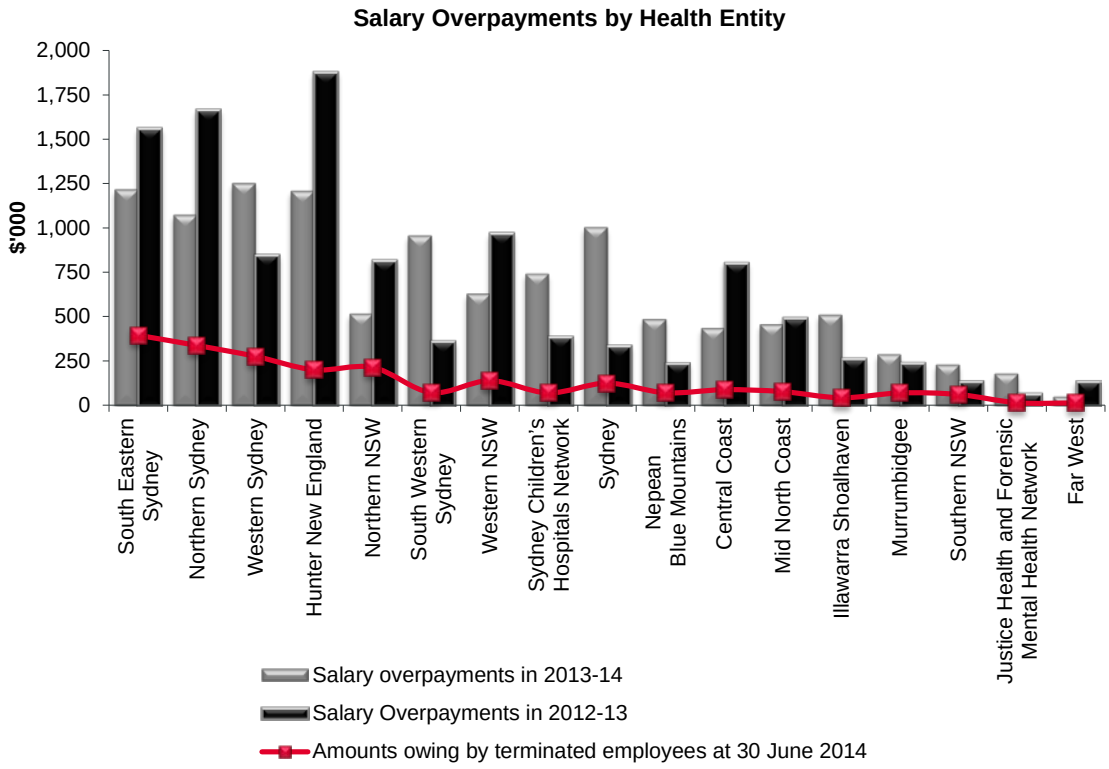
Year ended 30 June	2014	2013	2012
Total salary overpayments ($'000)	11,767	11,866	8,422
Number of employees overpaid	5,848	5,051	3,923
Average overpayment per employee ($)	2,012	2,349	2,147
Highest overpayment ($)	86,022	335,793	159,205
Amount outstanding at 30 June ($'000)	10,292	10,141	4,776
Total overpayments written off ($'000)	98	88	33
Amounts owed by terminated employees at 30 June ($'000)	2,355	1,114	673

Source: HealthShare NSW (unaudited).

Salary overpayments owed by people who have left NSW Health has significantly increased over the past two years.

At 30 June 2014, $10.3 million in salary overpayments was owing. Of this amount, $3.0 million related to overpayments that occurred more than three years ago and $2.4 million is owed by people who have left NSW Health, more than double the amount owed by terminated employees at June 2013. The probability of recovering amounts owed by terminated employees is low.

The graph below show salary overpayments by health entity.



Source: NSW Ministry of Health (unaudited).

In 2013-14, salary overpayments increased in nine of the local health districts and speciality networks.

HealthShare NSW advises initiatives being implemented to reduce the incidence of salary overpayments include performing weekly detailed performance reporting and analysis, and providing overpayment trend data to health entities.

HealthShare NSW advises it has drafted an 'Overpayment Recovery Blueprint' which outlines a collaborative approach to effectively manage the recovery process of overpayments and reduce the timeframe to recover overpayments.

Ambulance Service - Partial and Permanent Disability Claims

The Ambulance Service's liability for partial and permanent disability claims reduced for the first time in four years and was $10.6 million at 30 June 2014. The Service paid out $3.6 million in partial and permanent disability claims to 17 injured officers during the year. On average, the actual claim paid was $212,801, a decrease of 29.0 per cent when compared to 2013.

Year ended 30 June	2014	2013	2012	2011	2010
Partial and permanent disability liability ($'000)	10,589	12,619	12,291	10,592	10,005
Total partial and permanent disability claim payments ($'000)	3,618	4,199	5,222	1,456	1,383
Number of partial and permanent disability claims paid	17	14	17	7	5
Average paid claim size ($)	212,801	299,909	307,221	207,976	276,690

Source: Liability figures are obtained from an actuarial report; remaining information obtained from the Ambulance Service of New South Wales (unaudited).

In last year's report to Parliament, it was reported that the Ambulance Service had commissioned an independent consultant to review the long-term cost of the disability scheme. Under the Ambulance Service of NSW Death and Disability (State) Award, it can do so when the long-term cost to government exceeds 3.6 per cent of salary expenses.

In May 2014, it was confirmed the long-term cost to government will significantly exceed 3.6 per cent of salary expenses. In August 2014, the Ambulance Service's insurance premiums increased significantly due to claims experience and general insurance market conditions. The Ministry of Health has initiated a working group to consider other viable options and urgently address the unfavourable trend in scheme costs.

Under the scheme, an injured officer receives a lump sum payment if their physical or mental disability prevents them performing the duties they were substantively employed to do. The amount they are entitled to varies depending on their age and whether the injury leading to their disability occurred on or off duty. At present, employees and the Service contribute up to 1.8 per cent and 3.6 per cent respectively of the employees' base salary to fund the liability.

Workplace Health and Safety

The table below provides the number of workplace health and safety claims in NSW Health over the past three years. It shows the number of workers' compensation claims is reducing.

Workers' compensation claims				
Service measure – year ended 30 June	**2014**	**2013**	**2012**	**Trend**
Total Number of Claims	4,821	5,389	6,665	**REDUCING**

The table below shows the workers' compensation claims by injury type.

Year ended 30 June	2014		2013		2012	
Workers' compensation claims by injury type	**Number of claims**	**Cost of claims ($m)**	**Number of claims**	**Cost of claims ($m)**	**Number of claims**	**Cost of claims ($m)**
Body stress	2,303	25.2	2,470	25.0	2,944	27.2
Slips and falls	819	7.8	964	9.3	1,243	10.5
Mental stress	370	8.2	392	8.7	442	8.4
Hit by objects	229	0.9	741	5.0	728	4.7
Motor vehicle	75	0.3	97	0.9	458	3.0
Other causes	1,025	7.8	725	3.6	850	5.3
Total	**4,821**	**50.3**	**5,389**	**52.5**	**6,665**	**59.1**

Source: NSW Ministry of Health (unaudited).

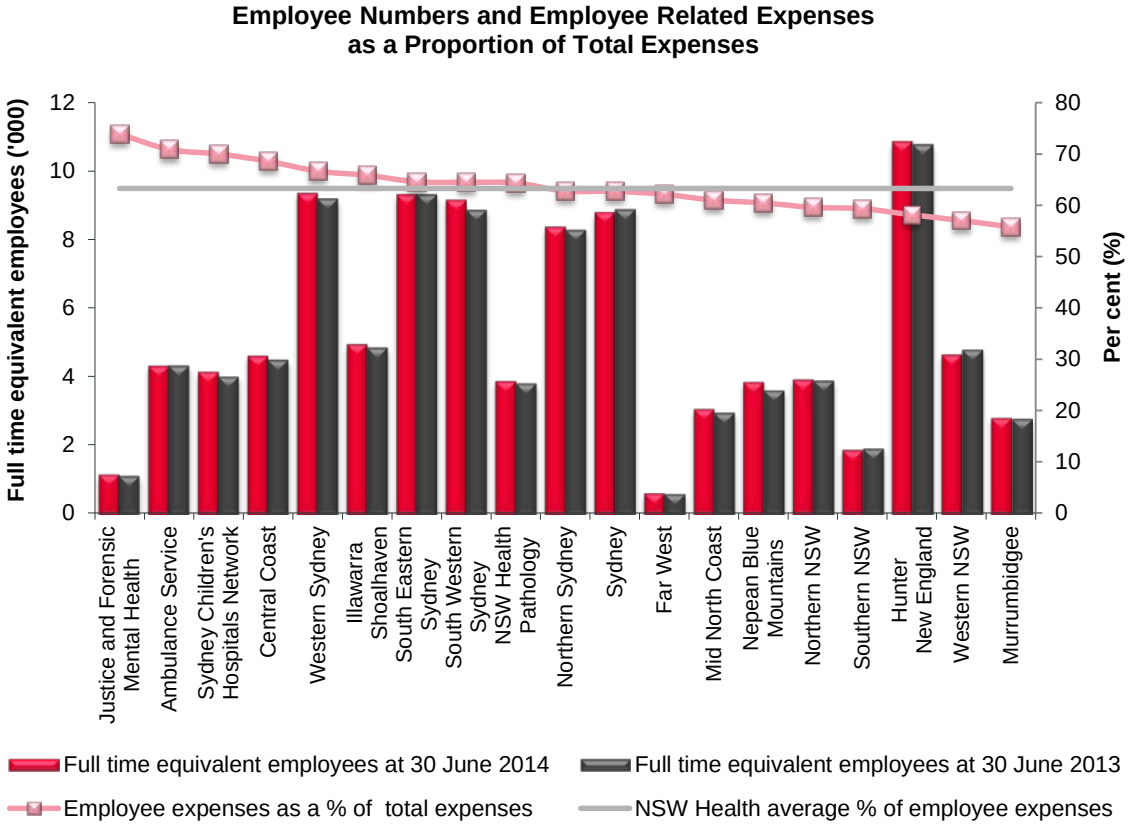
Body stress claims continue to be the most common injury to health employees. These include muscle strains and back conditions due to the high frequency of lifting and handling patients. Nurses are most likely to be injured at work, representing 39.7 per cent of all claims in 2013-14 (38.7 per cent in 2012-13).

Mental stress claims are the costliest injury, with the average claim costing $22,162 ($22,194) in 2013-14. These claims were attributable to work-related harassment or workplace bullying (133), work pressure (94) and exposure to occupational violence or traumatic event (143).

NSW Health is implementing strategies to facilitate a reduction in workplace injuries as part of the Work Health and Safety proactive strategic plan 2014-16, with a focus on the ageing workforce.

Employee Statistics

The graph below shows the comparative number of full-time equivalent employees (FTE) at each major health entity at 30 June 2014. It also shows the percentage of employee related expenses compared to total expenses. In 2013-14, the State-wide average was 63.6 per cent (60.6 per cent in 2012-13).



Source: Staff numbers from NSW Ministry of Health (unaudited). Employee expenses/total expenses from audited financial statements (audited).

At 30 June 2014, Hunter New England Local Health District had the most full-time equivalent employees (10,880) while Far West Local Health District had the least (628). At 30 June 2014, NSW Health employed 107,622 full-time equivalent employees (105,857 at 30 June 2013). Clinical staff represented 72.9 per cent (73.0 per cent) of total full-time equivalent employees.

Of the local heath districts, Central Coast Local Health District recorded the highest percentage of employee related expenses at 68.6 per cent (66.8 per cent), while Murrumbidgee Local Health District had the lowest at 55.8 per cent (54.1 per cent). Rural local health districts generally have a lower percentage than metropolitan districts because their workforce includes a higher proportion of visiting medical officers, which are excluded from the graph above.

Visiting Medical Officers

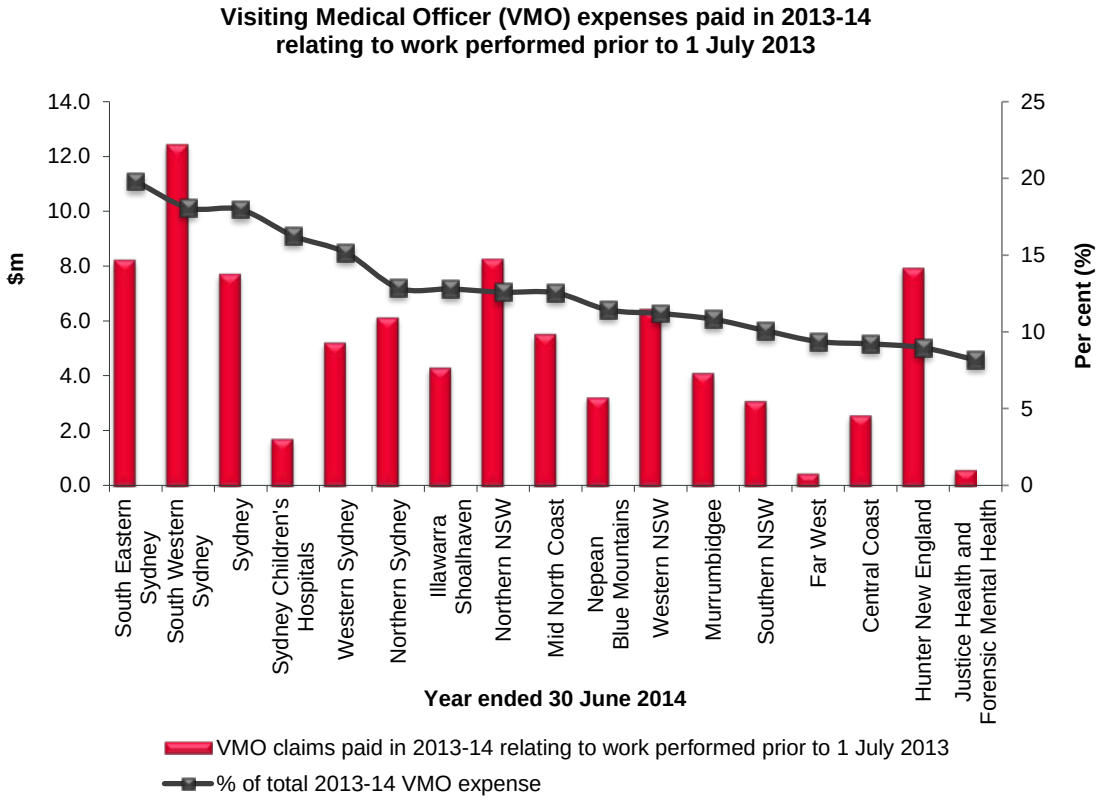
Recommendations

Health entities should strengthen their internal control processes to ensure visiting medical officers submit claims for payment in a timely manner.

Visiting medical officers (VMOs) are doctors engaged as independent contractors in the public health system who generally also work in private practice. VMO contracts are with individual local health districts and speciality networks, and VMOs submit claims for payment to hospitals for work they perform on public patients.

VMO payments were $676 million in 2013-14 ($650 million in 2012-13). A common issue identified during the audits of health entities was doctors submitting claims for payment irregularly or late, sometimes over 12 months late. In 2013-14, VMOs submitted 10,756 claims for payment, costing $88.3 million, for work performed prior to 1 July 2013. This included 1,631 claims for payment, costing $10.8 million, for services provided more than 12 months prior.

The graph below show the value of VMO claims that were paid in 2013-14 which related to performance of service prior to 1 July 2013.



Source: NSW Ministry of Health (unaudited).

As a proportion of total VMO expenses, South Eastern Sydney Local Health District paid the most in VMO claims in 2013-14 for work performed prior to 1 July 2013, some 19.8 per cent of its VMO expense for the year. This included $840,000 in claims for work performed more than 12 months ago.

During 2013-14, some VMOs submitted claims for work performed in 2006 and 2007.

Sydney Local Health District (394 claims for $2.5 million) and South Western Sydney Local Health District (310 claims for $3.0 million) paid the most in VMO claims during the year for work performed more than 12 months ago. In November 2013, Sydney Local Health District paid a VMO for work the doctor had performed in January 2006. Similarly in May 2014, South Western Sydney Local Health District paid for work a doctor had performed in January 2007.

When VMOs submit claims irregularly or late, it is difficult for NSW Health employees to access information, such as hospital rosters and electronic medical records to validate and approve the claim. The Ministry of Health acknowledges a problem with VMO claims not being submitted in a timely basis and has taken action to reduce the number of late claims and their liability towards future late claims. These methods include:

- changes to VMO contracts to strengthen the expectation that claims will be submitted regularly
- contacting VMOs to encourage them to submit overdue claims as part of the contract renewal process
- suspension of VMOs who fail to comply after appropriate warnings.

In December 2011, a performance audit report was tabled on how well NSW Health was managing VMOs and staff specialists to meet the demands of public hospitals. Of the report's nine recommendations, the Ministry advises seven are complete, one is being addressed and one was considered by the Ministry, but rejected by the Australian Medical Association. Progress on the recommendation being addressed is shown below.

Recommendation	Current status
NSW Health, after appropriate consultation with the Australian Medical Association, should amend the model VMO contracts to impose stricter controls over the submission of VMO claims.	Agreement was reached with the Australian Medical Association on a time limit for discounting of VMO claims. The process for amending the VMO Determinations has been initiated in accordance with the *Health Services Act 1997*

Asset Management

Backlog Maintenance

Recommendation (partial repeat issue)

The Ministry's asset and facilities maintenance working party should develop a project plan with key deliverable dates for its key activities and report against that plan.

Also by 30 June 2015, health entities should:

- **develop their asset maintenance plans**
- **identify and measure maintenance backlog.**

Last year's report to Parliament recommended the Ministry provide more guidance and feedback to health entities to help them develop consistent, comprehensive asset maintenance plans and to consistently identify and measure backlog maintenance.

The extent of NSW Health's backlog maintenance remains unknown.

Total backlog maintenance in the health sector is unknown. Only eleven health entities assessed backlog maintenance when preparing their 2015-2024 asset strategic plans, while others did not. The entities which quantified backlog maintenance advise it ranged from nil to $22.0 million. For eight of these entities, the combined backlog maintenance was assessed to be around $135 million.

The Ministry advises that:

- NSW Health is implementing a consolidated asset management system (refer below) that will help the sector provide more reliable and consistent information on assets, their condition and the extent of maintenance backlog
- it has provided advice to health entities to support the measurement of maintenance backlogs
- an asset and facilities maintenance working party has been established. It's role includes:
  - providing guidance on the NSW Health maintenance framework
  - guiding the development of strategic maintenance plans across the sector
  - advising on the State-wide identification and measurement of backlog maintenance
  - guiding the implementation of State-wide maintenance strategies.

Maintenance Expenditure

Last year's report to Parliament recommended the Ministry establish a State benchmark to help it and health entities assess the adequacy of the maintenance spend by health entities. The Ministry responded by setting a target of 2.15 per cent of gross asset replacement value. In 2013-14, the total maintenance spend was 2.4 per cent of asset replacement value (2.4 per cent in 2012-13).

Year ended 30 June	2014	2013	2012	2011
Actual maintenance expenditure ($m)*	466	447	419	382
Buildings, plant and equipment and infrastructure systems gross carrying amount at 30 June ($m)	19,742	18,649	17,274	17,459
Actual maintenance expenditure/buildings, plant and equipment and infrastructure systems gross carrying amount (%)	2.4	2.4	2.4	2.2
Depreciation expense ($m)#	579	560	516	508

* Includes employee related maintenance expenses and new/replacement equipment under $10,000.

\# Excludes amortisation expense.

Source: Audited financial statements.

State-wide Asset Management System

In 2011-12, the Ministry started a long term project to consolidate multiple asset and facility management reporting systems. The aim is to provide a single registry and tracking system for the operation and maintenance of health entity assets, as current systems do not support effective asset management planning across the sector. The Ministry advised:

- the new State-wide system is in its implementation stage
- project acceptance testing was completed by experts across local health districts, HealthShare NSW, Health Infrastructure and the Ministry
- certain core asset management functions were made available to health agencies on 30 September 2014. The remaining modules will be available for use by 31 March 2015
- the quality and completeness of data in the system varies between local health districts and hospitals. Data completeness and quality is expected to improve over time as the system matures.

At 30 June 2014, the Ministry had spent $9.0 million on the new State-wide system. The project is expected to cost a total of $11.6 million which is $1.5 million more than the revised budget of $10.1 million.

The benefits expected from the new system include:

- a consolidated and consistent asset register containing information on each asset's value, condition and utilisation
- tools and information to manage NSW Health's facilities and asset maintenance needs on a whole-of-life cycle basis
- reporting on asset performance across NSW Health, thereby allowing benchmarking
- information to support asset management strategies, planning, costing, budget allocation and service delivery planning.

A performance audit on 'Asset management in Health' is proposed for 2016-17.

Asset Stocktakes

Recommendation

Northern Sydney Local Health District should plan its 2014-15 stocktake to ensure it is completed and relevant accounting records updated before 30 June 2015.

Last year's report to Parliament recommended local health districts conduct a stocktake of plant and equipment assets annually, and in 2013-14, fourteen of 15 local health districts did so. Only Northern Sydney Local Health District failed to conduct a full stocktake during the year.

Apart from not complying with the Ministry's asset stocktake policy, which requires all local health districts to stocktake their plant and equipment annually, the risk of theft or misappropriation increases without annual stocktakes. The combined gross value of plant and equipment owned by local health districts at 30 June 2014 was $1.5 billion.

Capital Projects

Major Projects Completed in 2013-14

Recommendation

Health Infrastructure should capture key lessons learnt for future projects after one of its developers went into administration. It should ensure it has appropriate strategies in place to monitor how suppliers are performing and, in particular, for multi-year contracts.

Health Infrastructure completed six significant capital works projects in 2013-14. As shown in the table below, most of these projects were completed ahead of time and approved budget. The exception was the Nepean Hospital Expansion project, which exceeded budget by $2.9 million. The total actual cost of completed projects was $10.6 million lower (2.8 per cent) than total original budgeted cost.

Project description	Original budgeted cost $'000	Revised budgeted cost $'000	Actual cost $'000	Original estimated completion year	Year completed
Nepean Hospital Expansion	139,000	146,382	149,238	2015	2014
Port Macquarie Hospital Expansion	110,000	104,000	100,291	2015	2014
Graythwaite Rehabilitation Centre	41,180	41,180	37,625	2016	2013
Shoalhaven Regional Cancer Centre	34,801	32,285	31,115	2014	2013
Hornsby Hospital Mental Health Unit	33,590	33,590	33,127	2013	2013
Nepean Hospital Car Park	23,078	20,378	19,630	2015	2013
Total	**381,649**	**377,815**	**371,026**		

Source: NSW Ministry of Health (unaudited).

The Nepean Hospital expansion delivered increased capacity, a greater range of services and improved facilities for patients. The final cost was $10.2 million higher than the original budget as additional costs were incurred in engaging a new firm to complete the project. The original contractor was placed into administration in April 2013.

The Port Macquarie Hospital expansion delivered a new four-storey building, increased clinical service capacity, an extra 70 overnight acute in-patient beds, a larger emergency department, additional operating theatres, new critical care unit and cardiac catheterisation laboratory.

The Graythwaite Rehabilitation Centre delivered 64 inpatient beds, a hydrotherapy pool, outdoor therapy spaces, underground parking and a patient link to Ryde Hospital for direct access to diagnostics, pathology, pharmacy and the emergency department.

The Shoalhaven Regional Cancer Centre project delivered a new purpose built regional cancer centre at Nowra.

The Hornsby Hospital Mental Health Unit delivered a new two-story building, a 35 bed acute adult ward, a 12 bed child and adolescent ward, family meeting areas, gym facility, courtyards and onsite parking for 155 cars. It also brought together child, adolescent and adult mental health services and facilities into one location.

The Nepean Hospital Car Park project provided an additional 650 spaces at Nepean Hospital.

Capital Projects Still in Progress

Health Infrastructure is managing most capital projects within budget and original timeframes.

Health Infrastructure is currently managing 16 capital projects each with an estimated cost of more than $50.0 million. Each project is running on or ahead of time. Overall, the revised budgeted cost is $9.0 million higher than the original approved budget of $2.1 billion. At 30 June 2014, Health Infrastructure had spent a total of $1.0 billion on these 16 projects or 48.0 per cent of the original budgeted cost. The table below summarises the 16 projects.

Project description	Original budgeted cost ($000)	Revised budgeted cost ($000)	Life to date costs at 30 June 2014 ($000)	Original estimated completion year	Revised completion year
Blacktown Mt Druitt Hospital Expansion	270,000	267,700	88,643	2016	2016
Wagga Wagga Base Hospital Redevelopment	270,100	270,100	91,035	2017	2015
Tamworth Hospital Redevelopment Stage 2	220,000	210,824	99,673	2017	2016
Council of Australian Governments Initiatives	189,744	189,744	184,726	2014	2014
South East Regional Hospital Bega	170,100	187,090	42,925	2016	2016
Royal North Shore Hospital Clinical Services Building	144,400	144,400	132,156	2015	2014
Parkes and Forbes Hospital (Lachlan Health Service)	140,000	113,400	9,255	2016	2016
Campbelltown Hospital Redevelopment	139,086	133,570	85,135	2016	2015
Hornsby Ku-ring-gai Hospital Redevelopment Stage 1	120,000	120,000	37,227	2016	2015
Wollongong Hospital Elective Surgery Unit	86,149	106,149	56,809	2015	2015
Lismore Hospital Redevelopment Stage 3A	80,250	80,250	18,936	2017	2016
Kempsey District Hospital Redevelopment	80,000	80,900	19,012	2016	2016
Dubbo Hospital Stage 1 and 2	79,800	91,300	30,547	2016	2015
Prince of Wales Nelune Comprehensive Cancer Centre	76,642	79,840	30,808	2017	2014
Missenden Mental Health Unit	67,000	67,000	54,505	2015	2014
Northern Beaches Health Service	*	*	42,858	2019	2018
Total	**2,133,271**	**2,142,267**	**1,024,250**		

* the original and revised budgets were not provided by the NSW Ministry of Health due to commercial sensitivity.

Source: NSW Ministry of Health (unaudited).

The Tamworth Hospital Redevelopment Stage 2 revised budget is $9.2 million lower than the original budget and the Campbelltown Hospital Redevelopment revised budget is $5.5 million lower than the original budget. Health Infrastructure advises this is due to efficient procurement of goods and services, favourable market conditions and effective management of risks and contingencies.

The South East Regional Hospital revised budget is $17.0 million higher than the original budget largely due to scope changes. Tender submissions received were also higher than original budget due to the regional location of the hospital.

The Wollongong Hospital Elective Surgery revised budget is $20.0 million higher than the original budget because it now includes the Wollongong Emergency Department and Ambulatory Care project. The two budgets were combined into one budget.

The Dubbo Hospital stage 1 and 2 revised budget is $11.5 million higher than the original budget as additional costs were incurred in engaging a new firm to complete the project. The original contractor was placed into administration in April 2013.

The Prince of Wales Nelune Comprehensive Cancer Centre revised budget is $3.2 million higher than the original budget due to scope changes.

The Ministry will conduct a post implementation review of the Royal North Shore Hospital public-private partnership within 12 months of the final stage of the project being commissioned.

Public-private partnership - Northern Beaches Hospital

In October 2014, the Premier and Health Minister announced that Healthscope is the preferred tenderer to design, build, operate and maintain the new Northern Beaches Hospital. Under the design, the Northern Beaches Hospital will include a modern, nine storey hospital, 488 beds, a 50 space emergency department, 1,400 car spaces, a helipad, a 50-space emergency department, 14 operating theatres and six surgical suites, state-of-the-art intensive care and critical care units, and a modern inpatient mental health facility.

The Northern Sydney Local Health District will enter into a long-term partnership with Healthscope to provide public patient services over the next 20 years. At the completion of the contract, the hospital will revert to NSW Government ownership, although Healthscope will continue to deliver services from a portion of the facility to private patients for a further 20 years.

Construction of the new hospital is expected to commence in early 2015 and be opened in 2018. The project is expected to cost about $1.0 billion.

Fully Depreciated Plant and Equipment (Repeat Issue)

Recommendation (repeat issue)

NSW Health should review asset useful lives across the sector by no later than 28 February 2015.

For the past five years, our reports have recommended NSW Health review the useful lives of assets, as the sector uses a high proportion of fully depreciated assets. Once again, little progress has been made in addressing this accounting issue. The Ministry advises that its new assets and facilities management working party (see above) will be tasked with ensuring processes are in place, through relevant information technology systems, for reviewing asset useful lives across the sector.

As shown in the table below, fully depreciated plant and equipment as a percentage of total plant and equipment, fell for the second consecutive year to 26.5 per cent. Despite the drop, the percentage remains high, at more than a quarter of all plant and equipment in the sector.

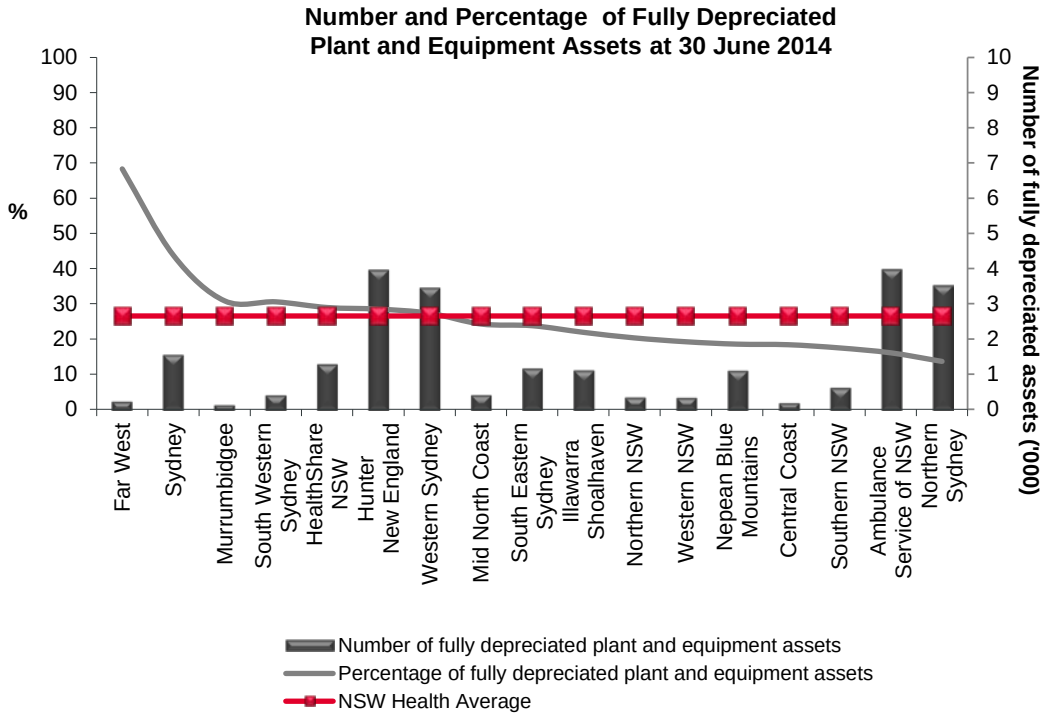
Plant and equipment at 30 June	2014	2013	2012	2011
Cost of fully depreciated plant and equipment as a percentage of total plant and equipment (%)	26.5	27.1	29.4*	27.9

* Excludes Sydney Children's Hospitals Network.

Source: NSW Ministry of Health (unaudited).

In total, local health districts and networks were still using 24,249 items of plant and equipment at 30 June 2014 (29,332 items at 30 June 2013) which had passed their original estimated accounting useful lives. This equates to $447 million ($485 million) or 26.5 per cent (27.1 per cent) of the cost of all plant and equipment. The existence of so many fully depreciated assets, which are still being used, suggests the accounting useful lives are too short, resulting in depreciation expenses being overstated.

The number and percentage of fully depreciated plant and equipment assets, as a proportion of total plant and equipment assets, is shown below.



Source: NSW Ministry of Health (unaudited).

Most of the Far West Local Health District's plant and equipment assets are old and fully depreciated. At 30 June 2014, it had the highest percentage of fully depreciated plant and equipment assets, with 68.3 per cent still in use beyond their original estimated lives. Northern Sydney Local Health District had the lowest percentage at just 13.6 per cent. Hunter New England Local Health District had the highest number at 3,971 items.

The Ministry and health entities advise annual checks are performed to ensure old plant and equipment assets continue to function properly and do not endanger patient or staff safety.

Information Technology Projects

Recommendation (repeat issue)

eHealth NSW should conduct post implementation reviews of recently completed information technology projects. The reviews should be performed as soon as possible to:

- **assess whether the projects achieved their intended outcomes**
- **determine whether management practices were effective in keeping the project on time and budget**
- **capture lessons learnt for application to future projects.**

On 1 July 2014, HealthShare NSW's information technology functions transferred to eHealth NSW. eHealth NSW was established on 1 July 2014 to provide high level governance for NSW Health's information strategy, forward planning and delivery.

Last year's report to Parliament recommended that HealthShare NSW should conduct post implementation reviews of recently completed information technology projects, but nothing has been done. Formal post implementation reviews have not been conducted on any completed or substantially completed projects for the past two years. These include the Oracle R12 upgrade, integrated medical imaging program, infrastructure strategy 2, State-wide management reporting tool, the business information program, the billing and revenue system and the payroll system.

eHealth NSW should conduct formal post implementation reviews of these projects as soon as possible and assess whether:

- the projects achieved their intended outcomes
- the project management practices were effective in keeping the projects on track
- the new systems can be further enhanced to achieve further benefits
- lessons can be applied to planning and managing future projects.

The table below shows current information technology projects managed by eHealth NSW with original budgets exceeding $10.0 million.

Project description	Original budgeted cost $'000	Revised budgeted cost $'000	Life to date costs at 30 June 2014 $'000	Original estimated completion year	Revised completion year	Original estimated quantitative benefits $'000	Revised estimated quantitative benefits $'000
Electronic Medications Management System	170,300	170,300	44,671	2018	2018	369,546	369,546
Community Health and Outpatient Care System	100,703	100,703	64,926	2016	2017	401,051	401,051
Rostering	94,768	89,570	74,424	2014	2016	451,558	450,500
Electronic Medical Record - rollout to clinical specialities	85,400	85,400	47,931	2017	2017	590,723	590,723
Corporate System Stage 2b	76,949	77,400	47,330	2017	2017	236,496	236,496
Integrated Medical Imaging Strategy	63,103	77,103	76,352	2012	2015	132,299	132,299
Infrastructure Strategy Stage 3	51,100	51,100	21,814	2018	2016	30,860	30,860
Intensive Care Clinical Information System	43,130	43,130	8,567	2016	2017	211,398	211,398
Whole of Government Data Centre Migration	34,562	31,422	12,088	2017	2017	na	na
Incident Management System	22,218	22,218	2,648	2016	2016	121,863	121,863
Asset and Facilities Management Performance Improvement Project	12,200	10,050	8,991	2014	2015	120,693	9,765
Total	**754,433**	**758,396**	**409,742**			**2,666,487**	**2,554,501**

na Not available. Benefits realisation plan is currently being developed by eHealth NSW.

Source: HealthShare NSW (unaudited).

Recommendation

eHealth NSW should have robust systems and processes to measure the benefits realisation for completed information technology projects. eHealth NSW should by 30 June 2015:

- **clearly define roles and responsibilities for measuring benefits realisation**
- **establish a timeline for regularly assessing and re-assessing the benefits realisation**
- **formally measure and document the benefit realisation for each completed project.**

HealthShare NSW plans to spend $758 million on 11 major information technology projects over the next four years, slightly more than the original budgeted cost. Based on the revised budgeted cost, it expects the health sector will achieve $2.7 billion in quantitative benefits from its $758 million investment. This equates to $3.37 for every dollar spent.

Recommendation

Almost half of eHealth NSW's information technology projects are running behind time. eHealth should capture the reasons for the delays as well as lessons learnt for application to future projects.

Almost half of eHealth NSW's information technology projects are running behind time. eHealth NSW advises:

- the Community Health and Outpatient Care System revised completion date is 2017 following a review of cash flow projections
- the Rostering program revised completion date is 2016 as there were problems in integrating NSW Health's employment awards into the new rostering system. The issue has now been resolved
- the Integrated Medical Imaging Strategy revised completion date is 2015 due to scope changes
- the Intensive Care Clinical Information system revised completion date is 2017 because the procurement process as well as the design, build and implementation stages of the project took longer than expected
- the Asset and Facilities Management Performance Improvement Project revised completion date is 2015 due to extended vendor engagement and contract negotiations.

Further issues with the Ambulance Service's billing system

Recommendation

The review into the effectiveness of the Ambulance Service's revenue system and patient billing practices should be completed by 31 March 2015.

Last year, it was reported that the Ambulance Service experienced significant functionality and data migration issues when implementing its new revenue system in 2012-13. There are continuing issues with the revenue system. For example, management estimated that approximately $3.9 million in revenue was not collected in 2013-14 because ambulance transport records did not completely transfer from the ambulance dispatch system to the billing system. None of this amount has subsequently been collected.

Also due to the extent of its outstanding billings, the Ambulance Service experienced cash flow problems during the year. It received a financial loan of $17.0 million from the Ministry which it will repay over the next two years.

The Ambulance Service advises that it will, in conjunction with the Ministry, commission an external review into the effectiveness of the revenue system and patient billing practices during 2014-15.

Procurement

Procurement Practices in NSW Health

Recommendation

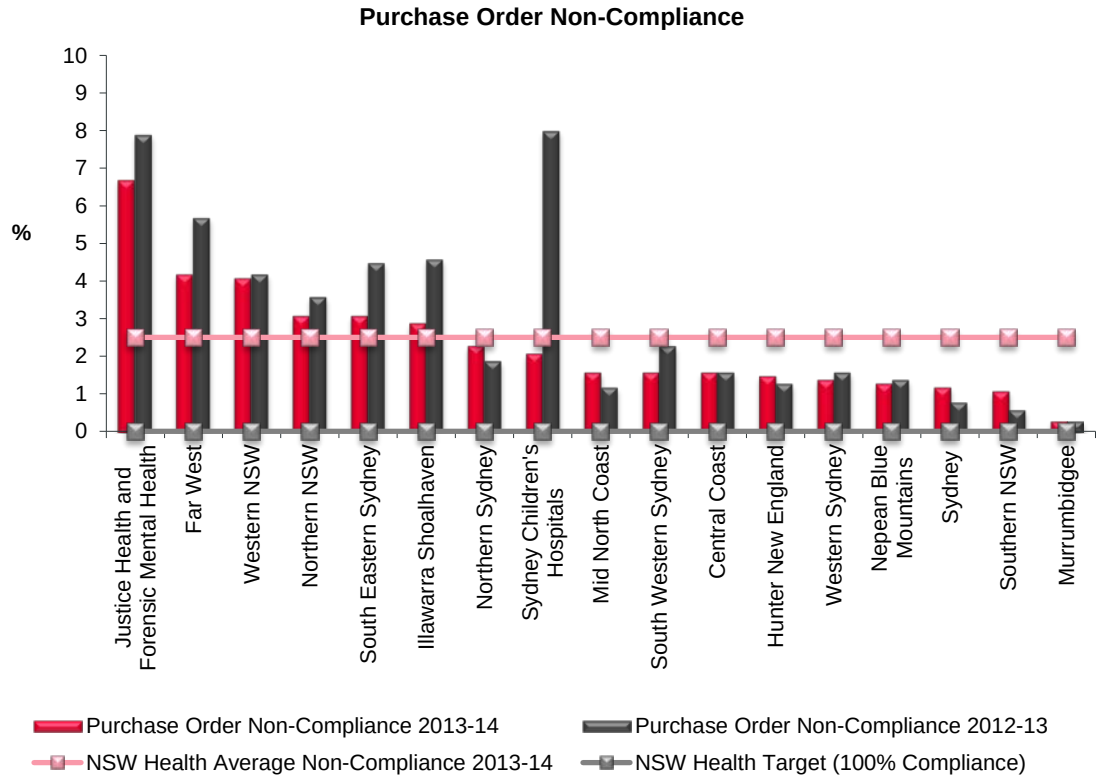
The Ministry should document a policy as to which goods and services require a purchase order and ensure this is reflected in the monthly reporting for health entities.

Recommendation

Health entities should monitor purchase order usage for each budget holder to further drive targeted action to improve compliance with the Ministry of Health's purchase order target.

Last year's report to Parliament included a recommendation that health entities improve compliance with the Ministry's purchase order usage target of 100 per cent for specific general goods and services. None of the health entities met this target.

In 2013-14, 96.5 per cent of health entities invoices were processed with a purchase order (95.5 per cent in 2012-13). The following graph shows all local health districts and speciality networks purchase order non-compliance rates.



Source: NSW Ministry of Health (unaudited).

Five health entities including Northern Sydney, Mid North Coast, Hunter New England, Sydney and Southern NSW local health districts raised fewer purchase orders in 2013-14 compared to 2012-13.

Eleven local health districts and speciality health networks indicated they were monitoring purchase order usage for each budget holder to further understand areas that are not complying with the Ministry's target.

Last year, the Ministry advised the purchase order usage rate was 79.6 per cent across the NSW Health in 2012-13. This year, the Ministry revised its methodology and now excludes pharmacy and HealthShare NSW food invoices from the calculation. As a result, the purchase order usage rate for 2012-13 was changed to 95.5 per cent.

The Ministry has not documented its policy as to which goods and services require a purchase order and this is not reflected in health entities monthly reporting.

Purchase order usage in other agencies within NSW Health

Recommendation

The Ambulance Service of NSW and NSW Kids and Families need to significantly improve compliance with the Ministry of Health's purchase order target.

The Ambulance Service of NSW and NSW Kids and Families purchase order usage rate is significantly lower than the Ministry's target.

In 2013-14, all divisions of Health Administration Corporation (HAC) failed to meet the Ministry's purchase order usage target of 100 per cent. The Ambulance Service of NSW was significantly below the Ministry's target, with just 49.0 per cent of invoices being processed with a purchase order. The purchase order usage in 2013-14 for other divisions within HAC was: Health Infrastructure (98.9 per cent), HealthShare NSW (98.9 per cent), NSW Health Pathology (97.3 per cent) and Health System Support Group (96.8 per cent).

In 2013-14, each of the Pillar Agencies failed to meet the Ministry's purchase order usage target of 100 per cent. NSW Kids and Families were significantly below the Ministry's target, with just 65.4 per cent of invoices being processed with a purchase order. The purchase order usage for other Pillar Agencies in 2013-14 was: Agency for Clinical Innovation (94.4 per cent), Clinical Excellence Commission (94.1 per cent), Bureau of Health Information (93.5 per cent) and the Health Education Training Institute (89.9 per cent).

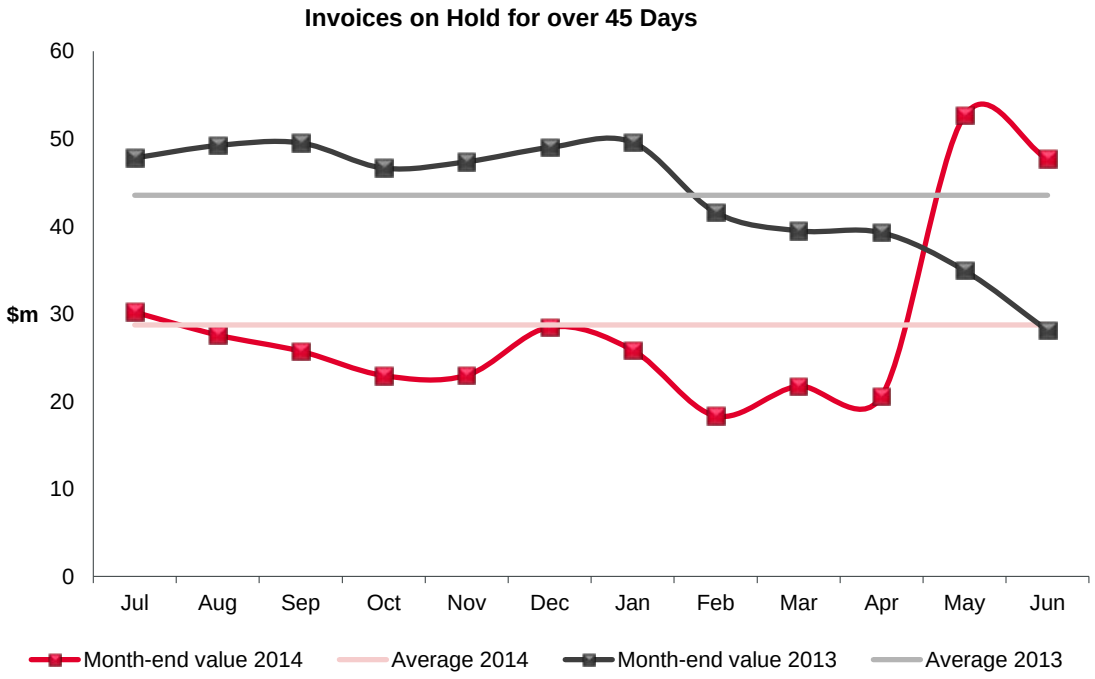
The Ambulance Service of NSW and NSW Kids and Families need to identify which areas are not using purchase orders and understand why this is occurring. Both entities need to significantly improve compliance with the Ministry of Health's purchase order target.

Invoices on Hold

At 30 June 2014, invoices on hold increased significantly to $47.7 million and the value of invoices on hold for six or more months was $8.1 million.

Last year's report to Parliament included a recommendation that health entities set themselves an 'invoices on hold' target and monitor their performance against this target at the end of each month. The Ministry advised that it considered this recommendation, but felt its existing performance measure for paying creditors were more appropriate.

The graph below shows invoices on hold for over 45 days by month over the past two years.



Source: NSW Ministry of Health (unaudited).

The average value of invoices on hold during the year was $28.7 million ($43.5 million in 2012-13). Invoices on hold for over 45 days increased in the last quarter, and at 30 June 2014, was $47.7 million ($28.1 million at 30 June 2013). The Ministry advised the increase was due to the roll-out of upgraded NSW Health corporate systems during the year and invoices on hold has reduced significantly in 2014-15.

Given the importance of paying suppliers on time, health entities should dedicate sufficient resourcing to clear long outstanding invoices on hold and improve their procurement and receipting practices to minimise invoices going on hold.

Of the total invoices on hold at 30 June 2014, $8.1 million ($10.2 million) was more than six months old. Health entities should continue to reduce invoices on hold, as paying suppliers six months after they provide goods or services adversely affects a health entity's reputation and the suppliers' financial position.

The health entities with the highest invoices on hold balances at 30 June 2014 were South Eastern Sydney Local Health District with $7.9 million ($3.4 million), Sydney Local Health District with $7.5 million ($5.2 million) and Western Sydney Local Health District with $5.7 million ($4.1 million).

Across the sector, health entities have implemented initiatives to reduce invoices on hold, including:

- use of invoice scanning technology, which allows electronic approval and release of non-purchase order invoices on hold
- targeting on-line computer based training modules designed to specifically train users with invoice holds management
- monitoring invoices on hold for each budget holder
- regular monitoring of invoices on hold by Executive Management and/or senior finance staff
- reporting to Finance and Performance Committees
- regular performance meetings between health entities and HealthShare NSW to identify improvement opportunities.

The most common reasons for invoices on hold are: awaiting approval; the invoice does not agree with price or quantity receipted by health entities; the health entity did not raise a purchase order; the supplier has not quoted the correct purchase order number on the invoice, over use of the purchase order, the quality of the good or service was inadequate, awaiting receipting in Oracle (proof of delivery of the good or service cannot be established), invalid purchase orders, pharmacy holds and use of standing orders.

Special Purpose Accounts

Recommendation (repeat issue)

The Ministry should issue guidance and work with each health entity to determine what they should do with any dormant special purpose funds or funds whose purpose is unclear.

Health entities should arrange appropriate approvals to move funds from special purpose accounts to the Public Contributions Trust Fund by 31 March 2015.

Last year's report to Parliament included a recommendation that the Ministry issue guidance and work with health entities to determine what they should do with any dormant special purpose funds or funds whose purpose is unclear. The Ministry did not issue this guidance to health entities during the year. It is however responding to this recommendation by including guidance on the treatment of special purpose accounts in its update of the Accounts and Audit Determination and Accounting Manual for Public Health Organisations. The Ministry advised the review of this manual is expected to be completed by 31 December 2014.

Last year's report to Parliament also included a recommendation that health entities should arrange approvals to move funds from special purpose accounts to the Public Contributions Trust Fund by 31 March 2014. This was supported by the Public Accounts Committee in its November 2013 follow up report of the Auditor-General's 2012 financial audit reports.

Most health entities are awaiting guidance from the Ministry to ensure any funds which are moved are done so appropriately. Only South Eastern Sydney Local Health District, Illawarra Shoalhaven Local Health District and Murrumbidgee Local Health District moved funds from special purpose accounts to the Public Contributions Trust Fund in 2013-14.

More than 3,000 special purpose accounts, totalling $149 million, remained idle during 2013-14.

The table below analyses special purpose accounts by expenses for the year.

Number and value of special purpose accounts at 30 June 2014		
Expenses for the year ended 30 June 2014	**Number of special purpose accounts***	**Closing balance at 30 June 2014* $'000**
<$100	3,034	148,809
$100 - $1,000	779	39, 779
$1,001 - $10,000	1,116	87,364
$10,001 - $50,000	884	145,073
>$50,000	689	372,497
Total*	**6,502**	**793,522**

* excludes NSW Health Pathology, Ambulance Service of NSW, Cancer Institute of NSW and other smaller agencies.

Source: Ministry of Health (unaudited).

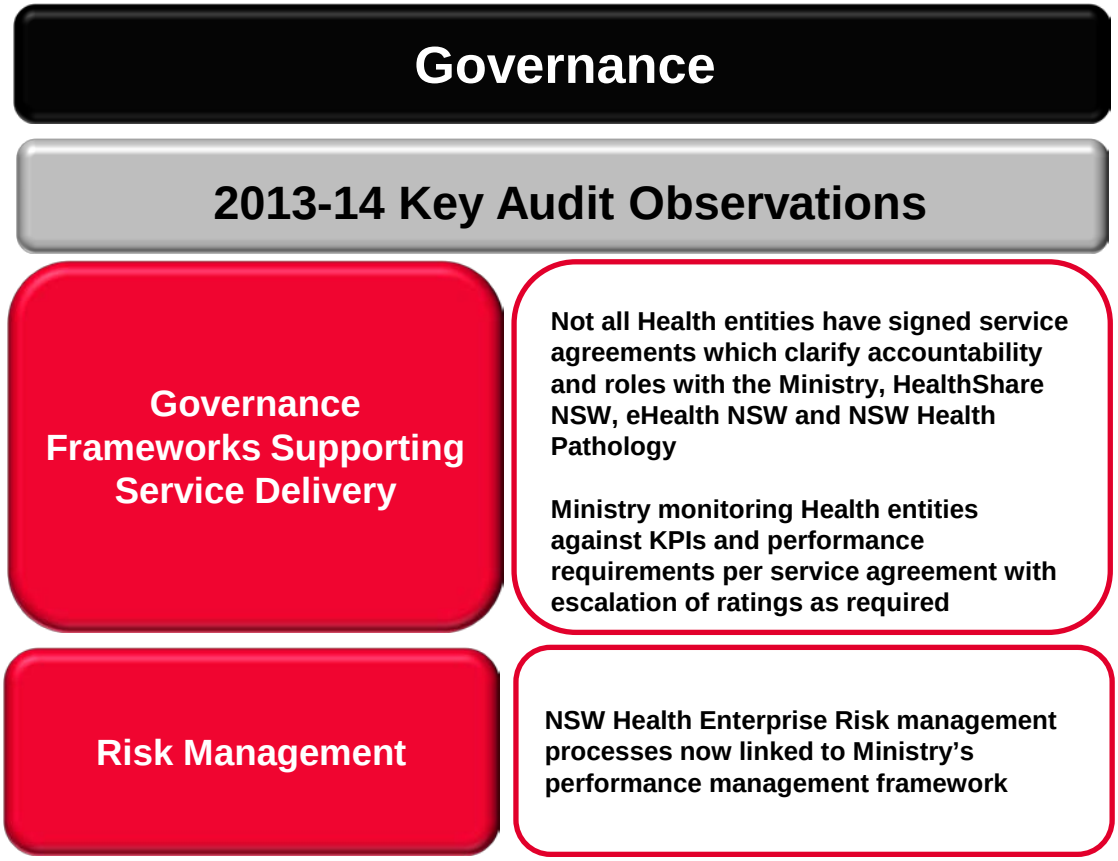
There are 3,034 special purpose accounts, with a total value of $149 million at 30 June 2014 that had less than $100 in expenses during 2013-14. This money in these trusts, subject to restrictions by the donor/grantor, could possibly be used more freely for health services. Two local health districts have indicated the accounts were idle due to long term planning associated with the use of the funds.

The Ministry is currently developing a State-wide electronic registry of special purpose and trust accounts to be used by health entities as a central repository of funds they hold. The registry will enable consistent recording, monitoring and reporting of special purpose and trust accounts across NSW Health. Three health entities have been selected to pilot the new system in December 2014, and it is planned for progressive roll out to the remaining health entities by June 2015.

Governance

Governance refers to the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies. It includes the systems that public sector agencies and those charged with governance use, to hold others to account.

The comments and observations in this section are based on the results and findings of our financial audits of entities in the Health Cluster for 2013-14.



Service Agreements with Local Health Districts/Speciality Networks

The Secretary of NSW Health has service agreements with local health districts/speciality networks which support the devolution of decision making, responsibility and accountability. In the agreements, the Secretary agrees to provide funding and other support to the local health district/speciality network, while they in turn agree to meet the service obligations and performance requirements outlined in the agreement.

Performance of Health Entities

The service agreements provide the framework for the Ministry of Health to monitor and assess the performance of public sector health entities in New South Wales. The service agreements outline health entities performance requirements for safety and quality, service access and patient flow, finance and activity, population health, people and culture.

The table below shows the performance of the fifteen local health districts and two speciality health networks throughout the year.

Performance measure						
Quarter ending	Jun 2014	Mar 2014	Dec 2013	Sep 2013	Jun 2013	Movement in Escalation Level
Level 0 – Performing						
Hunter New England	0	0	0	0	0	~
Illawarra Shoalhaven	0	0	0	0	0	~
Mid North Coast	0	0	0	0	0	~
Northern NSW	0	0	0	0	0	~
Sydney Children's Hospitals Network	0	0	0	0	0	~
Sydney	0	0	0	0	0	~
Justice Health and Forensic Mental Health Network	0	0	0	0	0	~
South Western Sydney	0	0	0	0	1	↓
Far West	0	0	1	2	1	↓
Level 1 – Under review						
Southern NSW	1	1	1	1	2	↓
Level 2 – Underperforming						
Central Coast	2	2	1	1	1	↑
Nepean Blue Mountains	2	2	2	2	1	↑
Western Sydney	2	2	2	2	2	~
Level 3 – Serious underperformance risk						
Murrumbidgee	3	2	2	2	2	↑
Northern Sydney	3	3	3	3	3	~
South Eastern Sydney	3	3	3	3	3	~
Western NSW	3	3	3	3	3	~
Level 4 – Challenged and failing						
None	--	--	--	--	--	~

↑ Increase; ↓ Decrease; ~ No change

Source: NSW Ministry of Health (unaudited).

Central Coast, Nepean Blue Mountains and Murrumbidgee local health districts performance levels were escalated during the year indicating the Ministry needed a formal recovery plan, and in Murrumbidgee's case, the recovery plan was not progressing well.

South Western Sydney, Far West and Southern NSW local health districts performance was de-escalated as the performance issues that were identified were satisfactorily resolved.

Four local health districts were classified as serious under performance risks at 30 June 2014 (three at 30 June 2013). No local health district/speciality network was classified as challenged and failing during the year.

Finance was a common performance concern across each of the eight local health districts that were not deemed to be performing at 30 June 2014. National Emergency Access Target was a performance concern for one local health district, while clinical indicators was a performance concern for another local health district

The service agreements outline how the Ministry monitors performance and holds health entities to account. Health entities must meet the performance requirements set out in the service agreements, within the allocated budget, meet activity targets within the tolerance bands and achieve key performance indicator targets and thresholds. The performance framework categorises health entities as either:

- level 1 – under review when a performance issue is identified
- level 2 – under performing when the Ministry considers that the original performance issue that triggered a Level 1 response warrants a formal recovery plan and/or other performance issue(s) emerge warranting Level 2
- level 3 – serious under performance risk when the recovery plan is not progressing well and is unlikely to succeed without additional support from the Ministry
- level 4 - health service challenged and failing when the recovery strategy has failed and changes to the governance of the health service may be required.

Service Agreements/Compacts with other Health Entities

Recommendation

The Secretary of NSW Health and health entities should finalise their 2014-15 service compacts immediately and in the future, before the end of the previous financial year.

Eight service compacts between the Secretary of NSW Health and health entities have not been finalised.

The Secretary of NSW Health has service compacts with some health entities including the Pillar agencies. The compacts cover service obligations and performance requirements similar to the service agreements with local health districts/speciality networks discussed above.

At the time of preparing this report, eight health entities had not finalised their 2014-15 service compacts/agreements. These entities were the Clinical Excellence Commission, Agency for Clinical Innovation, Bureau of Health Information, Cancer Institute NSW, Health Education and Training Institute, NSW Health Pathology, NSW Kids and Families, HealthShare NSW and eHealth NSW.

In future years, the Secretary of NSW Health and health entities should work together to have the compacts/agreements signed before the beginning of each financial year, to ensure clarity over roles, responsibilities, services to be provided, service standards and pricing.

Change from Service Agreements/Compacts to Customer Charters

Recommendation

The Ministry should review the reasons for significant delays in finalising HealthShare NSW and NSW Health Pathology service agreements, to ensure they are dealt with in the new model charter and that accountability is clearly defined.

The Ministry needs to ensure effective monitoring of service levels and performance indicators by shared State-wide services and health entities.

Service level agreements between NSW Health Pathology and its customers were signed as late as the 26 June 2014 for the year ended 30 June 2014.

The Ministry advised that service level compacts/agreements between shared State-wide services (including HealthShare NSW, eHealth NSW and NSW Health Pathology) and health entities will not be required in the future. It is replacing these with customer charters as it believes they more accurately reflect the governance arrangements in NSW Health and the underpinning statutory framework. The Ministry advises the charters will transparently and concisely document service offerings, pricing and performance indicators.

Last year's report to Parliament included a recommendation that HealthShare NSW and health entities finalise their 2014-2016 service agreements by no later than 31 January 2014. While all service agreements were signed before 30 June 2014, 11 health entities signed their 2014-2016 service agreements after 31 January 2014. Some of the agreements were not signed until quite late in the financial year. Four health entities signed their agreements in June 2014. Justice Health and Forensic Mental Health Network signed their 2014-2016 service agreements on 27 June 2014.

Last year's report to Parliament included a recommendation that NSW Health Pathology and local health districts/speciality networks finalise their 2013-14 service level agreements by no later than 31 December 2013. While all service level agreements were signed before 30 June 2014, nine local health districts signed their 2013-14 service level agreement after 31 December 2013. Some of the agreements were not signed until quite late in the financial year. The final three service level agreements for 2013-14 were signed in June 2014. Far West Local Health District signed their 2013-14 service level agreement on 26 June 2014.

NSW Health Pathology advised reasons for the delays included:

- extensive consultation required with some health entities due to the comprehensive nature of the agreements
- the agreements were used as a negotiation tool to leverage better prices
- local health districts were not being held accountable to sign the agreements. There was no incentive or penalty on them in not having the agreement signed.

Updating Key Governance Policies

Updating Policy Directives

The Ministry is continuing with the process of updating policy directives.

The 2012 report to Parliament included a recommendation that the Ministry update key corporate governance policy directives. The Ministry advised it had started a long-term project to review all its policy directives, not just its corporate governance directives.

In 2013-14, the Ministry identified policy directives which were no longer required and could be rescinded, and updated the policy owner so they reflected the current governance structure within NSW Health. In 2013-14, 171 (25.8 per cent) of the 663 policy directives were rescinded and 87 (13.1 per cent) were reviewed and/or replaced. In December 2014, policy directives that have not been renewed or amended in the last seven years will be automatically rescinded unless the policy directive is currently being reviewed.

Review of Model by-laws

In December 2013, the Ministry issued a discussion paper on the model by-laws to health entities and other relevant stakeholders. The discussion paper included the content of by-laws, and the legislative structure for making and approving by-laws. The Ministry advises draft model by-laws will be issued in early 2015 for further review following the diverse range of comments obtained through the consultation phase.

The *Health Services Act 1997* allows the Secretary to issue model by-laws. The model by-laws provide guidance on the establishment of board sub committees including local health district audit and risk management committees, finance and performance committees and health care quality committees. A local health district may seek approval from the Secretary to make amendment to the model by-laws.

Enterprise Risk Management in NSW Health

The Ministry will issue a new policy directive on Enterprise Risk Management in December 2014.

In 2014, the Ministry issued an updated draft Enterprise Risk Management policy for consultation to health entities. The Ministry sought feedback from boards, audit and risk committees, Chief Executives, executive management and risk management at health entities. The Minister received feedback from the consultation in August 2014, and expects to issue a new policy directive in December 2014.

In 2013, the Ministry engaged an independent audit firm to review whether the health sector had implemented effective risk management practices. The review recommended linking enterprise risk management with the performance management framework. Consistent with this recommendation, the Ministry has established:

- quarterly feedback reports, including State-wide averages, for health entities, based on the risk information reported to the Ministry
- linkages between the data received in the quarterly risk reports and the NSW Health Performance Framework.

Board Training, Education and Induction Programs

The Ministry has developed a governance training program for NSW Health board members. The training is designed to enhance board members understanding of their governance roles, functions, responsibilities and accountabilities within the NSW public sector and NSW health system.

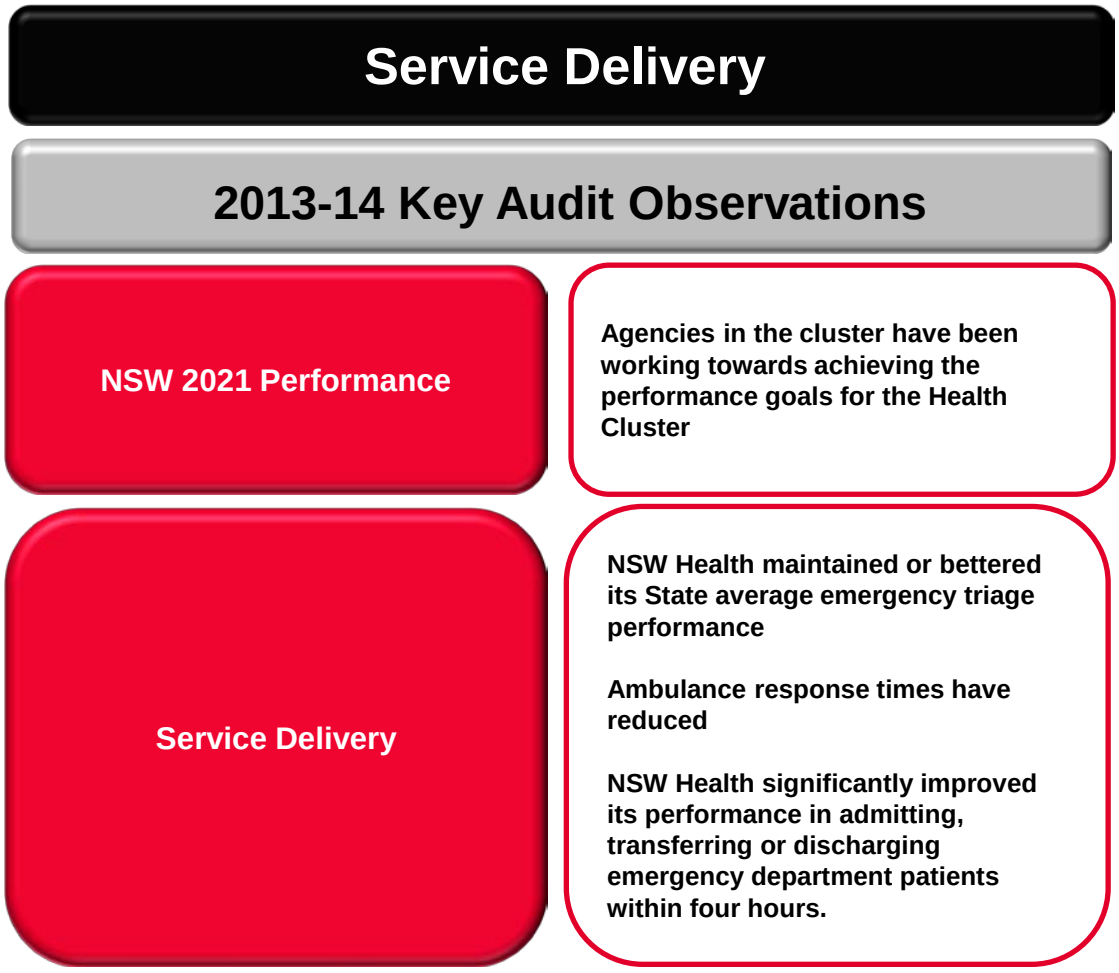
The program enhances the existing knowledge, skills and expertise of individual board Chairpersons, Directors and Chief Executives in board governance, legal responsibilities and accountabilities within the NSW health system. It covers clinical governance oversight, organisational culture, strategy, performance and risk, service provision and commissioning, financial management and reporting, public sector environment, and a general induction module.

NSW Health Structural Changes

On 1 July 2014, eHealth NSW (eHealth) was established as a separate division within the Health Administration Corporation. eHealth will guide planning, strategy, program implementation and operations of a broad range of information and communication technologies. These include broadband connectivity, digital networking or smart software to help drive improvements in health and medical care in NSW Health. eHealth will manage $400 million in planned investment over the next five years building eHealth capacity across the State.

NSW Health has now implemented all the structural changes from the Secretary's August 2011 governance review which focused on the functions, responsibilities, structure and relationships of each component in the health sector, and how they aligned with the government's policy directions on transparency, accountability and greater clinical engagement. Among the governance changes, the Ministry transferred a number of its functions to the pillar entities, such as the Agency for Clinical Innovation, and consolidated pathology services in to NSW Health Pathology, a separate division within the Health Administration Corporation.

Service Delivery



Performance Information

NSW 2021 Performance

The NSW Government's ten year plan, NSW 2021, includes the following performance goals for the Health Cluster:

- keep people healthy and out of hospital
- provide world class clinical services with timely access and effective infrastructure.

In June 2014, the NSW State Health Plan: Towards 2021 was released, to set the priorities across the system for delivery the NSW State Plan 2021 goals for health of having the right care in the right place at the right time.

Emergency Department Response Times

Recommendation

Western NSW Local Health District should implement appropriate strategies and controls to more accurately capture and record triage data over imminently life threatening (T2) incidents.

In 2013-14, there were 2,656,302 emergency department attendances at NSW hospitals compared to 2,580,878 in 2012-13, an increase of 75,424 or 2.9 per cent. NSW Health maintained or bettered its 2012-13 State averages for treating patients within triage target timeframes across all five triage categories.

Emergency departments use triage to determine the priority clinical care for each patient as they present to the emergency department. Appropriate triaging of patients ensures they are treated in a timely manner, according to the clinical urgency of their condition. NSW Health uses the triage targets recommended by the Australasian College for Emergency Medicine as a measure of the local health districts' and networks' performance.

Below is a summary of State-wide emergency department triage performance over the last four years. It shows NSW Health has, on average, consistently maintained or improved its performance against the triage targets.

Year ended 30 June NSW State average	Percentage of patients treated within clinically appropriate timeframes (%)				
Triage category	**Target**	**2014**	**2013**	**2012**	**2011**
T1	100	100	100	100	100
T2	80	84	83	82	83
T3	75	76	73	71	71
T4	70	79	77	74	73
T5	70	94	92	89	88

Source: NSW Ministry of Health (unaudited).

In 2013-14, NSW Health met its targets across all five triage categories. It also exceeded its T3 target for the first time. This achievement reflects NSW Health's efforts in continuously reviewing models of care within emergency departments to improve its T3 performance and improve patient flow and access to care.

Although three local health districts and the Sydney Children's Hospitals Network were significantly below the triage performance target for treating potentially life threatening (T3) incidents, on average, NSW Health exceeded the target for the first time.

The following table shows how the fifteen local health districts and the Sydney Children's Hospitals Network performed against those targets.

	Percentage of patients treated within clinically appropriate timeframes									
Category	**T1**		**T2**		**T3**		**T4**		**T5**	
Target (%)	**100**		**80**		**75**		**70**		**70**	
Year ended 30 June	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Central Coast	100	100	74	73	66	67	71	68	92	90
Far West	100	100	85	88	82	84	81	86	91	89
Hunter New England	100	100	85	83	77	76	79	78	93	91
Illawarra Shoalhaven	100	100	89	89	75	72	77	74	92	92
Mid North Coast	100	100	89	86	84	75	88	80	97	94
Murrumbidgee	100	100	87	82	75	74	78	76	93	92
Nepean Blue Mountains	100	100	85	84	79	80	86	85	94	93
Northern NSW	100	100	87	87	79	75	81	78	93	92
Northern Sydney	100	100	86	85	81	78	83	80	94	92
South Eastern Sydney	100	100	87	87	80	78	87	85	97	96
South Western Sydney	100	100	85	85	80	76	81	79	94	93
Southern NSW	100	100	86	71	77	68	79	72	92	88
Sydney	100	100	75	75	66	60	76	70	93	90
Sydney Children's Hospitals	100	100	86	87	70	67	65	65	87	88
Western NSW	100	100	78	73	76	70	82	79	94	92
Western Sydney	100	100	83	83	65	59	73	67	92	88
NSW State Average	**100**	**100**	84	**83**	76	**73**	79	77	94	92

Key:

T1 Immediately life threatening - treatment required within two minutes - target = 100 per cent.

T2 Imminently life threatening - treatment required within ten minutes - target = 80 per cent.

T3 Potentially life threatening - treatment required within 30 minutes - target = 75 per cent.

T4 Potentially serious - treatment required within one hour - target = 70 per cent.

T5 Less urgent - treatment required within two hours - target = 70 per cent.

Source: NSW Ministry of Health (unaudited).

An analysis of results shows:

- Eleven districts namely, Far West, Hunter New England, Illawarra Shoalhaven, Mid North Coast, Murrumbidgee, Nepean Blue Mountains, Northern NSW, Northern Sydney, South Eastern Sydney, South Western Sydney and Southern NSW local health districts met all triage targets in 2013-14 (nine districts in 2012-13)
- all districts achieved the T1 target of 100 per cent for the third consecutive year
- three districts did not achieve the T2 target (three districts in 2012-13)
- three districts and the Sydney Children's Hospitals Network did not achieve the T3 target (six districts and the Sydney Children's Hospitals Network in 2012-13)
- only the Sydney Children's Hospitals Network did not achieve the T4 target (two districts and the Sydney Children's Hospitals Network in 2012-13)
- 100 per cent achievement of the T5 target (100 per cent in 2012-13).

For the third consecutive year, Central Coast Local Health District failed to meet the targets for treating imminently life threatening (T2) and potentially life threatening (T3) incidents. The district advises triage times have been affected by a significant increase in acuity of patients. In 2013-14, there was an eight per cent increase in T1, T2 and T3 patients while T4 and T5 patients fell by 4.8 per cent. The district is implementing National Emergency Access Target improvement strategies including emergency physician recruitment, accelerated clinical decision making and the establishment of an Emergency Department Short Stay Unit at Wyong Hospital to assist in achieving the triage targets.

Western Sydney and Sydney local health districts maintained or improved their triage performance across all five categories, but did not meet the target for treating potentially life threatening (T3) incidents. Sydney Local Health District also did not achieve the target for imminently life threatening incidents (T2). Western Sydney Local Health District has identified opportunities to improve its T3 performance including building capacity for Emergency Short Stay Unit care. Sydney Local Health District is addressing this through changes in emergency department models of care and adopting a whole-of-hospital approach to patient flow.

Although the Sydney Children's Hospitals Network maintained or improved its triage performance for treating potentially life threatening (T3) and potentially serious (T4) incidents it again did not meet the targets. The Sydney Children's Hospitals Network is working on a number of strategies to improve emergency department performance including partnerships with Medicare Locals, Ambulatory Clinic redesign and Whole of Hospital initiatives which will expedite patient flow through emergency departments.

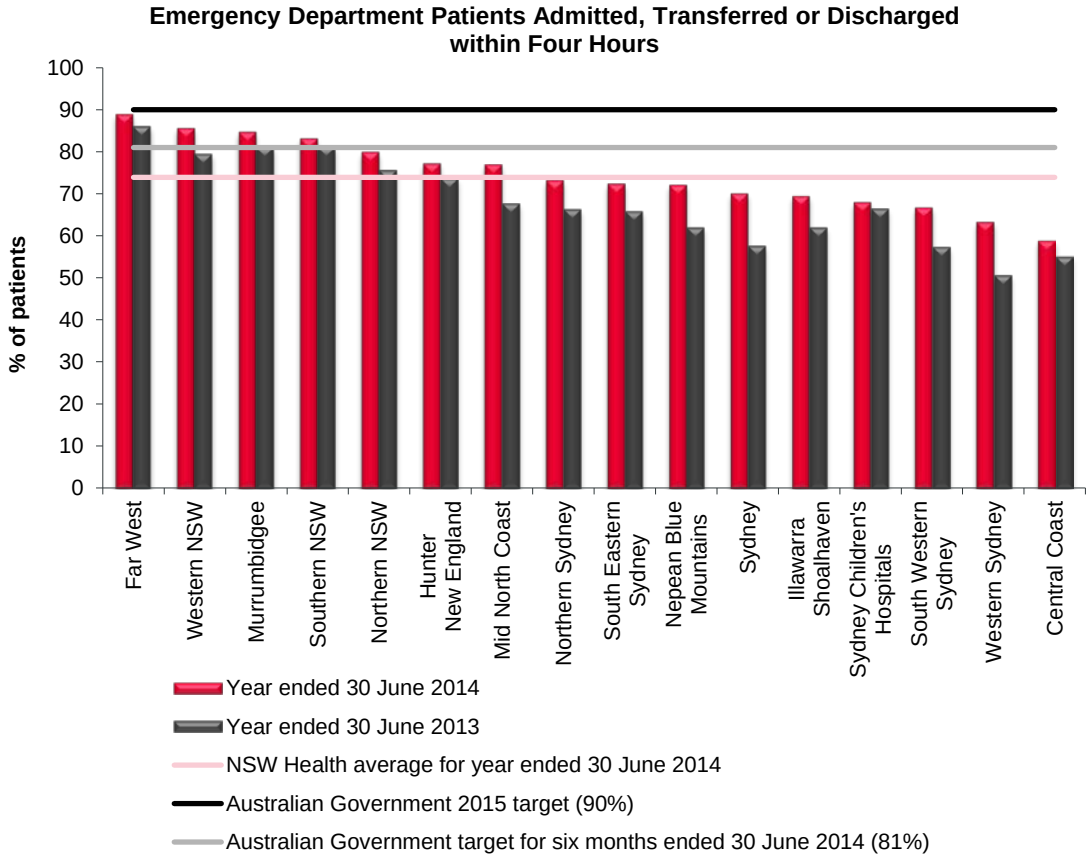
Western NSW Local Health District fell short of its T2 target achieving 78 per cent. It advises that in times of high activity, data collection processes have not been accurate. The district is working with nursing and medical staff to ensure data is collected more timely and accurately.

In 2013-14, Hunter New England, Illawarra Shoalhaven, Mid North Coast, Murrumbidgee, Northern NSW, Northern Sydney, South Eastern Sydney, South Western Sydney and Southern NSW local health districts and Sydney Children's Hospitals Network maintained or improved the percentage of patients treated within clinically appropriate timeframes across all triage categories compared to the previous year.

National Emergency Access Target

NSW Health significantly improved its performance in admitting, transferring or discharging emergency department patients within four hours. It, however, did not achieve the Australian Government's target.

The 'National Emergency Access Target' (NEAT) measures the percentage of patients admitted, transferred or discharged within four hours of presenting to the emergency department. The Australian Government introduced NEAT as a more contemporary measure of emergency admission performance from 1 January 2012.



Source: NSW Ministry of Health (unaudited).

The graph shows that Far West Local Health District admitted, transferred or discharged the highest percentage of emergency department patients within four hours, achieving 88.9 per cent (86.1 per cent in 2012-13). Central Coast Local Health District had the lowest percentage achieving only 58.9 per cent (51 per cent in 2012-13).

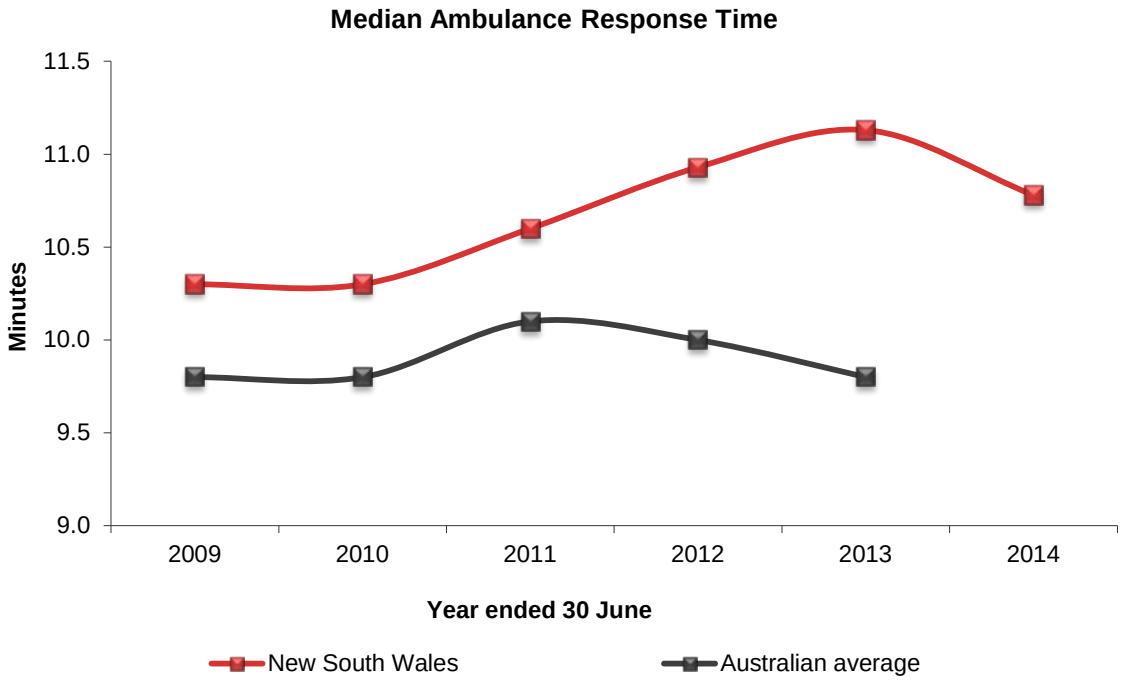
In 2013-14, only Far West, Western NSW, Murrumbidgee and Southern NSW local health districts met the Australian Government's 2014 NEAT target of 81 per cent for the six months ended 30 June 2014. The State average was 73.9 per cent, a significant improvement when compared to 63.6 per cent for the six months ended 30 June 2013.

The Australian Government has set a target of 90 per cent from 1 January 2015. The Ministry advises this is a very ambitious target, given increasing emergency department demand.

Ambulance Response Times

Average ambulance response times have improved for the first time in five years. The response time dropped from 11.1 minutes in 2012-13 to 10.8 minutes in 2013-14.

The median (50th percentile) ambulance response time for potentially life threatening cases in New South Wales decreased for the first time in five years. It fell from 11.1 minutes in 2012-13 to 10.8 minutes in 2013-14. The Ambulance Service advises that the median response time was 2.7 per cent shorter due to the implementation of a new 'Emergency 2 Immediate Response' category from March 2013. The new emergency category was developed for incidents such as non-life threatening falls. As a result, emergency cases are better prioritised, meaning the sickest patients get expedited care. As shown in the graph below, the decrease in response time is consistent with the national average.



Note: The Australian average response time for 2013-14 was not available at the time of preparing this report.

Source: Report on Government Services 2014, Volume D: Emergency Management, Table 9A.44 and the Ambulance Service of New South Wales (unaudited).

The national median response time in 2012-13 at 9.8 minutes is the same as the rate in 2008-09. In comparison, the New South Wales response time has increased by 4.7 per cent, from 10.3 minutes to 10.8 minutes over the same period.

The ambulance emergency response time is measured as the period from when a triple zero (000) potentially life threatening case is recorded to the time the first ambulance resource arrives at the scene. In Australia, the median response time is the key measure, allowing performance to be compared with other states.

Transfer of Care

The percentage of ambulance arrivals with a transfer of care time within 30 minutes has improved, but remains below the Ministry's target.

The timely transfer of ambulance patients into hospital emergency departments is an important measure in the delivery of quality healthcare services. This measure is known as 'transfer of care'. Some statistics on transfer of care time are as follows:

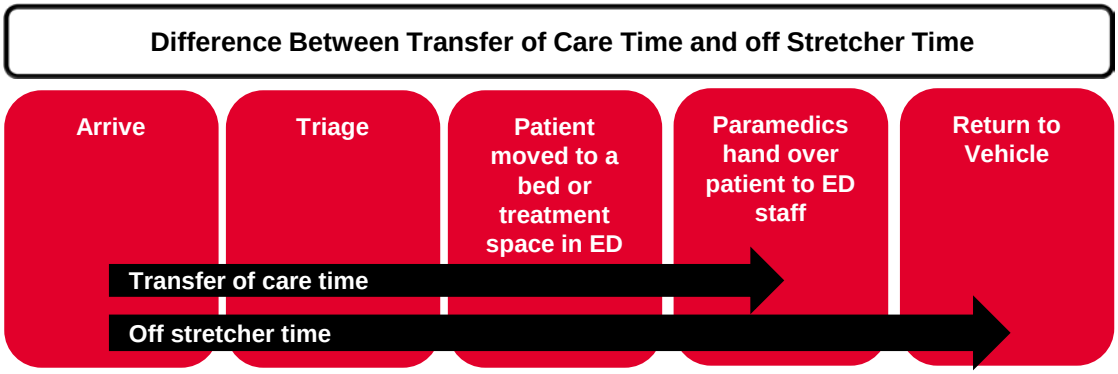
Year ended 30 June	2014	2013
Total ambulance arrivals with transfer of care time	486,245	466,709
Arrivals with transfer of care within 30 minutes (%)	85	80.5
Target (%)	90	90
Median transfer of care (minutes)	12.8	13.8

Source: Bureau of Health Information, Hospital Quarterly, Performance of NSW public hospitals April to June 2014, Emergency Departments (unaudited).

In 2013-14, total ambulance arrivals at NSW hospitals where patients were transferred from the ambulance to the emergency department increased by 19,536 or 4.2 per cent. Despite the increase, NSW Health bettered the median transfer of care time by one minute, reducing it from 13.8 minutes in 2012-13 to 12.8 minutes in 2013-14. The percentage of arrivals transferred into the care of emergency departments within 30 minutes also improved. It went from 80.5 per cent in 2012-13 to 85 per cent in 2013-14, but remains below the Ministry's target of 90 per cent.

Transfer of care time is measured by reference to the time the ambulance arrives at the emergency department to the time the patient is moved to the emergency department treatment space and responsibility for their care is transferred from ambulance staff to emergency department staff.

The Bureau of Health Information believes the transfer of care measure is a better measure than the off-stretcher time measure (see below) from a patient and healthcare system perspective. Off-stretcher time remains relevant in terms of assessing ambulance availability.



Ambulance Availability – Off-Stretcher Time

Total hours lost due to ambulance presentations being delayed at the hospital for more than 30 minutes have significantly reduced from 85,227 hours in 2012-13, to 69,589 hours in 2013-14.

In 2013-14, the Ambulance Service transported 650,332 patients to New South Wales hospitals, an increase of 8.6 per cent when compared to 2010-11. As shown in the table below, one in three patients had the ambulance crew at the hospital for more than 30 minutes before being transferred to the care of hospital staff and the crew returning to the vehicle to record their departure time.

This elapsed time is known as 'off-stretcher time' and differs from transfer of care because it includes the time taken for the ambulance crew to return to their vehicle, complete a clinical record for the patient and clean and prepare the ambulance for the next patient. As noted above the median 'transfer of care' time is 12.8 minutes and noted in the table below is the median 'off-stretcher time' of 26.5 minutes. The median time difference between the two measures is 13.7 minutes.

Year ended 30 June	2014	2013	2012*	2011
Total number of ambulance presentations	650,332	644,416	627,913	598,798
Average ambulance presentations per day	1,782	1,766	1,716	1,636
Average off-stretcher time - all presentations (minutes)	29.4	30.7	29.9	29.4
Total presentations where off-stretcher time exceeded 30 minutes	234,379	234,282	208,972	190,704
Average off-stretcher instances exceeding 30 minutes per day	642	642	571	522
Total off-stretcher time excluding the first 30 minutes (hours)	69,589	85,227	84,680	78,244
Median off-stretcher time (minutes)	26.5	26.5	N/A	N/A

* Not directly comparable because 2011-12 was a leap year

N/A Data was not available from the Bureau of Health Information

Source: Ambulance Service of New South Wales (unaudited). The 'median off-stretcher time (minutes)' was sourced from the Bureau of Health Information, Hospital Quarterly, Performance of NSW public hospitals Emergency Department reports (unaudited).

On average, 642 or 36.0 per cent of ambulance presentations to a hospital each day were delayed at the hospital for more than 30 minutes in 2013-14. This compares to 642 or 36.4 per cent in 2012-13. Over the year, these delays totalled 69,589 hours of lost time, a decrease of 15,638 hours or 18.3 per cent when compared to 2012-13. The Ambulance Service equates the lost hours to be $6.1 million in 2013-14 ($7.2 million in 2012-13). Under current NSW Health practice, ambulance officers must stay with their patient until hospital staff have triaged and transferred them into their care. In busy times, patients with less urgent ailments may wait some time for this to happen and ambulance officers must stay with them.

In July 2013, a performance audit on ambulance turnaround time at hospitals made recommendations to reduce the time paramedics spend at emergency departments. For example, the audit recommended that by July 2014, the Ministry, in consultation with the Ambulance Service and local health districts, should consider reducing the benchmark for transfer of care from 30 to 20 minutes. While this has not occurred, the Ministry advised that they were considering this recommendation.

For a copy of the report, please refer to http://www.audit.nsw.gov.au/Publications/Performance-Audit-Reports.

Bed Numbers and Occupancy

South Western Sydney Local Health District had the highest bed occupancy rate while Far West Local Health District had the lowest.

On average, 24,954 beds and treatment spaces were available across NSW Health in June 2014 (24,857 beds and treatment spaces in June 2013). Hunter New England Local Health District had the most number of available beds and treatment spaces (3,487) and Far West had the least (196).

The table below summarises available beds and treatment spaces across the State and bed occupancy.

NSW State average	2014	2013	2012	2011
Average beds available for admission from emergency department (June)[1]	13,314	13,444	13,519	13,466
Average other hospital beds available (June)	5,594	5,409	5,312	5,203
Average other available beds (June)[2]	2,360	2,335	2,213	2,082
Average treatment spaces available (June)[3]	3,686	3,670	3,661	3,598
Total beds and treatment spaces	**24,954**	**24,858**	**24,705**	**24,349**
Bed occupancy (%) (June)	89.0	87.8	88.6	89.1

1 These categories of beds are usually required for admission from the emergency department. A small proportion of emergency department patients may be admitted to one of the other hospital bed categories as well.

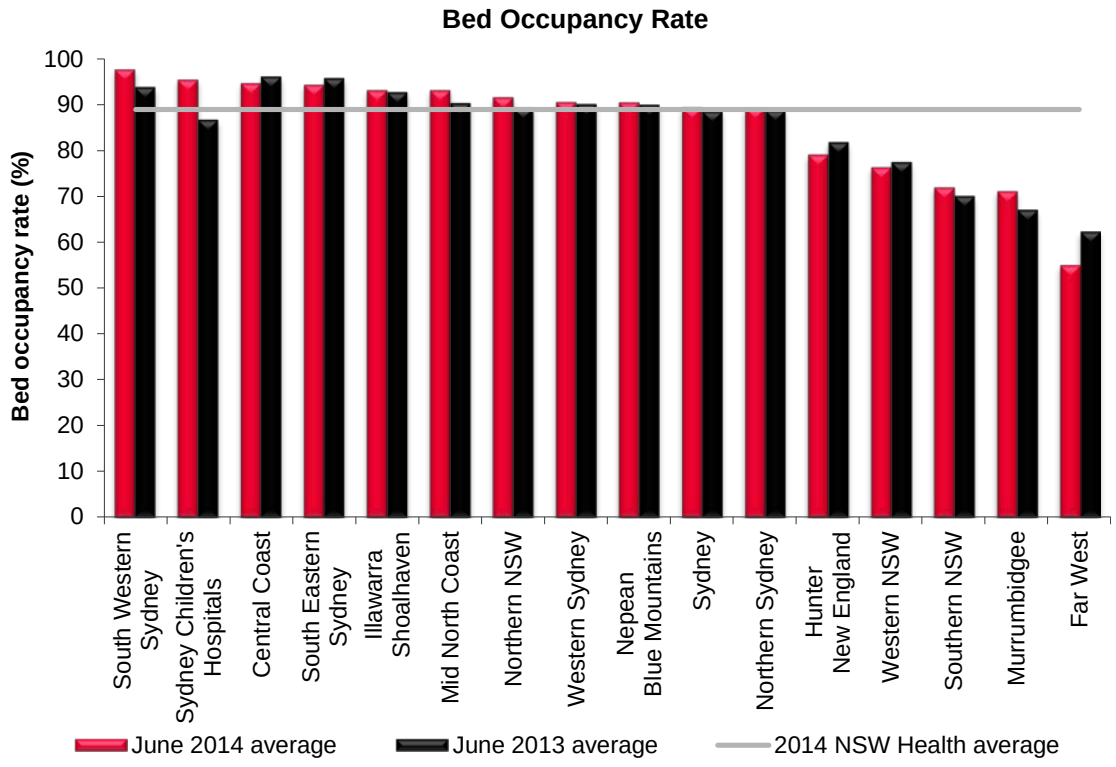
2 Other beds include Hospital in the Home and Residential/Community Aged Care and Respite beds.

3 Treatment spaces include same day therapy/dialysis, emergency departments, operating theatre/recovery, delivery suites, bassinets and transit lounges.

Source: NSW Ministry of Health (unaudited).

The bed occupancy rate measures bed usage efficiency. The rate is the percentage of open and occupied beds available during the reporting period. It measures the use of hospital resources by inpatients and is based on major facilities.

In June 2014, South Western Sydney Local Health District had the highest bed occupancy rate of 97.8 per cent while Far West Local Health District had the lowest of 55.1 per cent. Ten local health districts and the Sydney Children's Hospitals Network had a higher occupancy rate in June 2014 compared to June 2013. The bed occupancy rates at Hunter New England, Western NSW, Southern NSW, Murrumbidgee and Far West Local Health Districts were below the NSW Health Average.



Source: NSW Ministry of Health (unaudited).

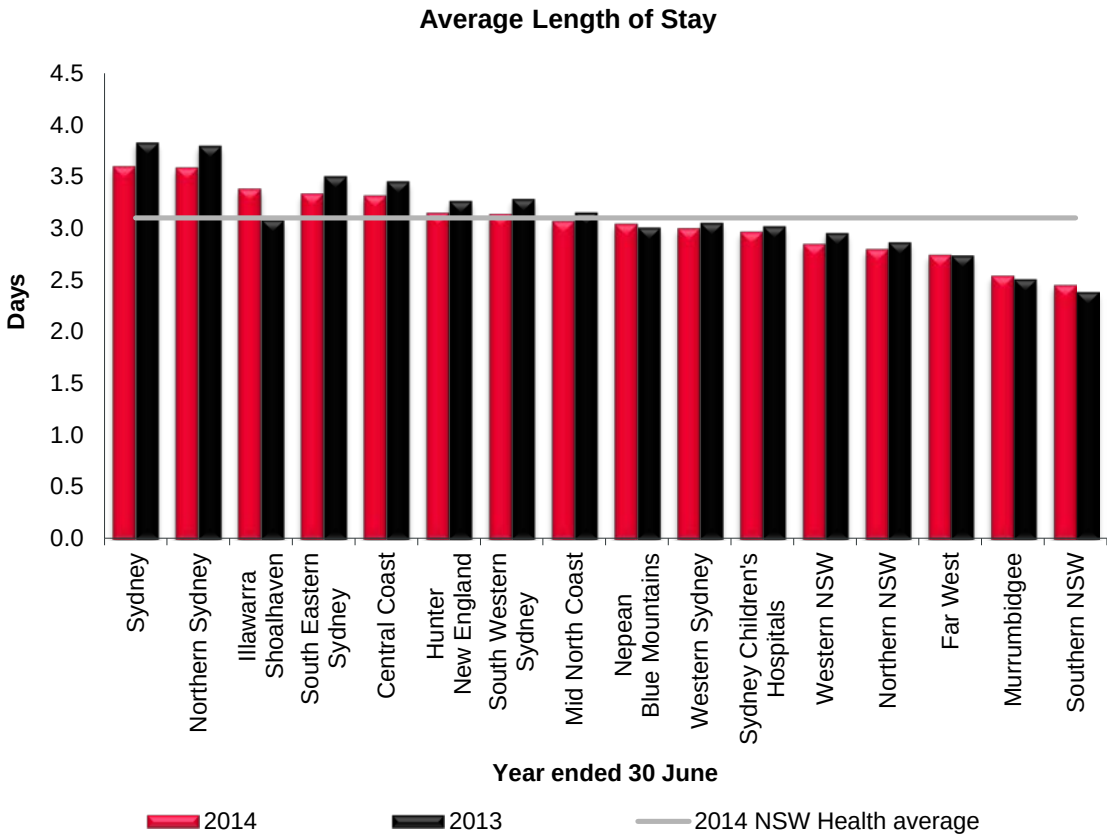
The metropolitan bed occupancy rate continues to be significantly higher than most rural areas. The Local Health Districts/Specialty Networks Information section of this report contains the bed occupancy statistics for each local health district/network.

Average Length of Stay in Hospital

Patients are spending less time in hospital. In 2013-14, the average length of stay was 3.1 days compared to 3.3 days in 2012-13.

Average length of stay measures the average time patients spend when admitted to hospital and is an indicator of hospital efficiency. The length of stay will vary depending on the procedures undertaken and patient condition.

While there is no set average length of stay target, local health districts continuously look at ways of minimising the length of stay, where appropriate. This is important given hospitals are funded based on activity. If the length of stay exceeds the benchmark lengths of stay, this may lead to an increase in patient treatment costs. However, inappropriate reductions in length of stay may lead to adverse outcomes for patients and higher readmission rates.



Source: NSW Ministry of Health (unaudited).

In 2013-14, Sydney and Northern Sydney local health districts recorded the highest average length of stay for acute separations at 3.6 days (3.8 days for Sydney Local Health District in 2012-13), while Southern NSW Local Health District once again recorded the lowest average length of stay of 2.5 days (2.4 days). The State-wide average length of stay was 3.1 days (3.3 days). The average length of stay in ten of the 15 local health districts and the Sydney Children's Hospitals Network reduced from the previous year. Over the years, the length of inpatient stay has reduced because of:

- improvements in patient management and treatment techniques, such as keyhole surgery and day surgery
- more outpatient and home treatment for cancer, diabetes and other chronic diseases.

Generally, metropolitan areas have a slightly higher average length of stay than rural areas, because they deal with more complex patient conditions. The State-wide average length of stay excludes the Justice and Forensic Mental Health Network.

A performance audit on 'Managing length of stay and readmissions' is proposed for 2014-15.

Interstate Comparison

The following information, based on 2012-13 statistics, compares NSW public acute hospitals with other jurisdictions. Each jurisdiction has a different patient mix and accounting mechanism and the data should be considered in this context.

Year ended 30 June	2013				2012	
	Vic	Qld	NSW*	National	NSW*	National
Average available public hospital beds per 1,000 population	2.4	2.5	2.8	2.6	2.8	2.6
Average length of stay including day surgery (days)	3.2	3.2	3.7	3.4	3.3	3

* Statistics differ from the Ministry's statistics, partly because they are based on a selection of hospitals only. For example the 2012-13 average length of stay in New South Wales of 3.7 differs from the Ministry's calculation of 3.3 days

Source: Australian Institute of Health and Welfare - Australian Hospital Statistics 2012-13 (unaudited).

New South Wales has more available public hospital beds per 1,000 of population than the national average. The Australian Institute of Health and Welfare believes the concept of an available bed is becoming less important, particularly with increasing same day hospitalisations and Hospital in the Home care. It also believes different case mixes in hospitals affect the comparability of bed numbers.

Elective Surgery Waiting Times

NSW Health improved its elective surgery performance in 2013-14.

Elective Surgery is defined as planned or scheduled, non-emergency surgical procedures generally performed in an operating theatre, by a surgeon, under some form of anaesthesia.

In 2013-14, there were 216,675 admissions (213,799 admissions in 2012-13) for elective surgery in NSW public hospitals, representing a 1.3 per cent increase from the previous year.

Three categories are currently used to classify elective surgical patients who are ready for care, according to clinical priority, as assigned by the referring doctor:

- Category 1 - surgical procedure to occur within 30 days of booking for surgery
- Category 2 - surgical procedure to occur within 90 days of booking for surgery
- Category 3 - surgical procedure to occur within 365 days of booking for surgery.

Below is the NSW State average of patients treated within clinically recommended timeframes for the last four years. It shows that the State's performance continues to improve in all three categories.

NSW State average	Percentage of patients admitted for booked surgery within clinically recommended timeframes (%)			
Year ended 30 June	**2014**	**2013**	**2012**	**2011**
Category 1	99.7	98	94	93
Category 2	96.9	94	90	90
Category 3	95.9	94	92	92

Source: NSW Ministry of Health (unaudited).

The Ministry tracks the percentage of patients within each category who received treatment within the recommended timeframes and the number of patients ready for care who waited longer than the benchmark waiting time.

Year ended 30 June	Percentage of patients admitted for booked surgery within clinically appropriate timeframes (%)					
	Category 1 within 30 days		Category 2 within 90 days		Category 3 within 365 days	
Target (%)	**96**		**90**		**92**	
Year	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Central Coast	100	99	98	95	94	94
Far West	100	100	97	95	100	100
Hunter New England	100	98	96	93	96	93
Illawarra Shoalhaven	100	97	100	91	99	95
Mid North Coast	100	95	97	88	98	91
Murrumbidgee	99	98	95	96	90	93
Nepean Blue Mountains	99	97	92	89	91	84
Northern NSW	100	98	97	95	96	97
Northern Sydney	100	97	96	92	95	92
South Eastern Sydney	99	94	96	92	93	91
South Western Sydney	100	96	99	95	98	93
Southern NSW	100	99	99	97	99	98
Sydney	100	100	100	100	100	100
Sydney Children's Hospitals	99	99	88	93	93	94
Western NSW	100	98	96	95	93	93
Western Sydney	100	99	100	94	98	95
NSW State Average	**99.7**	**98**	**96.9**	**94**	**95.9**	**94**

Source: NSW Ministry of Health (unaudited).

The table shows:

Category 1

- All local health districts and the Sydney Children's Hospitals Network achieved the compliance target of 96 per cent (thirteen local health districts and the Sydney Children's Hospitals Network in 2012-13)
- All local health districts and the Sydney Children's Hospitals Network maintained or improved their compliance.

Category 2

- Illawarra Shoalhaven, Sydney and Western Sydney local health districts achieved compliance of 100 per cent (100 per cent for Sydney Local Health District)
- Sydney Children's Hospitals Network did not achieve the target with the lowest compliance at 88 per cent (88 per cent for Mid North Coast Local Health District).

Category 3

- Far West and Sydney local health districts again achieved the highest compliance of 100 per cent (100 per cent)
- Murrumbidgee Local Health District did not achieve the target and had the lowest compliance at 90 per cent. Nepean Blue Mountains Local Health District also failed to meet the target for the second consecutive year and had the lowest compliance in 2012-13.

Overdue Patients

At 30 June 2014, there was a significant reduction in the number of patients waiting for elective surgery beyond clinically recommended timeframes than at 30 June 2013.

The table shows the number of patients waiting for elective surgery beyond clinical priority timeframes declined to 542 at 30 June 2014 from 731 patients at 30 June 2013. The Ministry is continuously working with the local health districts and Sydney Children's Hospitals Network to ensure all patients undergo their elective surgery within the clinically recommended timeframe.

At 30 June	Number of overdue patients	
	2014	2013
Surgical Waiting List		
Category 1	5	6
Category 2	183	201
Category 3	354	524
Total	**542**	**731**

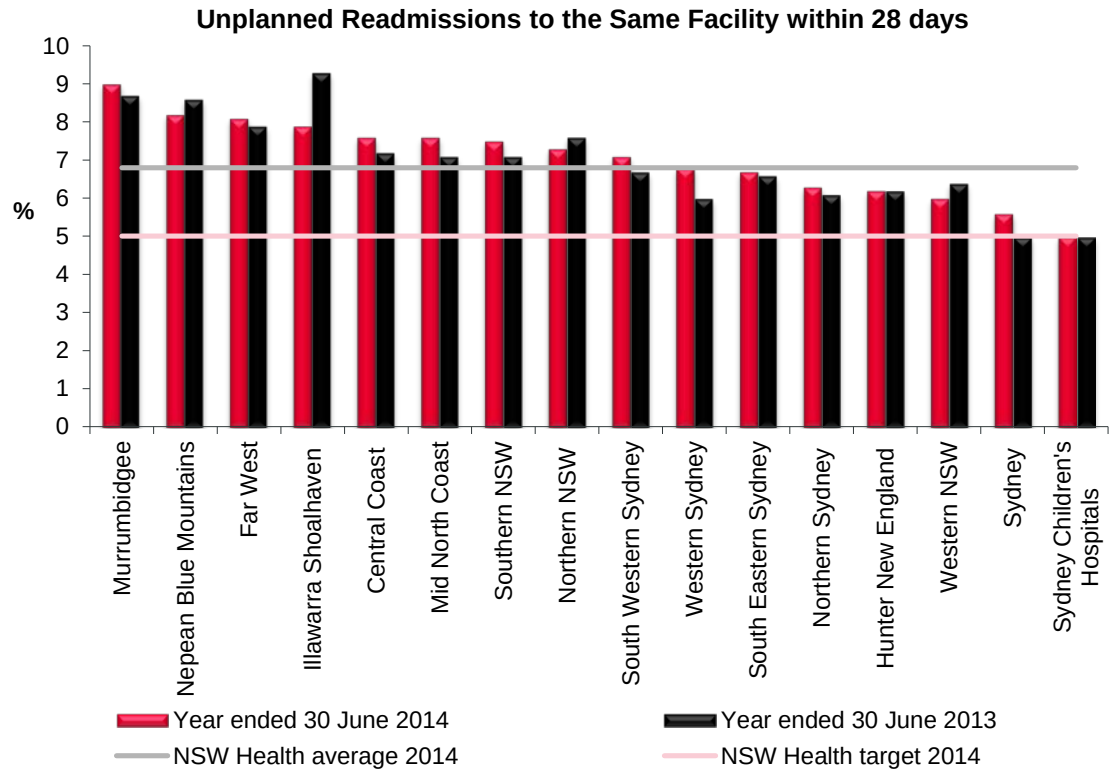
Source: NSW Ministry of Health (unaudited).

Unplanned Re-admissions

Murrumbidgee, Nepean Blue Mountains, Far West, and Illawarra Shoalhaven local health districts had the highest re-admission rates in 2013-14.

Unplanned re-admissions occur when discharged patients return to the same hospital unexpectedly. Monitoring the number of patients who experience unplanned re-admissions to a hospital after a previous hospital stay is one way NSW Health judges the quality of hospital care.

Across the State, approximately 6.8 per cent of patients made an unplanned re-admission to the same facility in 2013-14 (6.7 per cent in 2012-13). The graph below shows unplanned re-admissions for each local health district and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

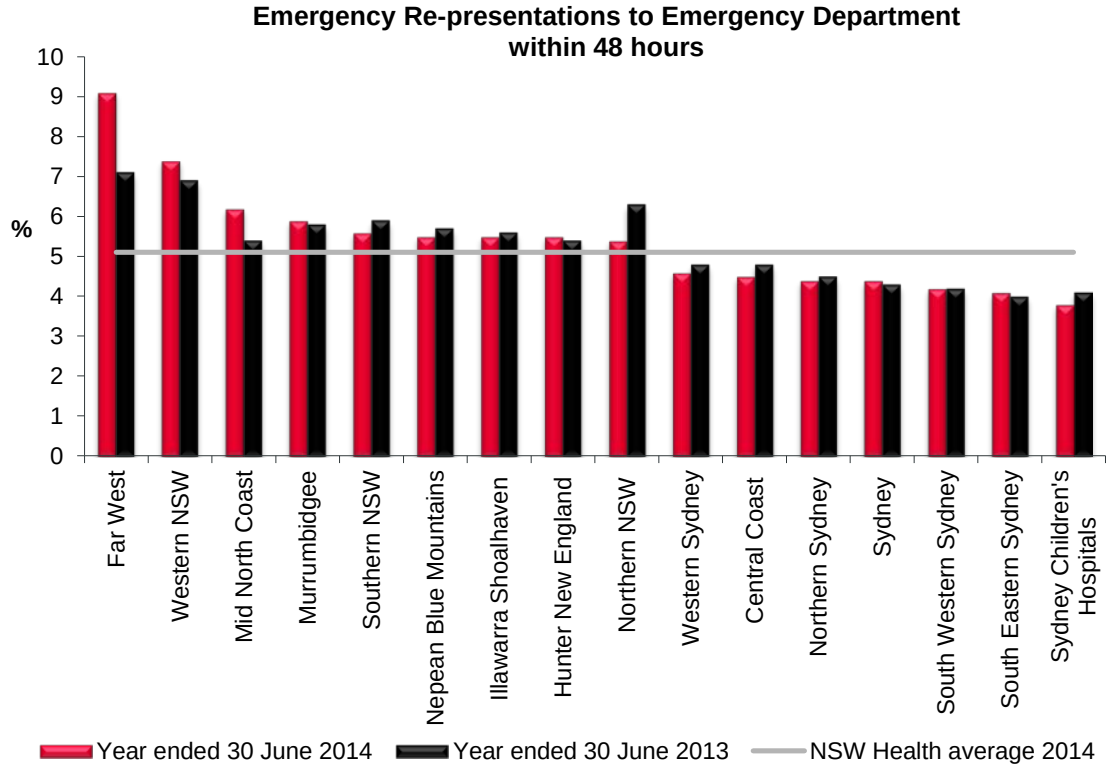
Unplanned hospital re-admissions for Murrumbidgee, Nepean Blue Mountains, Far West and Illawarra Shoalhaven local health districts were much higher than the State average, ranging from 7.9 per cent to 9.0 per cent of patients. Sydney Children's Hospitals Network had the lowest readmission rate of 5.0 per cent.

The Ministry advises the unplanned re-admissions figures above have some limitations because they incorrectly include post-discharge care in the community and patient transfers between hospitals, which are not directly associated with the initial hospital admission. The local health districts are continuously reviewing unplanned re-admission statistics to improve their accuracy.

Unplanned Emergency Department Re-presentations

Patients attending rural emergency departments are more likely to re-present to the emergency department within 48 hours of being discharged than regional or metropolitan emergency departments.

The graph below shows unplanned re-presentations to emergency departments within 48 hours of being discharged for each local health district and the Sydney Children's Hospitals Network in 2013-14.



Source: NSW Ministry of Health (unaudited).

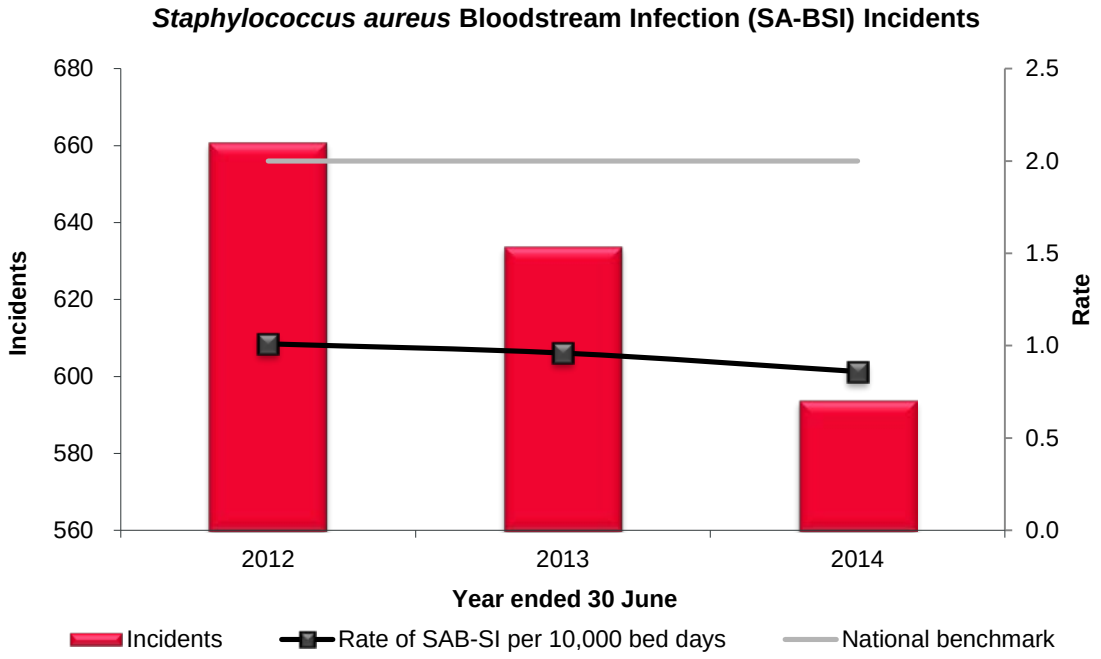
Far West Local Health District again had the highest re-presentation rate of 9.1 per cent (7.1 per cent in 2012-13), while Sydney Children's Hospitals Network had the lowest rate of 3.8 per cent (four per cent for South Eastern Sydney Local Health District).

Patients attending rural emergency departments are more likely to re-present to the emergency department within 48 hours of being discharged than regional or metropolitan emergency departments. The Ministry advises unplanned re-presentations should be interpreted with caution, particularly in regional and rural hospitals. This is because higher than average rates of unplanned emergency re-presentations in these hospitals may reflect clinical models of care where emergency departments provide primary healthcare services, due to a lack of these services in those communities.

Healthcare Associated Infection

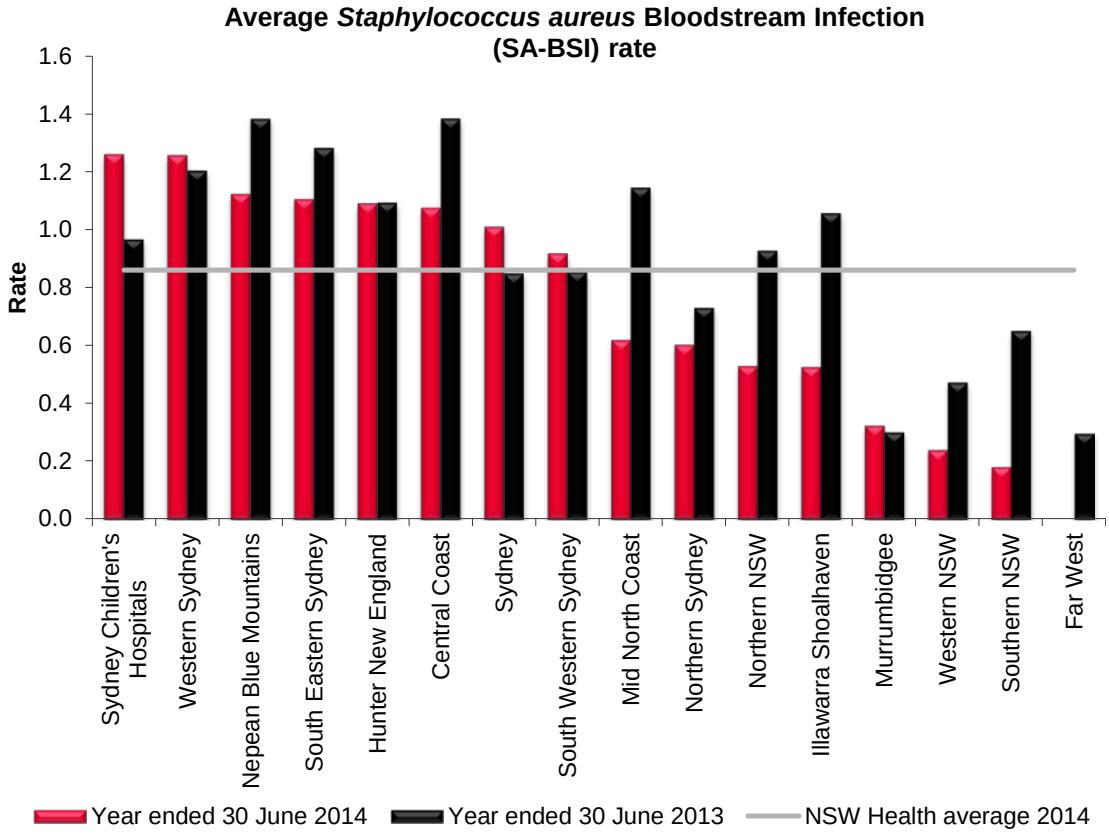
One of the main indicators on Healthcare Associated Infection is the *Staphylococcus aureus* bloodstream infection (SA-BSI), as it is among the most common causes of community and healthcare associated sepsis. The incidence of SA-BSI is used as a surveillance indicator that may point to areas requiring further safety and quality investigation or action. The benchmark, set by the Council of Australian Governments, is two SA-BSI cases per 10,000 bed days.

As shown in the graph below, NSW hospitals continue to average less than two SA-BSI cases per 10,000 bed days. The average was 0.91 cases per 10,000 bed days in 2013-14 (0.96 cases in 2012-13).



Source: NSW Ministry of Health (unaudited).

For the fourth consecutive year, the rate of SA-BSI in NSW Health was below the national benchmark, due to fewer incidents of infection. The number of SA-BSI incidents fell from 634 in 2012-13 to 594 in 2013-14. The performance for each local health district and the Sydney Children's Hospitals Network was:



Source: NSW Ministry of Health (unaudited).

In 2013-14, Sydney Children's Hospitals Network and Western Sydney Local Health District recorded the highest frequency per 10,000 bed days of SA-BSI, at 1.26 cases per 10,000 bed days. Far West Local Health District had the lowest with no incidents recorded. Mid North Coast and Illawarra Shoalhaven local health districts significantly reduced their SA-BSI incident rates by 0.53 cases per 10,000 bed days in 2013-14.

Metropolitan local health districts and speciality networks have higher rates of SA-BSI because they include the major hospitals which treat more complex patients, who are more likely to have a SA-BSI.

Section Two

Appendices

Local Health Districts/Speciality Health Networks Information

Local health district	Central Coast		Far West		Hunter New England		Illawarra Shoalhaven		Mid North Coast	
Year	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Abridged statement of comprehensive income (year ended 30 June)										
Employee related expenses	467,247	425,390	62,695	57,875	1,114,102	1,047,438	508,006	471,348	309,629	285,903
All other expenses excluding losses	214,068	211,142	38,211	40,487	801,699	766,497	263,426	253,508	197,836	197,102
Total expenses	**681,315**	**636,532**	**100,906**	**98,362**	**1,915,801**	**1,813,935**	**771,432**	**724,856**	**507,465**	**483,005**
Government contributions	576,470	559,935	86,101	90,916	1,646,325	1,559,474	706,490	666,570	512,974	441,337
Other revenue	92,371	90,962	13,164	12,931	311,565	289,712	109,265	103,333	72,448	71,820
Total revenue	**668,841**	**650,897**	**99,265**	**103,847**	**1,957,890**	**1,849,186**	**815,755**	**769,903**	**585,422**	**513,157**
Gains/(losses)	(1,049)	177	23	(258)	(2,039)	(5,332)	(1,054)	(851)	37	(1,390)
Net result - surplus/(deficit)	**(13,523)**	**14,542**	**(1,618)**	**5,227**	**40,050**	**29,919**	**43,269**	**44,196**	**77,994**	**28,762**
Other comprehensive income	10,765	6,934	3,912	1,837	10,811	56,183	7,726	6,541		--
Total comprehensive income/(expense)	**(2,758)**	**21,476**	**2,294**	**7,064**	**50,861**	**86,102**	**50,995**	**50,737**	**77,994**	**28,762**
Abridged statement of financial position (at 30 June)										
Current assets	50,008	38,308	5,652	4,338	176,792	181,607	87,093	71,776	45,112	45,079
Non-current assets	524,813	524,724	93,457	92,418	1,301,317	1,238,045	521,749	471,607	375,892	295,947
Total assets	**574,821**	**563,032**	**99,109**	**96,756**	**1,478,109**	**1,419,652**	**608,842**	**543,383**	**421,004**	**341,026**
Current liabilities	116,287	101,956	14,729	14,678	304,374	287,357	121,249	107,046	82,950	80,635
Non-current liabilities	349	133	59	51	117,928	127,349	451	378	310	641
Total liabilities	**116,636**	**102,089**	**14,788**	**14,729**	**422,302**	**414,706**	**121,700**	**107,424**	**83,260**	**81,276**
Net assets	**458,185**	**460,943**	**84,321**	**82,027**	**1,055,807**	**1,004,946**	**487,142**	**435,959**	**337,744**	**259,750**

Local health district	Central Coast		Far West		Hunter New England		Illawarra Shoalhaven		Mid North Coast	
Year	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Performance Indicators (year ended 30 June)										
Emergency department attendances	116,812	116,937	27,223	29,467	392,738	386,078	144,687	142,105	106,976	112,234
Emergency department treatment completed within 4 hours (national emergency access target) (%)	59	55	89	86	77	74	70	62	77	68
Bed occupancy rate (%) (a)	94.8	95.5	55.1	58.6	79.2	79.3	93.3	91.5	93.3	90.4
Average length of stay (days) (b)	3.3	3.5	2.7	2.7	3.2	3.3	3.4	3.1	3.1	3.2
Elective surgery – booked surgery admissions	9,967	10,220	1,022	1,102	29,305	29,449	11,688	11,833	9,470	9,793
Unplanned readmissions and re-presentations within 28 days (%)	7.6	7.2	8.1	7.7	6.2	6.2	7.9	9.4	7.6	7.1
Emergency re-presentations to emergency departments within 48 hours (%)	4.5	4.8	9.1	7.1	5.5	5.4	5.5	5.6	6.2	5.4
Average Staphylococcus aureus bloodstream infection (SA BSI) rate(c)	1.1	1.4	--	0.3	1.1	1.1	0.5	1.1	0.6	1.2
Financial indicators (year ended 30 June)										
Quick ratio at 30 June (d)	2.2	2.0	0.7	0.8	3.2	4.8	4.9	10.9	1.8	2.0
Employee related costs as a percentage of total costs (%)	68.6	66.8	62.1	58.8	58.2	57.7	65.9	65.0	61.0	59.2
Overtime expense as a percentage of salaries and wages (%)	4.6	5.4	3.7	4.6	3.7	4.1	4.8	5.3	4.1	4.7

a Bed occupancy rate - the average percentage of open and occupied acute beds available in June.

b Average length of stay (for acute separations) - average time patients spend when admitted to hospital.

c Average Staphylococcus aureus bloodstream infection (SA BSI) rate - the average number of SA-BSI cases per 10,000 bed days.

d Quick ratio - current assets excluding restricted assets and inventory divided by trade creditors.

Source: Financial indicators from audited financial statements. Performance indicators from NSW Ministry of Health (unaudited).

Local health district	Murrumbidgee		Nepean Blue Mountains		Northern NSW		Northern Sydney		South Eastern Sydney	
Year	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Abridged statement of comprehensive income (year ended 30 June)										
Employee related expenses	282,667	256,863	390,788	362,256	396,642	375,592	864,154	812,146	989,026	928,425
All other expenses excluding losses	224,073	217,897	255,541	245,045	268,838	258,452	512,454	482,739	542,416	513,964
Total expenses	**506,740**	**474,760**	**646,329**	**607,301**	**665,480**	**634,044**	**1,376,608**	**1,294,885**	**1,531,442**	**1,442,389**
Government contributions	460,920	412,497	565,176	572,319	577,127	549,693	1,234,370	1,129,788	1,241,802	1,174,721
Other revenue	90,540	91,392	75,101	67,471	89,166	82,698	253,409	239,500	277,730	286,877
Total revenue	**551,460**	**503,889**	**640,277**	**639,790**	**666,293**	**632,391**	**1,487,779**	**1,369,288**	**1,519,532**	**1,461,598**
Gains/(losses)	(408)	(163)	(710)	967	(126)	(59)	(3,081)	(62,738)	(5,036)	(3,601)
Net result - surplus/(deficit)	**44,312**	**28,966**	**(6,762)**	**33,456**	**687**	**(1,712)**	**108,090**	**11,665**	**(16,946)**	**15,608**
Other comprehensive income	--	19,336	--	--	23,469	3,163	--	--	16,958	14,729
Total comprehensive income/(expense)	**44,312**	**48,302**	**(6,762)**	**33,456**	**24,156**	**1,451**	**108,090**	**11,665**	**12**	**30,337**
Abridged statement of financial position (at 30 June)										
Current assets	22,285	23,900	53,977	49,524	24,298	27,240	172,459	164,790	167,297	170,113
Non-current assets	379,102	329,950	507,089	509,544	438,236	407,268	1,824,146	1,669,211	1,067,845	1,034,509
Total assets	**401,387**	**353,850**	**561,066**	**559,068**	**462,534**	**434,508**	**1,996,605**	**1,834,001**	**1,235,142**	**1,204,622**
Current liabilities	65,364	61,963	106,175	96,574	99,672	95,793	232,878	206,407	282,704	250,853
Non-current liabilities	247	423	4,983	6,155	453	462	727,548	699,505	11,534	12,671
Total liabilities	**65,611**	**62,386**	**111,158**	**102,729**	**100,125**	**96,255**	**960,426**	**905,912**	**294,238**	**263,524**
Net assets	**335,776**	**291,464**	**449,908**	**456,339**	**362,409**	**338,253**	**1,036,179**	**928,089**	**940,904**	**941,098**

Local health district	Murrumbidgee		Nepean Blue Mountains		Northern NSW		Northern Sydney		South Eastern Sydney	
Year	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Performance Indicators (year ended 30 June)										
Emergency department attendances	134,504	139,172	114,670	110,222	185,944	182,537	192,564	181,640	209,044	237,838
Emergency department treatment completed within 4 hours (national emergency access target) (%)	85	81	72	62	80	76	73	66	72	64
Bed occupancy rate (%) (a)	71.3	70.6	90.6	88.2	91.7	92.5	89.5	89.8	94.5	92.5
Average length of stay (days) (b)	2.5	2.5	3.0	3.0	2.8	2.9	3.6	3.8	3.3	3.5
Elective surgery – booked surgery admissions	7,216	6,988	9,465	9,324	13,496	13,832	12,368	12,387	19,709	19,611
Unplanned readmissions and re-presentations within 28 days (%)	9.0	8.6	8.2	8.6	7.3	7.6	6.3	6.1	6.7	6.6
Emergency re-presentations to emergency departments within 48 hours (%)	5.9	5.8	5.5	5.7	5.4	6.3	4.4	4.5	4.1	4.0
Average Staphylococcus aureus bloodstream infection (SA BSI) rate(c)	0.3	0.3	1.1	1.4	0.5	0.9	0.6	0.7	1.1	1.3
Financial indicators (year ended 30 June)										
Quick ratio at 30 June (d)	1.1	0.8	0.7	0.7	0.7	1.2	2.9	2.9	1.0	0.2
Employee related costs as a percentage of total costs (%)	55.8	54.1	60.5	59.7	59.6	59.2	62.8	62.7	64.6	64.4
Overtime expense as a percentage of salaries and wages (%)	4.0	4.4	4.9	4.9	3.7	3.7	4.4	5.3	4.3	5.0

a Bed occupancy rate - the average percentage of open and occupied acute beds available in June.

b Average length of stay (for acute separations) - average time patients spend when admitted to hospital.

c Average Staphylococcus aureus bloodstream infection (SA BSI) rate - the average number of SA-BSI cases per 10,000 bed days.

d Quick ratio - current assets excluding restricted assets and inventory divided by trade creditors.

Source: Financial indicators from audited financial statements. Performance indicators from NSW Ministry of Health (unaudited).

Local health district	South Western Sydney		Southern NSW		Sydney		Western NSW		Western Sydney	
Year	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Abridged statement of comprehensive income (year ended 30 June)										
Employee related expenses	950,068	878,346	197,997	191,313	907,242	863,386	452,316	435,009	965,621	900,050
All other expenses excluding losses	523,402	512,698	135,710	137,138	538,879	519,467	340,659	340,194	482,975	525,999
Total expenses	**1,473,470**	**1,391,044**	**333,707**	**328,451**	**1,446,121**	**1,382,853**	**792,975**	**775,203**	**1,448,596**	**1,426,049**
Government contributions	1,299,313	1,199,153	322,676	299,120	1,198,473	1,138,372	688,070	667,497	1,262,790	1,158,422
Other revenue	190,206	173,573	46,497	48,377	254,831	249,773	111,492	108,780	218,347	212,575
Total revenue	**1,489,519**	**1,372,726**	**369,173**	**347,497**	**1,453,304**	**1,388,145**	**799,562**	**776,277**	**1,481,137**	**1,370,997**
Gains/(losses)	(443)	(1,563)	(141)	(1,460)	(16,196)	25,522	(894)	(1,974)	(3,135)	(2,691)
Net result - surplus/(deficit)	**15,606**	**(19,881)**	**35,325**	**17,586**	**(9,013)**	**30,814**	**5,693**	**(900)**	**29,406**	**(57,743)**
Other comprehensive income	--	110,621	--	2,091	22,845	110,011	21,333	23,740	(2,415)	--
Total comprehensive income/(expense)	**15,606**	**90,740**	**35,325**	**19,677**	**13,832**	**140,825**	**27,026**	**22,840**	**26,991**	**(57,743)**
Abridged statement of financial position (at 30 June)										
Current assets	102,078	98,108	20,395	19,418	257,788	282,365	48,989	42,112	137,344	135,023
Non-current assets	1,212,838	1,188,229	232,639	198,352	992,175	960,447	831,357	802,078	1,027,719	997,634
Total assets	**1,314,916**	**1,286,337**	**253,034**	**217,770**	**1,249,963**	**1,242,812**	**880,346**	**844,190**	**1,165,063**	**1,132,657**
Current liabilities	260,747	247,433	43,678	43,613	246,495	251,436	112,180	103,105	231,615	220,964
Non-current liabilities	29,602	32,142	170	296	1,153	807	162,495	162,440	5,002	5,903
Total liabilities	**290,349**	**279,575**	**43,848**	**43,909**	**247,648**	**252,243**	**274,675**	**265,545**	**236,617**	**226,867**
Net assets	**1,024,567**	**1,006,762**	**209,186**	**173,861**	**1,002,315**	**990,569**	**605,671**	**578,645**	**928,446**	**905,790**

Local health district	South Western Sydney		Southern NSW		Sydney		Western NSW		Western Sydney	
Year	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Performance Indicators (year ended 30 June)										
Emergency department attendances	249,770	237,603	101,548	108,539	159,880	154,150	215,313	187,125	165,762	155,515
Emergency department treatment completed within 4 hours (national emergency access target) (%)	67	56	83	76	70	58	86	80	63	51
Bed occupancy rate (%) (a)	97.8	96.0	72.1	67.5	89.5	89.2	76.4	74.2	90.7	87.4
Average length of stay (days) (b)	3.1	3.3	2.5	2.4	3.6	3.8	2.9	3.0	3.0	3.1
Elective surgery – booked surgery admissions	21,701	22,046	5,580	5,671	24,245	24,415	9,522	10,035	18,734	16,364
Unplanned readmissions and re-presentations within 28 days (%)	7.1	6.8	7.5	7.1	5.6	5.0	6.0	6.4	6.8	6.0
Emergency re-presentations to emergency departments within 48 hours (%)	4.2	4.2	5.6	5.9	4.4	4.3	7.4	6.9	4.6	4.8
Average Staphylococcus aureus bloodstream infection (SA BSI) rate(c)	0.9	0.9	0.2	0.7	1.0	0.9	0.2	0.5	1.3	1.2
Financial indicators (year ended 30 June)										
Quick ratio at 30 June (d)	2.6	1.7	2.7	1.3	1.2	2.2	1.6	0.7	1.9	1.3
Employee related costs as a percentage of total costs (%)	64.5	63.1	59.3	58.2	62.7	62.4	57.0	56.1	66.7	63.1
Overtime expense as a percentage of salaries and wages (%)	5.1	5.5	3.3	3.2	5.1	5.5	4.3	5.2	5.1	4.8

a Bed occupancy rate - the average percentage of open and occupied acute beds available in June.

b Average length of stay (for acute separations) - average time patients spend when admitted to hospital.

c Average Staphylococcus aureus bloodstream infection (SA BSI) rate - the average number of SA-BSI cases per 10,000 bed days.

d Quick ratio - current assets excluding restricted assets and inventory divided by trade creditors.

Source: Financial indicators from audited financial statements. Performance indicators from NSW Ministry of Health (unaudited).

Specialty health network	The Sydney Children's Hospitals Network		Justice Health and Forensic Mental Health Network	
Year	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Abridged statement of comprehensive income (year ended 30 June)				
Employee related expenses	464,994	422,971	137,339	129,547
All other expenses excluding losses	199,144	191,200	48,521	45,558
Total expenses	**664,138**	**614,171**	**185,860**	**175,105**
Government contributions	498,991	467,239	180,620	173,864
Other revenue	153,315	163,371	10,032	6,821
Total revenue	**652,306**	**630,610**	**190,652**	**180,685**
Gains/(losses)	(778)	883	(285)	(107)
Net result - surplus/(deficit)	**(12,610)**	**17,322**	**4,507**	**5,473**
Other comprehensive income	--	1,380	3,356	2,311
Total comprehensive income/(expense)	**(12,610)**	**18,702**	**7,863**	**7,784**
Abridged statement of financial position (at 30 June)				
Current assets	147,439	142,604	36,727	34,351
Non-current assets	519,471	533,651	115,019	111,640
Total assets	**666,910**	**676,255**	**151,746**	**145,991**
Current liabilities	117,248	114,058	34,091	34,897
Non-current liabilities	465	390	78,557	79,859
Total liabilities	**117,713**	**114,448**	**112,648**	**114,756**
Net assets	**549,197**	**561,807**	**39,098**	**31,235**

Specialty health network	The Sydney Children's Hospitals Network		Justice Health and Forensic Mental Health Network	
Year	2014	2013	2014	2013
Performance indicators (year ended 30 June)				
Emergency department attendances	92,431	89,482	--	--
Emergency department treatment completed within 4 hours (national emergency access target) (%)	68	67	--	--
Bed occupancy rate (%) (a)	95.6	89.6	--	--
Average length of stay (days) (b)	3.0	3.0	--	--
Elective surgery – booked surgery admissions	9,306	4,173	--	--
Unplanned readmissions and re-presentations within 28 days (%)	5.0	5.1	--	--
Emergency re-presentations to emergency departments within 48 hours (%)	3.8	4.1	--	--
Average Staphylococcus aureus bloodstream infection (SA BSI) rate(c)	1.3	1.0	--	--
Financial indicators (year ended 30 June)				
Quick ratio at 30 June (d)	1.8	2.4	16.5	12.2
Employee related costs as a percentage of total costs (%)	70.0	68.9	73.9	74.0
Overtime expense as a percentage of salaries and wages (%)	3.7	3.8	6.0	6.1

a Bed occupancy rate - the average percentage of open and occupied acute beds available in June.

b Average length of stay (for acute separations) - average time patients spend when admitted to hospital.

c Average Staphylococcus aureus bloodstream infection (SA BSI) rate - the average number of SA-BSI cases per 10,000 bed days.

d Quick ratio - current assets excluding restricted assets and inventory divided by trade creditors.

Source: Financial indicators from audited financial statements. Performance indicators from NSW Ministry of Health (unaudited).

Appendix Two - Financial Sustainability

Indicator	Formula	Description
Net result ($)	**Net result from statement of comprehensive income**	A positive result indicates a surplus, while a negative result indicates deficit. Operating deficits cannot be sustained in the long term.
Government funding (%)	**Government grants and contributions/ total revenue**	Indicates the proportion of total revenue which is contributed as grants, by State and Federal Government. A higher percentage means that the agency relies on the Government to fund its expenditure. This percentage is expected to be lower for self funding agencies.
Expense growth rate (%)	**(Total expenditure 2014 - total expenditure 2013) / total expenditure 2013**	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2013-14, compared to 2012-13. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to prior year.
Quick (ratio)	**Current assets excluding restricted assets and inventory / trade creditors**	This measures the dollar amount of liquid assets available for each dollar of recognised liabilities. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities exclude employee provisions and revenue in advance.
Capital replacement (ratio)	**Cash outflows for property, plant and equipment and intangibles / depreciation and amortisation**	Comparison of the rate of spending on infrastructure, property, plant and equipment and intangibles with their depreciation and amortisation. Ratios greater than one indicate that spending is greater than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option. Cash outflows for infrastructure, property, plant and equipment and intangibles are taken from the cash flow statement. Depreciation and amortisation is taken from the Statement of Comprehensive Income.

Appendix Three - Cluster Information

Agency	Website
Cluster lead entity	
Ministry of Health	http://www.health.nsw.gov.au/
Local health districts and ppeciality health networks	
Central Coast	http://www.cclhd.health.nsw.gov.au/
Far West	http://www.fwlhn.health.nsw.gov.au/
Hunter New England	http://www.hnehealth.nsw.gov.au/
Illawarra Shoalhaven	http://www.islhd.health.nsw.gov.au/
Justice Health and Forensic Mental Health	http://www.justicehealth.nsw.gov.au/
Mid North Coast	http://mnclhd.health.nsw.gov.au/
Murrumbidgee	http://www.mlhd.health.nsw.gov.au/
Nepean Blue Mountains	http://www.nbmlhd.health.nsw.gov.au/
Northern NSW	http://nnswlhd.health.nsw.gov.au/
Northern Sydney	http://www.nslhd.health.nsw.gov.au/
South Eastern Sydney	http://www.seslhd.health.nsw.gov.au/
South Western Sydney	http://www.swslhd.nsw.gov.au/
Southern NSW	http://www.snswlhd.health.nsw.gov.au/
Sydney	http://www.slhd.nsw.gov.au/
Sydney Children's Hospitals Network	http://www.schn.health.nsw.gov.au/
Western NSW	http://www.wnswlhn.health.nsw.gov.au/
Western Sydney	http://www.wslhd.health.nsw.gov.au/
Pillar agencies	
Agency for Clinical Innovation	http://www.aci.health.nsw.gov.au/
Bureau of Health Information	http://www.bhi.nsw.gov.au/
Cancer Institute NSW	http://www.cancerinstitute.org.au/
Clinical Excellence Commission	http://www.cec.health.nsw.gov.au/
Health Education and Training Institute	http://www.heti.nsw.gov.au/
NSW Kids and Families	http://www.health.nsw.gov.au/kids/pages/default.aspx
Public health system support	
Health Administration Corporation	
- Ambulance Service of NSW	http://www.ambulance.nsw.gov.au/
- Health Infrastructure	http://www.hinfra.health.nsw.gov.au/
- HealthShare NSW	http://www.healthshare.nsw.gov.au/
- NSW Health Pathology	http://www.health.nsw.gov.au/pathology/pages/default.aspx
- Health System Support Group	*
Other controlled health entities	
Albury Wodonga Health Employment Division	*
Albury Base Hospital	*
Graythwaite Charitable Trust	*
Other health entities	
Health Care Complaints Commission	http://www.hccc.nsw.gov.au/
Mental Health Commission of New South Wales	http://nswmentalhealthcommission.com.au/

* This entity has no website.

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