New South Wales Auditor-General's Report
Financial Audit

Volume Eleven 2012
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 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 Eleven of my 2012 report.

Peter Achterstraat
Auditor-General

18 December 2012

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Section One

Overview

Health Overview

Health Overview

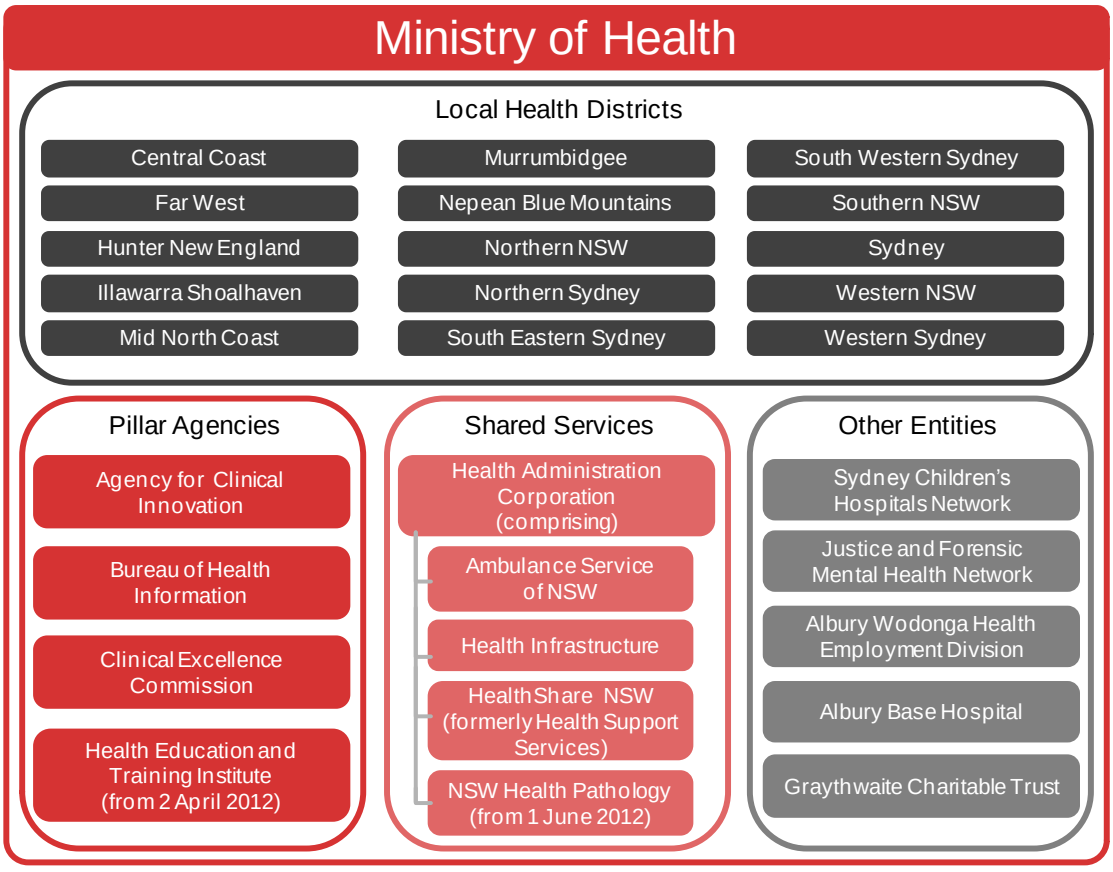
The Health Group and Audit Opinions

Except for the Sydney Children's Hospitals Network, I issued unqualified audit opinions on the Ministry of Health's and its controlled entities' 30 June 2012 financial statements.

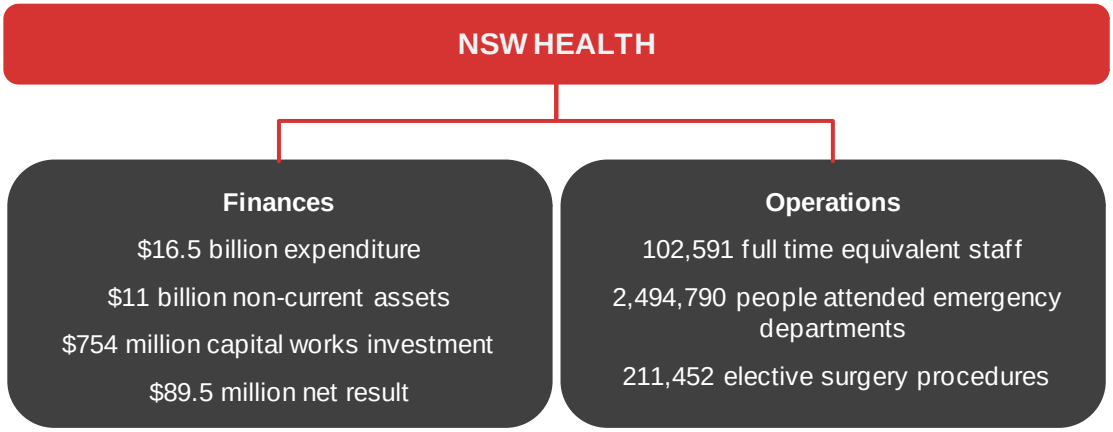
I qualified my opinion on the Sydney Children's Hospitals Network's 30 June 2012 financial statements because I was unable to form an opinion on whether the Network had recorded all fundraising revenue and voluntary donations. In my opinion, as is common for entities that have donations and fundraising as sources of revenue, it is impractical for the Network to maintain an effective system of internal controls over fundraising revenue and voluntary donations it receives until their initial entry in the financial records. My 2010-11 opinion was qualified for the same reason.

The following comments are for the consolidated entity, unless otherwise stated. In some cases, the consolidated entity is referred to as 'NSW Health'.

The Ministry of Health and the entities it controls are shown in the diagram below.



Operational Snapshot



Key Issues

Governance Changes

National Health Reform - New Funding Model

Under the national health reform, which started on 1 July 2012, 59 facilities across NSW Health are funded via activity based funding for acute, emergency and non-admitted services. Activity based funding was used to allocate 58.6 per cent of NSW Health's 2012-13 expense budget to health entities.

NSW Health is now operating under a more transparent activity based funding model

The new funding model is more transparent and local health districts now publish their budgets and service agreements with the Ministry of Health on their websites. The Ministry advises the new funding model:

- links expected patient activity, service levels and funding
- provides clinicians with more information
- more directly links funding to clinical care and patient needs
- helps better patient care
- helps planning and resourcing, to allow local solutions to local problems.

Under the national health reform, the Independent Hospital Pricing Authority, an Australian Government authority, sets the national efficient price. The Authority set the 2011-12 national efficient price at $4,808 per national weighted activity unit. This price is used to determine the funding hospitals will receive from the Australian Government.

Nine local health districts are operating above the NSW State efficient price and will require transition grants in 2012-13

New South Wales has implemented its own pricing and funding framework, including that covered by activity based funding. Based on the NSW State price of $4,471 per weighted activity unit and hospitals' own data, nine local health districts are operating above the State price. As a result, they will require a transition grant from the Ministry in 2012-13, ranging from $7.0 million (Southern NSW Local Health District) to $83.7 million (Western Sydney Local Health District). In total, the Ministry will provide $237 million in transition grants to support the local health districts while they review their unit costs and reduce them where appropriate.

The Ministry and local health districts have, and continue to, review and implement policies, systems and processes to support the new funding environment. In early 2012, preparedness assessments for the new funding environment were undertaken. The assessments considered data quality and timeliness, monitoring and reporting, budget alignment, clinical engagements, planning and risk assessment. The assessments showed some local health districts were better prepared than others.

The Ministry advises all local health districts have established governance arrangements to oversee the implementation of activity based funding, including regular reporting to finance and performance committees and the local health district boards. The Ministry has also set up an activity based funding steering committee and a taskforce, which oversees NSW Health's activity based funding implementation.

Under the national health reform agreement, the NSW Government will remain the major funder of health services. However, the Australian Government will increase its contribution to efficient growth funding for hospitals to 45 per cent in 2014-15, increasing to 50 per cent from 2017-18. This means from 2017-18, the Australian Government will fund half of every growth dollar required to meet increases in the efficient cost of public hospital services, including growth in demand.

Local Health District Governance Arrangements

In August 2011, the NSW Government entered into the National Health Reform Agreement with the Australian Government. In response to this agreement, the NSW Government established local health networks on 1 January 2011. They were subsequently renamed local health districts on 1 July 2011.

Under the *Health Services Act 1997*, the affairs of the local health districts are managed and controlled by their chief executives. This governance model is different to the models adopted by the Queensland and Victorian health sectors. In these States, the respective legislation states the health entities are controlled by their governing bodies, not their chief executives.

The agreement states the board should appoint the chief executive of a local health district, with the approval of the minister or their delegate. In New South Wales, each local health district chief executive is appointed by the Director General of the Ministry on the recommendation of the local health district board. The Ministry advises this difference in New South Wales is due to employment arrangements. The Ministry did inform the Australian Government of its governance arrangements in December 2010.

The agreement introduces new financial and governance arrangements for Australian public hospital services from 1 July 2012 and new governance arrangements for primary health care and aged care.

Health Structural Changes

During the year, NSW Health continued to implement the Director General's August 2011 governance review recommendations. The major structural changes included:

- implementing a new performance management framework with the local health districts
- transferring some of the Ministry's functions to the four pillar entities, namely Health Education and Training Institute, Bureau of Health Information, Clinical Excellence Commission and Agency for Clinical Innovation
- transferring more than 100 positions from the Ministry to other health entities and deleting a further 100 positions
- strengthening the roles of the four pillars and increasing their approved staffing by 55 per cent
- abolishing the health reform transitional organisations and transferring clinical and support services to the local health districts
- consolidating pathology services into NSW Health Pathology, a division of the Health Administration Corporation, from 1 June 2012, to achieve efficiencies, economies of scale and consistent practices across NSW Health
- renaming Health Support Services to HealthShare NSW and making it a board governed division of the Health Administration Corporation from 1 August 2012. Five of the nine board members are local health district chief executives. The change was initiated to improve transparency, accountability and customer service.

NSW Health has implemented all structural changes from the governance review except for establishing a separate eHealth division. The Ministry expects to finalise eHealth's governance arrangements in 2013.

The Director General's governance review 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 strengthened clinical engagement.

Updating Governance Policies

Recommendation

The Ministry of Health should:

- complete its update of the Governance Compendium by 31 January 2013
- update key corporate governance policy directives by 30 June 2013.

The NSW Health Governance Compendium is out of date, being last updated in December 2005. It does not reflect the significant structural changes of the last 18 months and it makes no reference to the boards' roles and responsibilities. It also contains inconsistencies with the *Health Services Act 1997* and by-laws.

The Ministry advises its update of the compendium is imminent. The update started in 2011, following the introduction of local health district boards and the Director General's governance review.

After it updates the compendium, the Ministry should update related policy directives, such as its directive on internal audit and audit and risk management committees, by 30 June 2013.

An up-to-date compendium is important, as it gives local health district boards, statutory health corporation boards, chief executives and audit and risk management committees greater clarity on the governance arrangements and minimum standards expected of them.

The compendium sets out roles, relationships and accountabilities across NSW Health, supporting consistent and good governance.

Finances

Financial Liquidity Strength Varies Across Districts

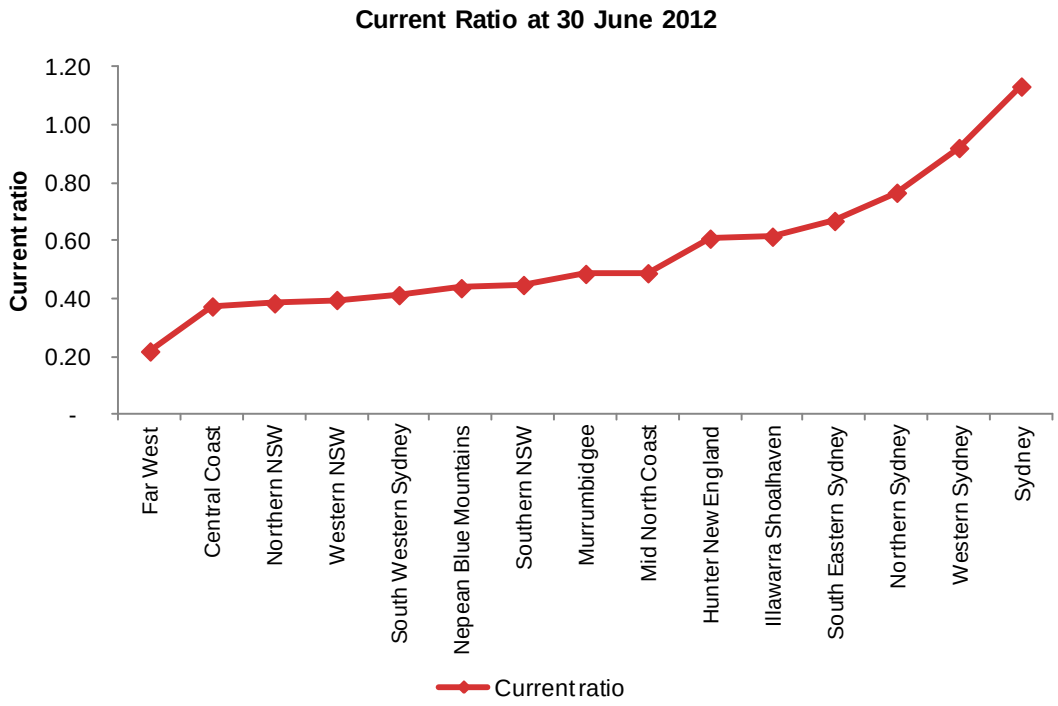
Recommendation

The Ministry of Health should consider developing a liquidity ratio definition and target for local health districts, taking into account their nature and activity cycle of their operations.

All local health districts except one had more current liabilities than current assets at 30 June 2012

At 30 June 2012, the combined current liabilities of all local health districts exceeded current assets by $79 million. Sydney Local Health District was the only district whose current assets exceeded current liabilities.

An indicator of an entity's solvency, and therefore its ability to pay its debts as and when they fall due, is its current ratio. The current ratio is determined by dividing current assets by current liabilities.



Source: Audited financial statements.

The graph above shows Far West Local Health District had the lowest current ratio of 0.22, while Sydney Local Health District had the highest current ratio of 1.13. The current ratios include special purpose funds. Had I excluded these restrictive funds, the ratios would have been lower. Current ratios for local health districts are in the Local Health Districts Information Section.

While a current ratio of one or more is generally desirable, the Ministry advises local health districts can still pay their bills on time with good cash management. It does not believe the traditional ratio of one or more is an appropriate benchmark for measuring the financial strength of local health districts.

Any assessment using the current ratio must take into account the nature and activity cycle of an entity's operations. To help local health district boards and other users of financial statements, it would be useful for the Ministry to set an appropriate definition and target rather than users applying the standard ratio. A target relevant to local health district operations may also help them to ensure they have available funds to pay their debts.

The Ministry gave local health districts an extra $73.4 million to help them pay the bills on time

The Ministry gave some local health districts extra funding of $73.4 million in 2011-12 ($89.7 million during the six months ended 30 June 2011) to help them manage their financial positions and ensure timely supplier payments. Without this assistance, the districts would have found it difficult to pay suppliers on time. Western Sydney Local Health District again received the most assistance of $53.2 million ($27.8 million).

Local Health Districts not Meeting Budgets

Seven local health districts had unfavourable 2011-12 budget results

In 2011-12, seven local health districts had unfavourable budget results of five per cent or more. Western Sydney Local Health District recorded the largest overrun of $12.7 million. It commissioned a review of its finances and budgeting processes in February 2012 to address its unfavourable financial performance. The independent review found the district could improve its resource management, budgeting and monitoring processes. It has since started a project to improve its financial performance management.

Year ended 30 June 2012	Operating result budget surplus/(deficit) $m	Operating result actual surplus/(deficit) $m	Favourable/ (unfavourable) budget variance $m
Western Sydney	(24.3)	(37.0)	(12.7)
Southern NSW	17.6	5.1	(12.5)
South Eastern Sydney	4.8	(1.1)	(5.9)
Far West	(4.1)	(6.3)	(2.2)
Northern NSW	6.1	4.3	(1.8)
Nepean Blue Mountains	13.4	12.4	(1.0)
Central Coast	(7.3)	(8.1)	(0.8)
Mid North Coast	5.7	5.6	(0.1)
South Western Sydney	19.8	19.7	(0.1)
Illawarra Shoalhaven	18.8	20.6	1.8
Sydney Children's Hospitals	(1.6)	1.2	2.8
Sydney	(40.9)	(32.4)	8.5
Northern Sydney	36.5	45.2	8.7
Murrumbidgee	(2.1)	6.7	8.8
Hunter New England	(16.2)	(7.2)	9.0
Western NSW	(89.3)	(31.8)	57.5

Source: Audited financial statements.

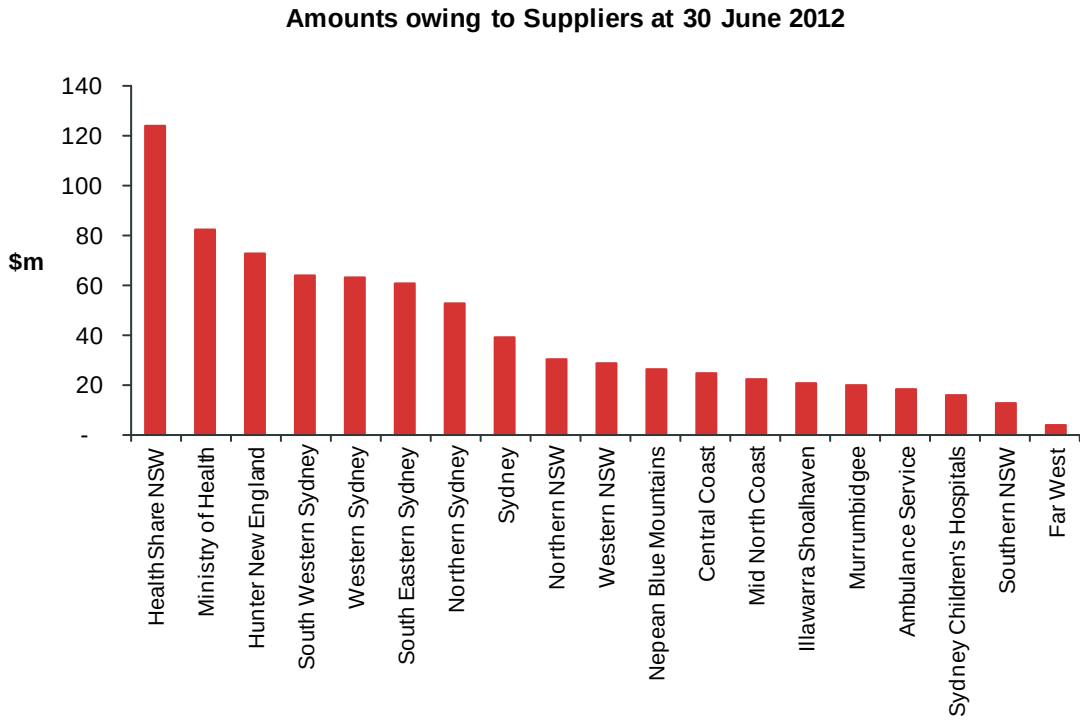
To help meet the 2011-12 budgets, all local health districts and the Sydney Children's Hospitals Network developed efficiency improvement plans. The plans contained cost saving initiatives, and in aggregate, were expected to achieve expenditure savings of $275 million. The Ministry advises actual expenditure savings were $273 million.

Efficiency improvement plans have been developed for 2012-13 to achieve further expenditure savings of $254 million.

Amounts owing to Suppliers

At 30 June 2012, NSW Health owed suppliers $702 million, representing about 55 days of supplies

At 30 June 2012, NSW Health owed suppliers $702 million ($699 million at 30 June 2011). Based on its annual operating expenditure of $4.7 billion, this represents about 55 days (58 days) of supplies. The graph below shows amounts owing to suppliers by health entity.



Source: Audited financial statements.

The Ministry requires all health entities to pay creditors within contract terms and monitors their performance against a benchmark target of 45 days for invoices ready for payment. It advises at 30 June 2012, $2.4 million ($900,000) of invoices exceeded this benchmark. The performance statistics are for general trade creditors and do not include liabilities for visiting medical officers or certain government agencies.

New South Wales Government policy requires agencies to pay suppliers, other than small business suppliers, as follows:

- if a contract provides a timeframe for payments and a correctly rendered invoice or statement is received, the payment must be made within that timeframe, or
- if a contract does not provide a timeframe for payments and a correctly rendered invoice or statement is received, the payment must be made by the end of the month following the month in which the correctly rendered invoice or supplier's statement is received.

However, the policy encourages payments to the suppliers within 30 days of a correctly rendered invoice.

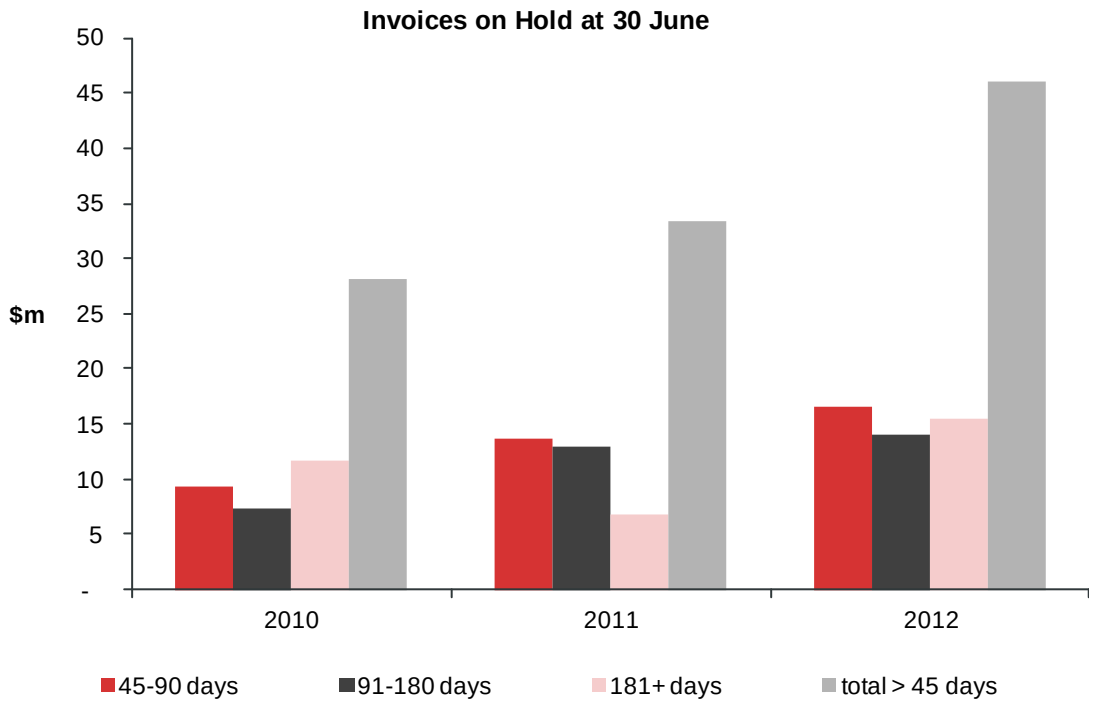
Invoices On Hold (Repeat Issue)

Recommendations

All health entities should:

- dedicate sufficient resourcing to clear long outstanding on hold invoices by 31 March 2013
- continue improving procurement and receipting practices to minimise invoices on hold.

Of the $702 million owed to suppliers at 30 June 2012, $46.0 million ($33.4 million at 30 June 2011) is for invoices on hold. The ageing of this debt is shown in the graph below.



Source: NSW Ministry of Health (unaudited).

The value of invoices on hold for six or more months has more than doubled to $15.4 million

The Ministry advises there were 46,591 invoices on hold at 30 June 2012, 22,709 invoices, or 48.7 per cent, were awaiting approval from the health entities.

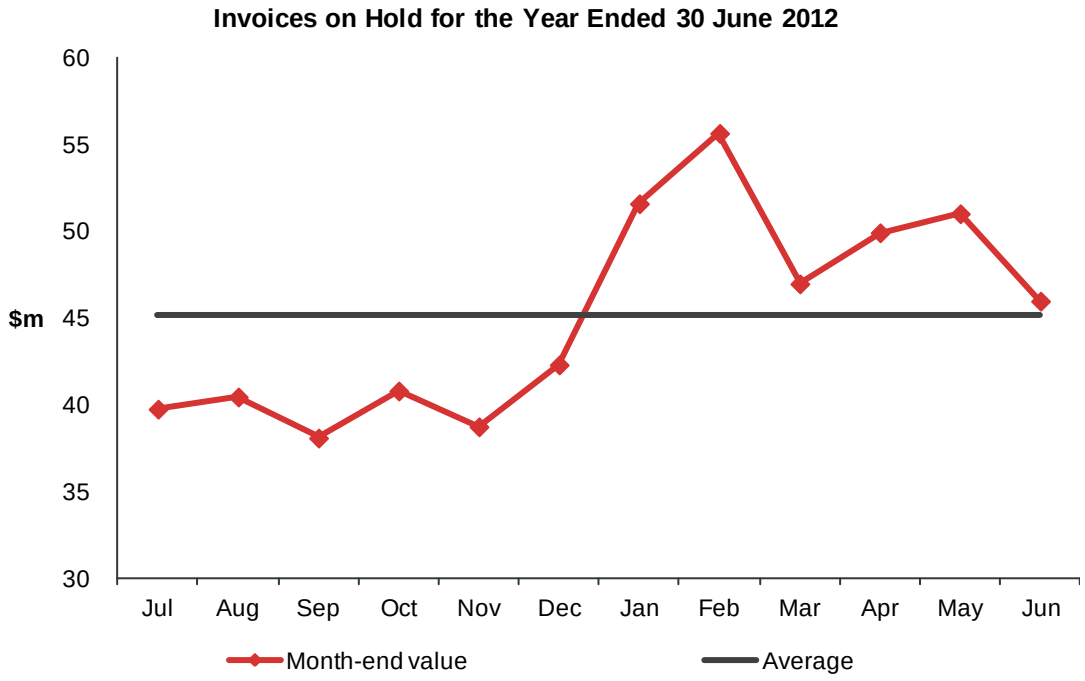
Of the total invoices on hold, $15.4 million ($6.8 million) was more than six months old. All health entities need to do more to reduce invoices on hold. Paying suppliers six months after they provide goods or services adversely affects the health sector's reputation for paying suppliers on time. Suppliers may also decide to stop supplying to the health sector if they are consistently paid long after providing goods and services.

The top three health entities with the highest invoices on hold balances at 30 June 2012 were Sydney Local Health District ($11.1 million), Western Sydney Local Health District ($6.4 million) and South Western Sydney Local Health District ($6.1 million).

The most common reasons for invoices on hold are:

- awaiting approval
- invoice does not agree with price or quantity receipted by health entities
- health entity did not raise a purchase order
- supplier has not quoted the correct purchase order on the invoice.

The graph below shows invoices on hold throughout the year, reaching a high of $55.7 million during February 2012. The Ministry advises the unusual increase in January and February was largely due to issues with HealthShare NSW's newly introduced invoice scanning system, which were rectified as the year progressed. During 2011-12, the average value of invoices on hold was $45.1 million.



Source: NSW Ministry of Health (unaudited).

Payments to Small Business

Starting 1 January 2012, Treasury requires government agencies to pay all registered small business suppliers within 30 days of receiving a correctly rendered invoice. For the six months ended 30 June 2012, NSW Health only paid 77.8 per cent of all registered small business suppliers within 30 days. In the first quarter in 2012-13, it significantly improved its performance, paying 90.9 per cent of all eligible invoices within 30 days. This is a pleasing turnaround.

Of all invoices due for payment across NSW Health for the six months ended 30 June 2012, just 3,252 invoices, or 0.5 per cent, were to registered small business suppliers. While this is much lower than the State average, the Ministry believes existing information on purchase orders and HealthShare's NSW website adequately communicates the new small business payment policy to suppliers. It does not believe a mail out to all suppliers is required.

If small business invoices are not paid within 30 days, penalty interest must be automatically paid on the amount owed, if the interest exceeds $20. Small businesses are defined as those with an annual turnover of under $2.0 million in the latest financial year. NSW Government agencies report their performance on a quarterly basis to the Department of Finance and Services, which publishes reports on its website.

Improving Procurement Practices

Recommendation

The Ministry of Health should set purchase order usage targets for each health entity by 31 January 2013.

Greater use of purchase orders is required to strengthen internal controls, budget monitoring and timely payments to suppliers

Health entities are increasingly using purchase orders when purchasing goods and services. In 2011-12, 90.9 per cent (89.1 per cent in 2010-11) of all eligible purchases had a purchase order. While the State average is high, actual usage across health entities varies from 66.7 per cent to 98.3 per cent. A target by the Ministry would help drive even greater purchase order use. Increased use of purchase orders improves internal control and facilitates the timely payment of suppliers.

Greater use of purchase orders is also consistent with the Independent Commission Against Corruption's (ICAC) recommendation from its investigation into staff submitting false requisitions and invoices at the Royal Hospital for Women and Royal North Shore Hospital. ICAC recommended NSW Health fully implement electronic approvals for all procurement transactions, except in emergencies. The Ministry advises all health entities are now required to use the electronic requisitioning system to raise a purchase order.

In 2009, all health entities were directed by the then Department of Health to use purchase orders for most purchases, so they could:

- better manage financial commitments by not incurring expenses without an approved budget
- avoid unnecessary delays in processing invoices and payments to suppliers.

HealthShare NSW and Customer Internal Control Responsibilities

HealthShare NSW and health entities are sorting out their respective internal control responsibilities

In previous years, I recommended the former Health Support Services (now HealthShare NSW) share its risk and control analysis report with its customers, and obtain their written acknowledgment of their responsibilities. For too long health entities and HealthShare NSW have disagreed on who was responsible for key internal controls. It is pleasing NSW Health is addressing my concerns.

During 2012, HealthShare NSW consulted with its customers and developed a service catalogue. The service catalogue was completed in August 2012 and includes process maps showing responsibilities for key accounting processes. HealthShare NSW issued the service catalogue with its 2012-13 draft master services agreements in September 2012 and has asked customers to acknowledge they have read and agree with it.

Internal Control Deficiencies

Recommendations

All health entities should provide HealthShare NSW with specimen signatures of staff authorised to approve invoices and visiting medical officer claim forms.

HealthShare NSW and its customers should review and update the April 2009 directive on sharing internal audit findings by 30 June 2013.

For the last three years, my audits identified several accounts payable and payroll internal control weaknesses. It is pleasing HealthShare NSW addressed most of these weaknesses during 2011-12. However, one area still outstanding, and of concern, is HealthShare NSW's inability to check the authenticity of all signatures on manual payment and visiting medical officer claim forms. HealthShare NSW does not have specimen signatures from all health entities, increasing their exposure to unauthorised payments and reputational damage.

The risk of making unapproved payments still exists

Greater use of electronic procurement and the introduction of invoice scanning and electronic authorisation have reduced the risk of paying unapproved invoices, but the potential to do so still exists. All health entities should provide HealthShare NSW with specimen signatures.

If a health entity does not forward specimen signatures to HealthShare NSW, it must accept that HealthShare NSW can only process claim forms on the assumption an authorised officer has approved them.

Last year, I recommended HealthShare NSW share its internal audit reports with its customers. HealthShare NSW advises the current arrangements for communicating internal control issues are sufficient. Customers are made aware of control issues via the annual representation letter and letter of comfort. There is also an April 2009 directive stating HealthShare NSW should communicate high risk internal control issues to the customer's internal auditor. Given the structural and staff changes that have occurred since 2009, staff may be unaware of this directive and its intent. HealthShare NSW and its customers should revisit and update this directive before 30 June 2013.

Internal Controls - Grants to Non-Government Organisations

Following the discovery of fraudulent activity involving payments to non-government organisations (NGOs) at the Queensland Health Community Services Branch, the Ministry assessed whether its internal controls would prevent and detect similar occurrences in the Ministry. It concluded similar fraudulent activity was unlikely because adequate internal controls and segregation of duties exist. Some of the controls include:

- all the Ministry's NGO agreements are certified by the Ministry's finance branch and approved by the Minister for Health
- each NGO is required to submit financial details including goods and services tax registration and bank details, which are independently verified by the Ministry's finance branch
- NGO programs are managed by individual policy branches responsible for delivery of services and objectives.

HealthShare NSW also reviewed its invoice payment and vendor master file change controls and was satisfied there was sufficient segregation of duties to prevent a similar event occurring in NSW Health.

Agreements for Outsourced Services

For the first time, all HealthShare NSW master service agreements for outsourced services were agreed and signed

For five consecutive years, I have reported HealthShare NSW and its customers had not finalised and signed service agreements. HealthShare NSW advises all 2011-12 master services agreements were agreed and signed by all parties before April 2012. This is a significant improvement from previous years.

HealthShare NSW only started consulting with its customers in August 2012 about the 2012-13 master services agreements, but it is confident all agreements will be finalised and signed by 31 December 2012.

The master service agreements outline roles, responsibilities, obligations, pricing structures and performance standards. Signed service agreements are important because they give both parties certainty they have read, understood and agreed to the arrangement.

Special Purpose Accounts (Repeat Issue)

Recommendations

Local health districts and the Sydney Children's Hospitals Network should:

- finalise reviews of all special purpose accounts to confirm the nature and intended use by 28 February 2013
- record the actual intended use of each account in a central repository
- analyse and understand why some special purpose accounts had nil or few transactions during 2011-12
- provide the Ministry of Health with a report, in a format to be specified, on the results of reviews by 31 March 2013, signed by the Chief Executive
- arrange appropriate approvals to move funds from special purpose accounts to the Public Contributions Trust Fund, to help the delivery of health services, by 30 June 2013.

Since 2008, I have recommended the Ministry and health entities review all special purpose accounts to confirm the nature and intended use, as this was not apparent for some accounts. I am pleased seven of the fifteen local health districts and the Sydney Children's Hospitals Network have completed this review. The remaining local health districts should do the same as a matter of urgency. A comprehensive review would identify accounts where the intended use is unknown and, subject to approval, result in the funds being used to deliver health services. At 30 June 2012, the local health districts and the Sydney Children's Hospital's Network held $756 million in special purpose accounts.

More than 4,300 special purpose accounts, totalling $224 million, remained idle during 2011-12

A review of all special purpose accounts will also identify dormant accounts. Based on information provided by local health districts, I found 4,357 special purpose accounts, with a total value of $224 million at 30 June 2012, had less than $100 of expenses during 2011-12. This is cash that, subject to restrictions by the donor/grantor, could be used more freely for health services. The table below analyses the special purpose accounts by movement for the year.

Expenses for the year ended 30 June 2012 ($)	Number of special purpose accounts*	Closing balance at 30 June 2012* $'000
<100	4,357	223,859
100-1,000	948	22,341
1,001-10,000	1,109	80,597
10,001-50,000	737	106,440
+50,001	528	323,204
Total*	**7,679**	**756,441**

Source: NSW Health entities (unaudited).

* excludes NSW Health Pathology, Ambulance Service of New South Wales and smaller health agencies.

Financial Reporting (Repeat Issue)

Recommendations

All health entities should:

- develop a detailed project plan demonstrating their preparedness for the 2012-13 financial reporting cycle by 28 February 2013
- share their project plan, together with progress in implementing the actions, with Audit and Risk Management Committees and the Ministry of Health.

Health entities need to continue improving financial reporting quality and timeliness

Last year, I reported the recent health restructure adversely affected the quality of financial reporting by health entities. This year, some local health districts achieved better financial reporting outcomes, but others did not. The closure of the Health Reform Transitional Organisations, the establishment of new finance structures and recruiting for vacant positions contributed to delays and poor quality financial reporting. Issues experienced by some of my audit teams included:

- financial statement supporting documents were not available on a timely basis. In some cases, reconciliations were still being performed six weeks after financial statements were submitted for audit
- finance staff unable to attend to audit queries on a timely basis
- closures of the Health Reform Transitional Organisations not finalised until July 2012.

The results from NSW Health's 31 March 2012 financial statements trial run were mixed. There was some improvement in reconciliations, and the pro forma financial statement template was useful in minimising disclosure errors. However, more is needed to realise the benefits from earlier financial statement preparation processes. Asset revaluations were not performed in a timely manner and the intra-health reconciliation and confirmation process was poorly done.

The Ministry recently engaged an independent firm to review NSW Health's preparedness for timelier and more accurate financial reporting in 2012-13, and also issued an updated proforma financial statement template. The Ministry also advises it will ask all health entities to perform a more thorough 31 March 2013 financial statements trial run. I welcome these initiatives by the Ministry.

General Ledger Reconciliations

Recommendation

All health entities should reconcile key general ledger accounts on a monthly basis.

More regular and timelier reconciliations of intra-health entity balance is required to reduce misstatements

I noted an improvement in general ledger reconciliations across NSW Health, particularly during the last quarter of 2011-12. However, more regular and timelier reconciliations are required for more accurate and timely financial reporting.

The increased workload resulting from the recent health restructure meant some local health districts could not dedicate sufficient resources to prepare and review reconciliations in a timely manner. Observations from my audits included:

- key reconciliations, such as cash at bank, were not performed for extended periods of time. In one case, a local health district had not completed its bank reconciliation for five months. In other instances, reconciliations were not prepared within four weeks of month end
- reconciliations contained many old reconciling items, in some cases more than 12 months old
- in a few cases, it was difficult to assess if reconciliations were prepared and reviewed in a timely manner as sign off dates were not clear
- some reconciliations were simply a listing of all transactions for the period.

The risk of material misstatement increases significantly when critical reconciliations are not regularly performed to the required standard.

Group Consolidation

Recommendation

The Ministry can improve the way it prepares NSW Health's financial statements

The Ministry of Health should review and improve its group consolidation procedures and documentation.

Preparing NSW Health's consolidated financial statements is a complex process. The Ministry should review its consolidation processes and take steps to improve preparation and audit efficiencies, including:

- documenting its processes
- having supporting documentation for elimination entries
- having clear and documented audit trails between individual health entities' financial statements and the Ministry's consolidated financial statements
- improving the intra-health reconciliation process (see below).

Meeting demands for earlier financial reporting timeframes requires a reduction in processing complexities.

I support the Ministry's decision to perform a trial consolidation run at 31 March 2013 as this will give the Ministry an opportunity to road test the consolidation process before year-end. I will review the trial run in May 2013.

Intra-health Balances Out of Balance (Repeat Issue)

Recommendations

Health entities still struggle to agree how much money they owe each other

The Ministry of Health and health entities must further improve how they record, reconcile and confirm intra-health transactions and balances with each other. They should reconcile and agree intra-health balances every quarter.

The Ministry of Health should be more active in reviewing, reconciling and following up intra-health discrepancies.

All health entities should request, and respond to, intra-health confirmations on a timely basis.

Last year, I recommended the Ministry and health entities develop more effective processes for recording, reconciling and settling transactions with each other. The Ministry and health entities partially addressed my recommendation by developing new guidelines, but more is required. At 30 June 2012, there was a $28.0 million difference between amounts recognised as owing and amounts owed between the entities in the health group.

Not only do health entities need to complete timelier and more regular intra-health reconciliations and confirmations, but the Ministry must also be more active in reviewing, reconciling and following up intra-health discrepancies throughout the year. The health sector should not wait until 30 June each year to reconcile and agree what they owe each other. This should be done at least quarterly.

My audits found too many instances where health entities failed to follow the Ministry's instructions and/or refused to respond to confirmation requests from other health entities. One such entity was South Western Sydney Local Health District. It did not respond to confirmation requests from other health entities nor did it send confirmation requests.

Accounting Manual requires Updating

Recommendation

The Ministry of Health should update its Accounts and Audit Determination for Public Health Organisations and its Accounting Manual by 30 June 2013.

NSW Health's accounting manual has not been reviewed and updated in its entirety in the last 17 years

The Ministry's Accounts and Audit Determination for Public Health Organisations and its Accounting Manual are out of date. They were last completely updated in 2005 and 1995 respectively. While some requirements and principles remain unchanged, inconsistencies exist between what happens in practice and what the determination and manual require from public health organisations. The inconsistencies create confusion and lead to divergent practices. I acknowledge the Ministry plans to update both documents in 2013, but recommend it does so before 30 June 2013.

Apart from old terminology, outdated legislative references and changes in governance arrangements, inconsistencies include:

- the determination requiring capitalisation of assets costing more than $5,000, whereas the financial statements accounting policy threshold is $10,000
- the determination requiring public health organisations to reimburse special purpose and/or trust fund accounts for general fund expenditure on the same day, whereas they typically reimburse the accounts at the end of the month.

Performance Information

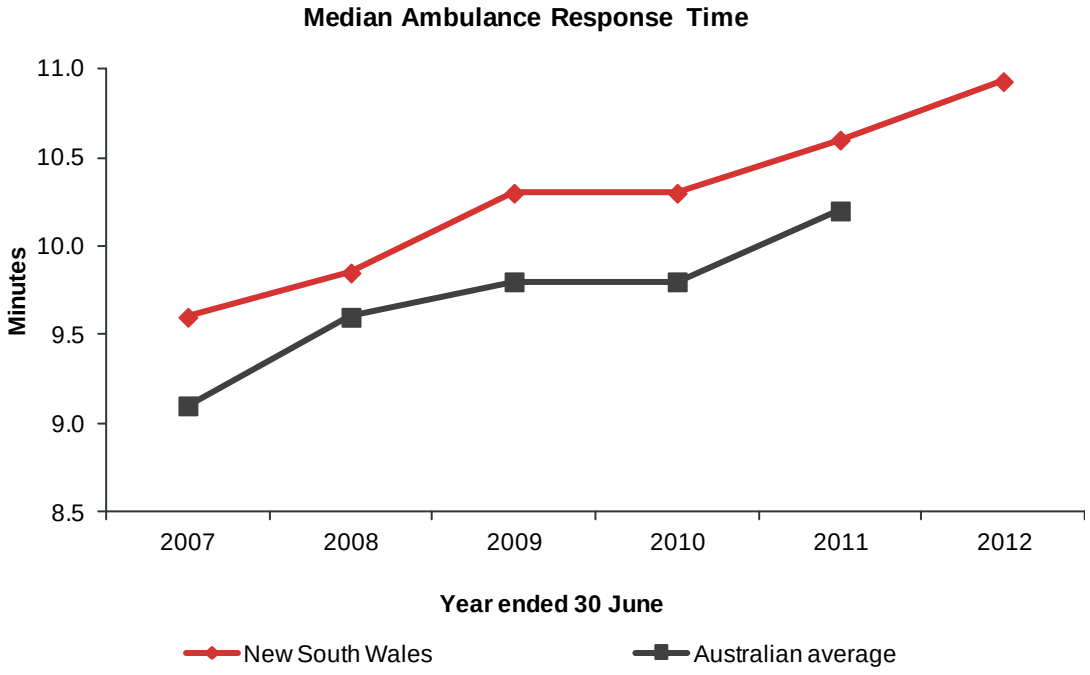
	2012	2011
Ambulance response time	Median time: 10.9 min	Median time: 10.6 min
Off stretcher time	Average time: 29.9 min	Average time: 29.4 min
Emergency triage time	Median time: 19.5 min	Median time: 17.9 min
Emergency admission time	Median time: 6 hrs 39 mins	Median time: 6 hrs 20 min
Elective surgery waiting time	Median time: 50 days	Median time: 48 days

The following section looks at the major stages in a patient's journey through hospital. It starts with ambulance transport to hospital, through the emergency department to an inpatient bed and the length of stay and discharge. It also includes elective surgery waiting time. Not all patients have the same journey as, on average, only one in four emergency department patients arrive by ambulance.

Increasing Ambulance Response Times

The average ambulance response time continues to increase

In 2011-12, the median (50th percentile) ambulance response time for potentially life threatening cases for New South Wales was 10.9 minutes (10.6 minutes in 2010-11). For the Sydney metropolitan area it was 10.7 minutes (10.3 minutes). The Ambulance Service of New South Wales advises the longer response time is due to factors like increasing demand, ambulance station location and long delays at hospitals (referred to as 'off stretcher' time by the Ambulance Service of New South Wales). It expects response times will continue to increase because of these factors. The increase in response time is consistent with the national average trend, as show in the graph below. The Australian average response time for 2011-12 was not available at the time of preparing this report.



Source: Report on Government Services 2012, Volume 1: Emergency Management Table 9A.39 and the Ambulance Service of New South Wales website (unaudited).

Since 2006-07, the national median (50th percentile) response time has increased by 11.3 per cent, from 9.1 minutes in 2006-07 to 10.2 minutes in 2010-11. In comparison, the New South Wales response time has increased by 10.4 per cent, from 9.6 minutes to 10.6 minutes over the same period.

In 2010-11, the median (50th percentile) response time for potentially life-threatening cases, across all states, ranged from 8.2 minutes to 11.4 minutes. They ranged from 8.2 minutes to 10.6 minutes for metropolitan areas in each state.

The ambulance emergency response time is 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 (50th percentile) response time is the key measure, allowing performance to be compared with other states.

Ambulance Delays at Hospitals

It took one in three ambulance crews 30 minutes or more to transfer patients to the hospital and return to their vehicle

In 2011-12, the Ambulance Service of New South Wales transported 627,913 patients (598,798 patients in 2010-11) to a hospital. As shown in the table below, one in three patients had the ambulance crew waiting with them at the hospital (off stretcher time) 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. 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.

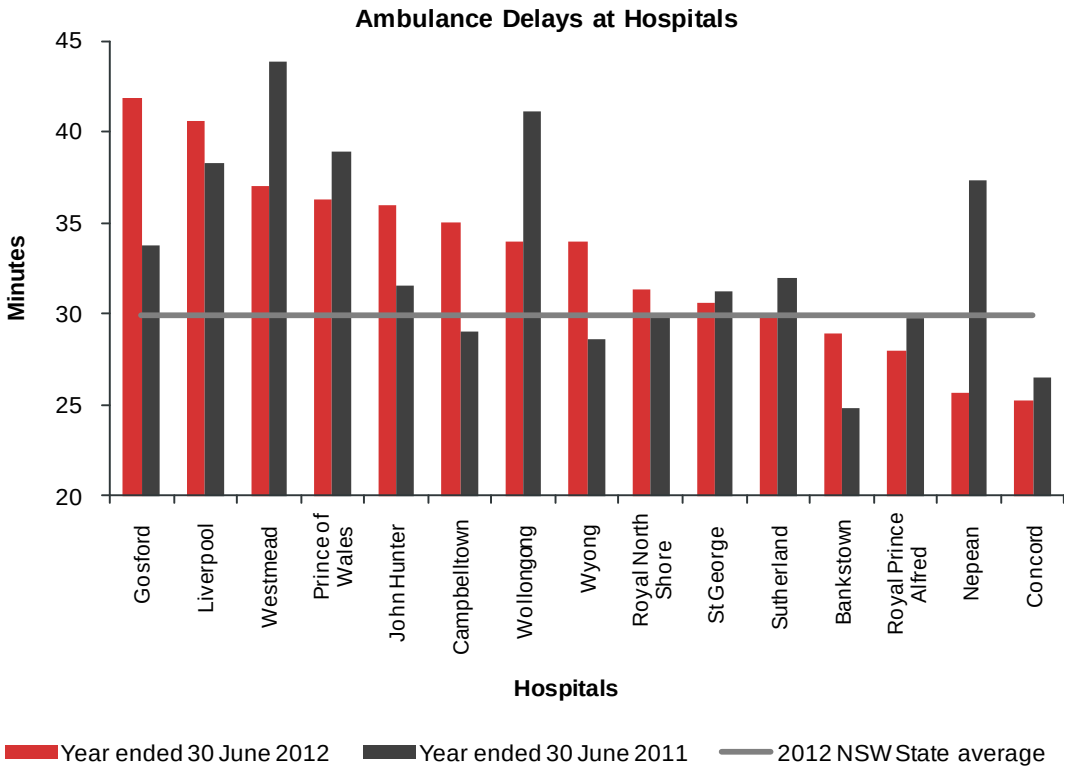
Year ended 30 June	2012	2011	Increase	Increase %
Total number of ambulance presentations	627,913	598,798	29,115*	4.9*
Average ambulance presentations per day	1,716	1,641	75	4.6
Average off stretcher time - all presentations (minutes)	29.9	29.4	0.5	1.7
Total presentations where off stretcher time exceeded 30 minutes	208,972	190,704	18,268*	9.6*
Average off stretcher instances exceeding 30 minutes per day	571	522	49	9.4
Total off stretcher time excluding the first 30 minutes (hours)	84,680	78,224	6,456	8.3

Source: Ambulance Service of New South Wales (unaudited).

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

On average in 2011-12, 571 or 33.3 per cent of ambulances taking patients to a hospital each day were delayed at the hospital for longer than 30 minutes. In 2010-11, it was 522 or 31.8 per cent. Over the year these delays totalled 84,680 hours of lost time, which the Ambulance Service of New South Wales equates to $6.9 million ($6.1 million in 2010-11). The Ambulance Service of New South Wales advises higher numbers of emergency attendances contribute to long off stretcher time.

Based on ambulance presentations, the graph below shows off stretcher time for the largest 15 hospitals.



Source: Ambulance Service of New South Wales (unaudited).

Ambulances were delayed the most at Gosford Hospital and the least at Concord Hospital

The graph shows that in 2011-12, the average time ambulances were delayed exceeded the State average of 29.9 minutes at 11 of the 15 hospitals. Gosford Hospital had the longest average off stretcher time (41.9 minutes) while Concord Hospital had the shortest average off stretcher time (25.3 minutes). The off stretcher time at seven of the 15 hospitals increased from the previous year.

The Ministry advises a new performance indicator called 'Transfer of Care' was introduced from April 2012. This indicator replaces off stretcher time, which the Ministry considered unreliable because it depended on ambulance officers returning to their vehicle and recording their departure time. As a result, it included a component of time not related to actual patient care. The new indicator is based on the arrival time per the Ambulance Service of New South Wales' records and the patient handover time recorded in the emergency department's patient administration system. The statistics reported earlier do not include this new indicator.

I am currently doing a performance audit on ambulance turnaround time at hospitals. I will report my findings to Parliament in June 2013.

NSW Health maintained or bettered its State average emergency department triage performance despite attendances increasing to 2,494,790 in 2011-12

Emergency Department Response Times

In 2011-12, there were 2,494,790 emergency department attendances at NSW hospitals compared to 2,444,408 in 2010-11, an increase of 50,382 or 2.1 per cent. Despite the increase in attendances, NSW Health maintained or bettered its 2010-11 State averages for treating patients within triage target timeframes across all categories. The Local Health Districts Information section contains a breakdown of emergency department attendances by local health district.

Emergency departments use triage to assess how quickly a clinician should attend to the patient. Appropriate triaging of patients ensures they are treated in a timely manner, according to the clinical urgency of their condition. The Ministry uses the triage targets recommended by the Australasian College of Emergency Medicine to measure the local health districts' performance. The Ministry advises two new clinical pathways for chest pain and stroke were

introduced across NSW Health in 2011-12. These are now considered imminently life threatening conditions.

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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Central Coast	**100**	100	69	67	67	63	65	62	88	81
Far West	**100**	100	85	87	83	77	83	84	91	97
Hunter New England	**100**	100	82	82	74	74	75	76	89	90
Illawarra Shoalhaven	**100**	100	90	92	73	75	72	72	90	91
Mid North Coast	**100**	100	80	72	70	61	78	70	93	86
Murrumbidgee	**100**	100	80	82	76	73	76	71	91	87
Nepean Blue Mountains	**100**	100	79	80	76	68	81	72	93	87
Northern NSW	**100**	100	80	78	68	64	72	69	89	88
Northern Sydney	**100**	100	79	93	75	84	75	83	89	92
South Eastern Sydney	**100**	100	86	83	75	66	83	77	95	93
South Western Sydney	**100**	100	84	88	74	78	78	78	93	94
Southern NSW	**100**	100	60	58	62	60	69	72	88	90
Sydney	**100**	100	82	84	66	68	73	71	88	89
Sydney Children's Hospitals	**100**	100	90	90	69	70	66	67	79	79
Western NSW	**100**	100	82	74	68	66	76	72	90	87
Western Sydney	**100**	100	85	82	61	62	63	62	84	80
NSW State Average*	**100**	**100**	**81**	**81**	**71**	**70**	**74**	**72**	**89**	**88**

Source: NSW Ministry of Health (unaudited).

* excludes Affiliated Health Organisations.

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.

The table shows:

- 100 per cent achievement of T1 target (100 per cent in 2010-11)
- four local health districts did not achieve the T2 target (five in 2010-11)
- ten local health districts and the Sydney Children's Hospitals did not achieve the T3 target (11 local health districts and the Sydney Children's Hospitals in 2010-11)
- three local health districts and the Sydney Children's Hospitals did not achieve the T4 target (three local health districts and the Sydney Children's Hospitals in 2010-11)
- 100 per cent achievement of T5 target (100 per cent).

In 2011-12, the Northern Sydney Local Health District's performance results across all triages declined from 2010-11, but remains at or above the target in four of the five triage categories. The Ministry advises this was largely due to the district recording a 4.7 per cent growth in patient admissions and significant data collection issues after implementing a new emergency department information system. The Ministry advises the district has since fixed the data collection issues caused by the new system.

Below is a summary of statewide emergency department triage performance over the last four years. It shows triage timeliness has slightly improved, with the State meeting or exceeding the target in four of the five triage categories in 2011-12. Although it remains one of the best performing states in Australia and is above the national average of 65 per cent, for the fourth consecutive year the State did not achieve its T3 target. Only Far West, Murrumbidgee, Nepean Blue Mountains, Northern Sydney and South Eastern Sydney Local Health Districts met the T3 target in 2011-12.

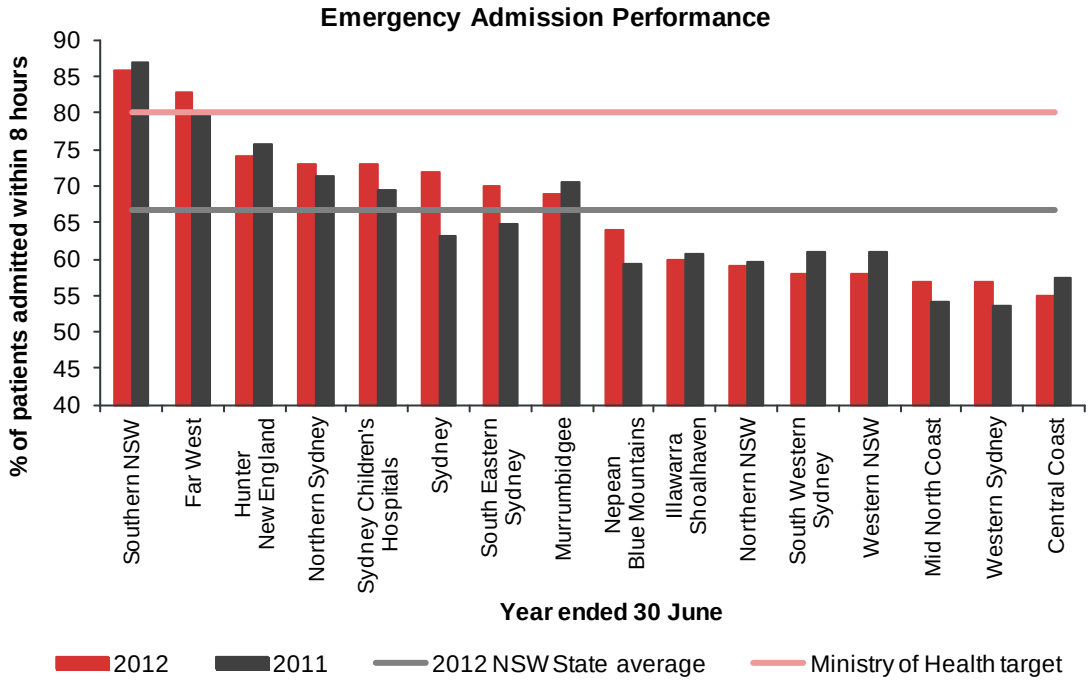
Year ended 30 June NSW State average*	Percentage of patients treated within clinically appropriate timeframes (%)				
	Target	2012	2011	2010	2009
T1	100	100	100	100	100
T2	80	81	81	81	81
T3	75	71	70	70	68
T4	70	74	72	73	73
T5	70	89	88	89	89

Source: NSW Ministry of Health (unaudited).

* Excludes Affiliated Health Organisations.

Emergency Admission remains below Target

Emergency admission is the time it takes a hospital to move an emergency department patient who needs to be admitted as an inpatient to a hospital bed. Emergency admission performance is expressed as a percentage of patients admitted to an inpatient bed within eight hours from the time they arrive, or receive triage, in the emergency department. The graph below shows the performance of the fifteen local health districts and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

For the seventh consecutive year, the State has not met its emergency admission target of 80 per cent

The Southern NSW and Far West Local Health Districts were the only districts which met the Ministry's 80 per cent target in 2011-12. They too were the only ones that met the target in the previous year. Central Coast, Western Sydney and Mid North Coast Local Health Districts were significantly below the target with their performance ranging from 55 per cent to 57 per cent. The performance of eight districts deteriorated between 2010-11 and 2011-12. The Local Health Districts Information section contains the emergency admission performance for each local health district.

The table below shows the State average for the past seven years. While the State's performance improved between 2010-11 and 2011-12, it has remained below the Ministry's target of 80 per cent in all seven years.

Year ended 30 June NSW State average*	2012	2011	2010	2009	2008	2007	2006
Emergency admission performance (%)	67	66	73	73	77	78	75

Source: NSW Ministry of Health (unaudited).

* Excludes Affiliated Health Organisations.

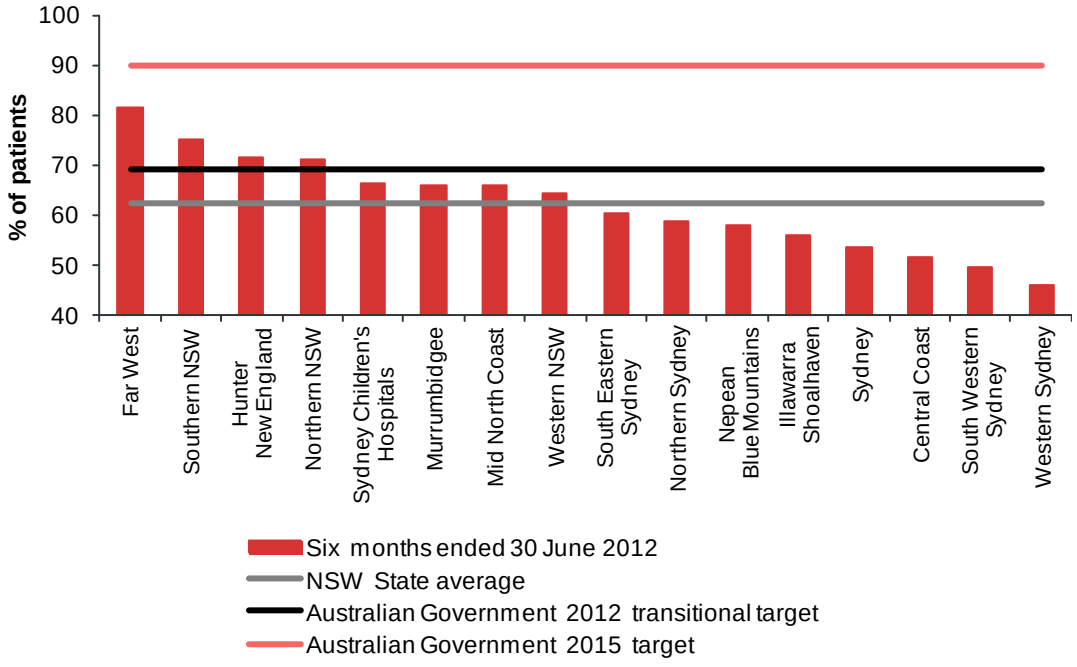
Local health districts have implemented many strategies to improve the flow of patients through the system and make more beds available for admissions. Some of the strategies include early review and planned transfer of hospital patients to home or other levels of care; greater use of 'Hospital in the Home' community packages of care and other support services.

National Emergency Access Target

As part of the national health reform, the Australian Government introduced a more contemporary measure of emergency admission performance, the 'National Emergency Access Target'. This measures the percentage of patients admitted, transferred or discharged within four hours of presenting to the emergency department. The Australian Government introduced this measure from 1 January 2012 and uses it, amongst other things, to calculate reward payments to state health providers for meeting the target. The graph below shows how each local health district performed against the target and the Statewide average.

Achieving the Australian Government's emergency admissions target will be a significant challenge

Emergency Department Patients Admitted, Transferred or Discharged within Four Hours



Source: NSW Ministry of Health (unaudited).

New South Wales State average excludes affiliated Health Organisations.

Only Far West, Southern NSW, Hunter New England and Northern NSW local health districts met the Australian Government's 2012 target of 69 per cent for the six months ended 30 June 2012. Western Sydney and South Western Sydney local health districts admitted, transferred or discharged the least emergency department patients within four hours, achieving only 45.8 per cent and 49.5 per cent respectively.

Western Sydney Local Health District advises a significant increase in T2 triage patients at Blacktown Mt Druitt Hospital (114 per cent increase) and capital works at Westmead Hospital contributed to its poor performance. South Western Sydney Local Health District advises similar reasons and increases in surgical activity and mental health patients affected its performance against the National Emergency Access Target.

From 1 January 2015, the Australian Government has set a target of 90 per cent. The Ministry advises this is very ambitious given growing demand at emergency departments.

Manipulating Emergency Department Performance Data

NSW Health is satisfied it has an effective control framework to prevent, identify and rectify any emergency department manipulation of performance data

Following the ACT Auditor-General's performance audit of 'Emergency Department Performance Information' (July 2012), the Ministry reviewed NSW Health's systems and practices to ensure it had measures in place to prevent, identify and rectify manipulation of emergency department performance data. It concluded it has satisfactory internal controls under its data quality framework.

The Ministry's data quality framework includes: policies, guidelines, rules and directives; data mining and surveillance; quality checking software; special targeted audits; and regular risk assessments. More recently, it introduced routine data quality audits.

The Ministry uses an external audit provider to complete the routine data quality audits. The audits look at hospitals' compliance with existing data requirements and data accuracy. They also assess the processes, procedures and support mechanisms to ensure data integrity across a range of operational matters. At the date of this report, the Ministry had just started the audits. It expects to audit 73 hospitals over the next two and half years.

The ACT Auditor-General's performance audit found emergency department records at Canberra Hospital were deliberately manipulated to show improved emergency department performance. It found very poor systems and practices for preparing and reporting performance information, which gave staff the opportunity to manipulate the records.

Bed Numbers Increased

On average, 20,531 beds and 3,610 treatment spaces were available across the State in June 2012 (20,447 beds and 3,569 treatment spaces in June 2011). The Ministry advises the increase in available beds and treatment spaces was largely due to ongoing investment in additional hospital capacity, as well as other strategies aimed at making more hospital beds available, in line with the Government's commitments.

NSW State average*	2012	2011	2010	2009
Average beds available for admission from emergency department (June)(1)	13,206	13,176	13,140	12,941
Average other hospital beds available (June)	5,145	5,072	4,955	4,916
Average other available beds (June)(2)	2,180	2,199	2,295	2,297
Average treatment spaces available (June)(3)	3,610	3,569	3,537	3,521
Total beds and treatment spaces	**24,141**	**24,016**	**23,927**	**23,676**
Bed occupancy (%) (June)	85.2	89.1	88.3	87.4

Source: NSW Ministry of Health (unaudited).

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.

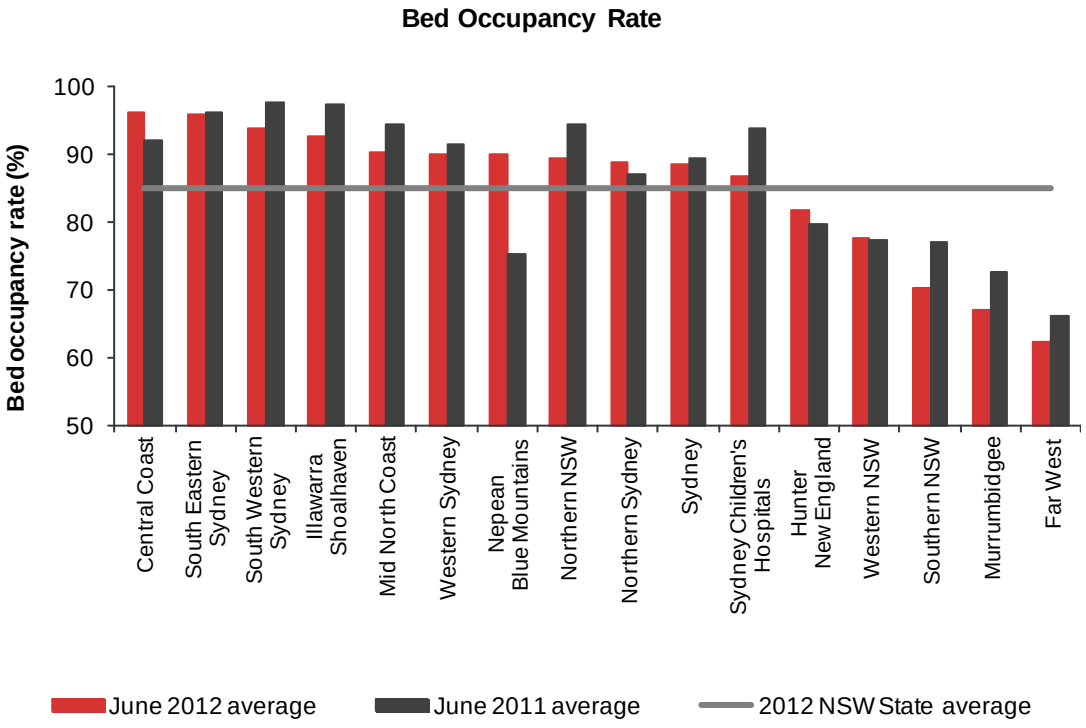
2 Other beds include Hospital in the Home and Residential/Community Aged Care and Respite beds.

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

* NSW State average excludes Affiliated Health Organisations.

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.

Central Coast Local Health District had the highest average bed occupancy rate in June 2012, while Far West Local Health District had the lowest



Source: NSW Ministry of Health (unaudited).

New South Wales State average excludes affiliated Health Organisations.

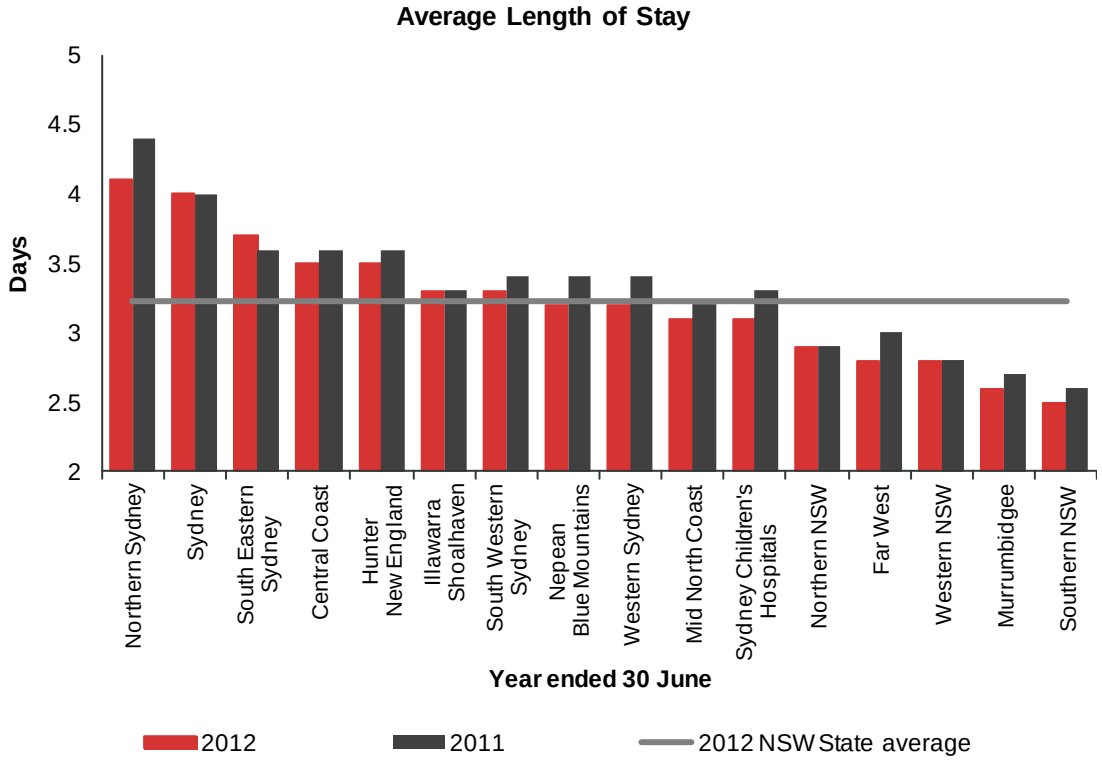
In June 2012, the bed occupancy rate ranged from a high of 96.2 per cent (Central Coast Local Health District) to a low of 62.4 per cent (Far West Local Health District). The metropolitan bed occupancy rate was significantly higher than most rural areas. While a high bed occupancy rate can reflect efficiency it can also lead to increasing wait times in emergency departments and increasing cancellation of elective (planned) surgery.

The Local Health Districts Information section contains the bed occupancy statistics for each local health district.

Average Length of Stay in Hospital

Average length of stay measures the average time patients spend when admitted to hospital and indicates hospital efficiency. Over the years, the length of inpatient stay has reduced because of improvements in patient management and treatment techniques, such as keyhole surgery, day surgery and more outpatient and home treatment for cancer, diabetes and other chronic diseases,

While there is no set average length of stay target, local health districts continuously look at ways of reducing the length of stay. This will become more important as hospitals move to activity-based funding, because longer than benchmark lengths of stay may cause hospitals to lose money.



Source: NSW Ministry of Health (unaudited).

NSW State average excludes Affiliated Health Organisations.

Patients are spending less time in hospital. The average length of stay is now 3.2 days. Four years ago it was 3.7 days

In 2011-12, the statewide average length of stay for acute separations was 3.2 days (3.3 days in 2010-11). Northern Sydney Local Health District recorded the highest average length of stay of 4.1 days (4.4 days), while Southern NSW Local Health District recorded the lowest average of 2.5 days (2.6 days). The average length of stay in ten of the fifteen local health districts and the Sydney Children's Hospitals Network reduced from the previous year.

Generally, metropolitan areas have a slightly higher average length of stay than rural areas, which reflects that metropolitan hospitals generally deal with more complex patient conditions. The state-wide average length of stay excludes the Justice and Forensic Mental Health Network. The Local Health Districts Information section contains the average length of stay statistics for each local health district.

Interstate Comparisons

NSW Health's emergency department performance is as good, if not better, than the national average

The following information, based on 2010-11 statistics, compares NSW public acute hospitals with other jurisdictions. Each jurisdiction has a different patient mix and accounting mechanisms. The data should be considered in this context.

Year ended 30 June		2011				2010	
		Vic	Qld	NSW*	National	NSW*	National
Average available beds per 1,000 population		2.4	2.5	2.8	2.6	2.7	2.6
Average length of stay including day surgery (days)		2.9	2.9	3.3	3.0	3.9	3.6
Emergency department waiting times by Triage category (percentage of patients treated within benchmark time)	T1	100	100	100	100	100	100
	T2	78	81	83	79	82	78
	T3	59	69	71	65	70	65
	T4	67	64	73	68	73	68
	T5	90	85	88	88	89	88

Source: Australian Institute of Health and Welfare - Australian Hospital Statistics 2010-11.

* These statistics differ from the Ministry's statistics, partly because they are based on a selection of hospitals only.

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.

New South Wales triage performance is equal to or better than the national average in all of the five categories. New South Wales performed equal to or better than Queensland (all triage categories) and Victoria (triage categories T1 to T4) in 2010-11.

Elective Surgery Waiting Times

NSW Health had 211,452 elective surgery admissions in 2011-12, 5,186 more than last year

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. The Ministry uses the term 'planned surgery' to describe this type of surgical activity.
In 2011-12, there were 211,452 admissions (206,266 in 2010-11) for planned surgery in NSW public hospitals, representing a 2.5 per cent increase from 2010-11. The Local Health Districts Information section contains a breakdown of admissions by local health district.

Three categories are currently used to classify planned surgical patients according to clinical priority:

- 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.

Over 89 per cent of people on the elective surgery waiting list were booked for surgery within clinically approved timeframes

In terms of performance, the Ministry tracks the percentage of patients within each category who received treatment within the desirable 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	2012	2011	2012	2011	2012	2011
Central Coast	97	98	88	93	91	93
Far West	98	100	90	82	100	100
Hunter New England	92	90	91	90	92	92
Illawarra Shoalhaven	92	87	89	85	93	94
Mid North Coast	85	85	83	79	86	84
Murrumbidgee	90	82	91	84	90	85
Nepean Blue Mountains	96	92	82	81	78	69
Northern NSW	89	88	86	88	93	93
Northern Sydney	95	97	93	95	97	98
South Eastern Sydney	91	91	92	92	92	92
South Western Sydney	91	90	88	88	92	93
Southern NSW	94	94	93	95	92	95
Sydney	99	98	97	97	98	98
Sydney Children's Hospitals	98	95	89	86	92	86
Western NSW	97	98	90	88	92	94
Western Sydney	97	97	91	90	93	93
NSW State Average*	**94**	**93**	**89**	**90**	**92**	**92**

Source: NSW Ministry of Health (unaudited).

* NSW State average excludes Affiliated Health Organisations.

The table shows:

Category 1

- Sydney Local Health District achieved the highest compliance of 99 per cent (100 per cent for Far West Local Health District in 2010-11)
- Mid North Coast Local Health District achieved the lowest compliance of 85 per cent (82 per cent for Murrumbidgee Local Health District).

Category 2

- Sydney Local Health District once again achieved the highest compliance of 97 per cent (97 per cent)
- Nepean Blue Mountains Local Health District achieved the lowest compliance of 82 per cent (79 per cent for Mid North Coast Local Health District).

Category 3

- Far West Local Health District once again achieved the highest compliance of 100 per cent (100 per cent)
- Nepean Blue Mountains Local Health District once again achieved the lowest compliance of 78 per cent (69 per cent).

The number of overdue patients for elective surgery has more than doubled, but people are only waiting slightly longer

	Median waiting time (days)		Number of overdue patients (at 30 June)	
	2012	2011	2012	2011
Surgical Waiting List				
Category 1	11	11	24	6
Category 2	48	48	103	43
Category 3	190	178	177	96
Total	**50**	**48**	**304**	**145**

Source: NSW Ministry of Health (unaudited).

The table shows overdue patients have more than doubled to 304 patients at 30 June 2012 compared to 145 patients at 30 June 2011. The median waiting time also increased by two days. The Ministry advises even though the median waiting time has increased, most patients received surgery within timeframes recommended by their clinicians. It also advises as it improves the 'percentage treated on time' in line with the new National Elective Surgery Target, the number of overdue patients will reduce substantially in future years.

Below is the State average of patients treated within clinically recommended timeframes for the last four years. It shows that in 2011-12, the State's performance improved slightly for Category 1.

NSW State average*	Percentage of patients admitted for booked surgery within clinically appropriate timeframes (%)			
Year ended 30 June	2012	2011	2010	2009
Category 1	94	93	92	93
Category 2	89	90	84	85
Category 3	92	92	89	94

Source: NSW Ministry of Health (unaudited).

NSW State average excludes Affiliated Health Organisations.

Implementation of 2010 Waiting List Management Recommendations

In 2010, the former Sydney West Area Health Service engaged an external consultant to review its elective surgery waiting lists for compliance with waiting time and patient management policies. The review made ten recommendations, some of which were statewide improvements.

The Ministry advises most recommendations have now been implemented. The key recommendations included:

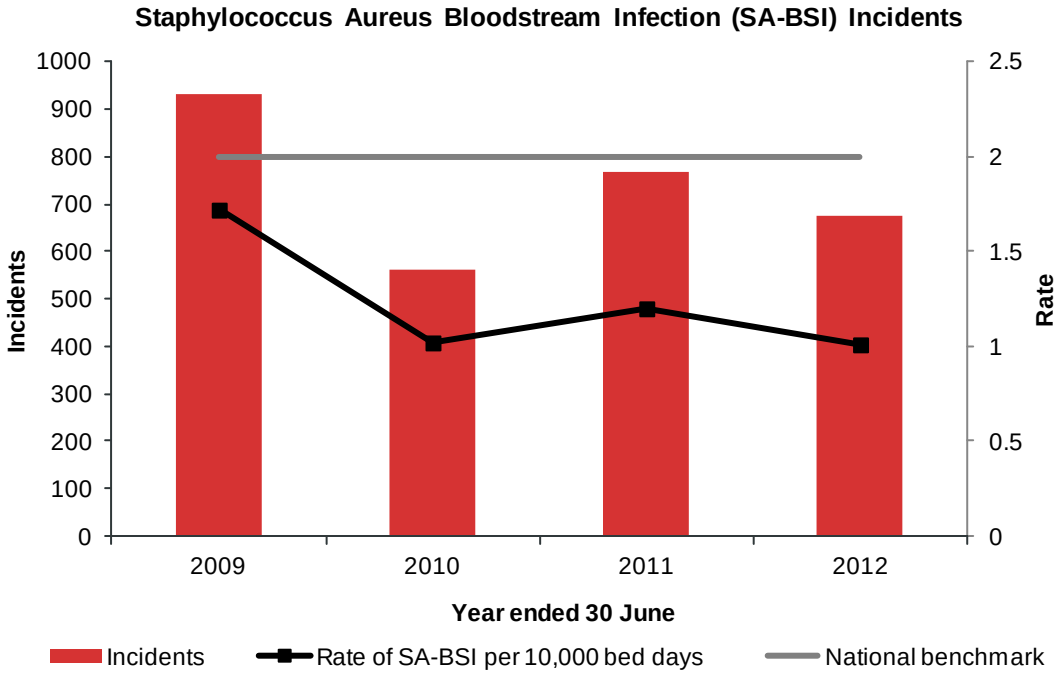
- introducing an electronic request for admission system throughout the State
- ensuring training, procedures and templates were consistent across all hospital sites
- developing electronic reporting of waiting list performance and making this available to doctors and waiting list management on a periodic basis
- performing a status review of deferred patients
- ensuring adequate management oversight of performance indicators.

The review was commissioned by the former Sydney West Area Health Service after it and the then Department of Health identified waiting list data anomalies. The review found the former area health service had not effectively managed waiting lists, noting weaknesses in the areas of people, processes and systems. An earlier review by the then department also identified policy breaches and poor waiting list management practices.

Healthcare Associated Infection

The Ministry requires all hospitals to closely monitor and report data on Healthcare Associated Infection. One of the main indicators is the staphylococcus aureus bloodstream infection (SA-BSI), as it is among the most common causes of community and healthcare associated sepsis. The Ministry advises there is emerging evidence many of these infections are preventable through effective prevention and control, such as workers complying with hand hygiene policies.

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 have consistently averaged less than two SA-BSI cases per 10,000 bed days, with the average being 1.0 cases per 10,000 bed days in 2011-12 (1.2 cases in 2010-11).



Source: NSW Ministry of Health (unaudited).

This is the fourth consecutive year the rate of SA-BSI in New South Wales was below the national benchmark.

The number of SA-BSI incidents fell from 767 in 2010-11 to 674 in 2011-12. The Ministry advises the number of incidents is not directly comparable due to definition changes in January 2009 and July 2011.

Other Information

Asset Management

Statewide Asset Management System

NSW Health has started a long-term project to consolidate multiple asset and facility management reporting systems, but is at least 18 months away from having a single standard asset management system across the sector.

NSW Health has started a project to replace inadequate asset management systems

The Ministry has assessed current systems as not supporting effective asset management planning practices across the sector, as they prevent the sector gathering consistent and reliable information. The absence of reliable backlog maintenance information (see later comment) supports this assessment. Some local health districts currently use an asset management system while others use the fixed asset register and/or spreadsheets to capture information on assets and condition.

The Ministry allocated $10.0 million to this project in 2012. It chose an asset management system in June 2012 and is now scoping its implementation. The benefits of the new system will 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
- more effective legislative compliance for maintenance services.

Medical Equipment Asset Management Program

HealthShare NSW has started a Medical Equipment Asset Management Program (Phase 1) which provides full life cycle asset management and maintenance of medical equipment where values exceed $500,000. The program involves a pilot of whole of lifecycle medical equipment management as well as establishing a central contract register of current high end medical imaging equipment contracts. HealthShare NSW will use the new asset management system, referred to earlier, as its central database for medical equipment.

In 2009, HealthShare NSW established a business unit to manage centralised medical equipment purchasing across NSW Health. Subsequently in late 2010, it proposed to expand its medical equipment purchasing unit to incorporate a centralised, state-wide asset management system.

Ambulance Service of New South Wales - Asset Management

The Ambulance Service of New South Wales has capacity, functionality and compliance issues with its buildings. Its backlog maintenance exceeds $20.0 million

The Ambulance Service of New South Wales' 2012 asset strategic plan identifies capacity problems at 33 of its 46 Sydney ambulance stations and many more stations across the State have functional and performance problems. The Service also believes its headquarters and the education centre are dysfunctional and are not in a satisfactory condition.

The Service has identified many buildings are more than 50 years old and its asset base in the Sydney metropolitan area has remained largely unchanged for more than 30 years, despite increasing population and demand. To address the deficiencies, the Service has sought $276 million in funding over the next ten years, starting from 2013-14.

The Service's asset strategic plan also identifies some $21.4 million in backlog maintenance, which it states arose because of insufficient maintenance funding in the past. The backlog was independently assessed by the Office of Public Works in 2010 and 2012. The Service sought $9.8 million funding in 2011-12 to clear some of this backlog, but only received $2.1 million. It was allocated a further $3.1 million in its 2012-13 budget for backlog maintenance.

Some of the backlog includes addressing fire, asbestos, electrical and safety non-compliance issues. The Service has implemented mitigation strategies to ensure this backlog does not adversely affect its performance or pose significant risk.

Backlog Maintenance

Recommendation

All local health districts should complete a condition based assessment of buildings and determine the backlog maintenance requirements by 30 June 2013.

Unlike the Ambulance Service of New South Wales, not all local health districts have quantified backlog maintenance requirements. The Ministry advises the absence of a consistent definition, together with system limitations, has made this difficult.

As part of its 2012-13 asset planning process, the local health districts identified $96.0 million of 'high priority maintenance', which they need to complete in the next four years. High priority maintenance is defined as maintenance exceeding $250,000 and largely connected with ensuring legislative compliance or minimising disruption to clinical services. Given this assessment by local health districts, the Ministry believes backlog maintenance will be significantly higher when all maintenance is included in the assessment.

NSW Health has significant backlog maintenance, but no one knows how much

In addition to local health districts identifying high priority maintenance, Health Infrastructure commissioned a review of hospital backlog maintenance in 2011-12. Based on a sample of only 16 hospitals, the review concluded there was an estimated $74.0 million of backlog maintenance in hospitals (including mechanical plant and equipment). This assessment excluded medical equipment, ambulance stations and smaller buildings such as community health centres.

The Ministry advises the implementation of the consolidated asset management system, referred to earlier, will provide more reliable and consistent information on backlog maintenance.

Maintenance Expenditure and Benchmarking

Last year, I recommended the Ministry establish and monitor appropriate maintenance targets for local health districts. The Ministry advises the local health districts will establish targets once they improve their asset management records and strategies. It is also collating comparative data to help local health districts in their decision making process.

Actual maintenance expenditure increased by 10.2 per cent, but is still below the benchmark

Based on a benchmarking review with industry and Queensland Health in 2010-11, two per cent of asset replacement value was considered a yardstick benchmark for determining the adequacy of maintenance spend. As shown in the table below, actual maintenance expenditure increased by 10.2 per cent in 2011-12, but relative to the gross replacement cost of NSW Health's property, plant and equipment, remains below the 2 per cent benchmark at 1.2 per cent for 2011-12 (1.1 per cent for 2010-11).

Year ended 30 June	2012	2011
Actual maintenance expenditure ($m)	226	205
Property, Plant, Equipment (PPE) gross cost at 30 June ($m)	19,360	19,380
Actual maintenance expenditure/PPE values (%)	1.2	1.1
Depreciation expense ($m)	535	525

Source: Audited financial statements.

Fully Depreciated Plant and Equipment (Repeat Issue)

Recommendations

All local health districts should review plant and equipment useful lives by 31 March 2013 and provide the Ministry of Health with a written report on the results.

The Ministry of Health should review the results of the useful lives assessments and determine if they should change for certain asset categories.

For the past four years, I have reported NSW Health uses a high proportion of fully depreciated assets. I recommended the Ministry, together with local health districts, review the useful lives of all major asset classes to confirm they are reasonable. In response to my recommendation, the Ministry instructed all health entities to assess the useful lives of assets and write off fully depreciated assets no longer in use. This review remains incomplete.

The percentage of equipment that exceeds its accounting useful life remains high, at almost a third of all plant and equipment.

Plant and equipment at 30 June	2012	2011*	2010	2009
Value of fully depreciated plant and equipment as a percentage of total plant and equipment (%)	29.4	27.9	30.0	36.2

Source: NSW Ministry of Health (unaudited).

* 2011 figures are for the fifteen local health districts only. Data for the Health Reform Transitional Organisations was not available.

NSW Health still uses 21,849 items of plant and equipment, which are older than their accounting useful life

The percentage of fully depreciated assets would have been higher had the local health districts not reset the gross cost of some fully depreciated assets to zero. In total, the local health districts still use 21,849 pieces of plant and equipment, which have passed their original estimated accounting useful life.

While the Ministry and local health districts advise annual checks are performed to ensure old plant and equipment are functioning properly and do not endanger patient or staff safety, asset lives which do not match the expected usage of equipment inflate operating costs.

High Value Medical Equipment

The table below analyses medical equipment costing $200,000 or more.

High value medical equipment at 30 June 2012	
Gross cost of all high value medical equipment ($m)	372
Gross cost of fully depreciated high value medical equipment ($m)	98.2
Fully depreciated medical equipment as a percentage of total gross cost (%)	26.4
Total number of high value medical equipment items	524
Number of fully depreciated high value medical equipment items	171
Percentage of fully depreciated high value medical equipment (%)	32.6

Source: Local Health Districts' fixed asset registers (audited).

As shown in the table, 32.6 per cent of all high value medical equipment in hospitals and other facilities at 30 June 2012 exceed management's initial assessment of useful lives.

Although the accounting useful life of medical equipment may have expired, the local health districts perform regular assessments of high value medical equipment to ensure they meet operational standards.

Asset Stocktakes

Recommendation

All local health districts should complete a stock take of all assets before 30 June 2013.

Last year I reported 13 of the 15 local health districts completed stocktakes in 2010-11. Only Hunter New England, Murrumbidgee, Northern NSW, South Eastern Sydney, Southern NSW, South West Sydney and Western NSW Local Health Districts completed a full stocktake this year. This is disappointing. Apart from not complying with the Ministry's policy, the risk of theft or misappropriation increases without annual stock takes.

Annual stocktakes are an important control in safeguarding assets and all local health districts should start planning the 2012-13 stocktakes to ensure they occur before 30 June 2013. This will give management the opportunity to investigate discrepancies and update the local health districts' asset records before year-end.

Health Infrastructure Capital Projects

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

Health Infrastructure is currently managing 11 capital projects, which have an estimated cost of $50.0 million or more. Seven of these projects are running on time and, overall, the revised budgeted cost is $15.4 million, or 0.6 per cent, higher than the original approved budget of $2.5 billion. The table below summarises the 11 projects.

Project Description	Original budgeted cost ($000)	Revised budgeted cost ($000)	Original estimated completion year	Revised completion year
Royal North Shore Hospital Public Private Partnership	721,672	721,672	2014	2015
Liverpool Hospital Redevelopment Stage 2	397,264	397,264	2012	2013
Council of Australian Governments Initiatives	359,985	359,985	2014	2014
Wagga Wagga Base Hospital Redevelopment stage 1	270,100	270,100	2016	2017
Royal North Shore hospital Community Health Services	158,637	161,037	2015	2015
Campbelltown Macarthur Redevelopment Stage 1	139,086	139,086	2016	2016
Port Macquarie Base Hospital Expansion	110,000	110,000	2015	2015
Royal North Shore Hospital Research and Education Building	100,179	100,179	2012	2012
Nepean Hospital Redevelopment Stage 3	83,502	93,502	2013	2013
Wollongong Hospital Elective Surgery	83,149	86,149	2015	2015
Dubbo Health Service Stages 1 and 2	79,834	79,800	2014	2015
Total	**2,503,408**	**2,518,774**		

Source: NSW Ministry of Health (unaudited).

The Ministry advises the increased cost for the Nepean Hospital Redevelopment and Wollongong Hospital Elective Surgery projects was due to scope changes.

During the year, the new main hospital building at Royal North Shore Hospital was completed and clinical services commenced in November 2012. The new building includes a combination of single and four-bed inpatient rooms, a 58-bed intensive care unit and 18 additional operating theatres, an outpatient (ambulatory care) centre and a comprehensive cancer care centre.

The entire Royal North Shore Hospital redevelopment project consolidates 53 buildings into purpose built facilities designed around the needs of the patient. The project is being completed in stages, with the remaining works including a new clinical services building, community health centre and a car park.

The Royal North Shore Hospital project represents NSW Health's fourth public-private partnership. Under the arrangement, a private sector consortium designs, builds and finances the buildings and car park. The consortium is also responsible for providing facilities management and life cycle maintenance until 2036. The Northern Sydney Local Health District expects to pay $2.2 billion to the consortium for the buildings and a further $1.7 billion for facilities management and maintenance over the life of the arrangement.

The table shows NSW Health's total commitments for the four public-private partnerships at 30 June 2012. It will pay its private partners more than $4.8 billion over the next 24 years to 2036.

NSW Health will pay its public-private partners $4.8 billion over the next 24 years

Public-private partnership commitments (including GST)	At 30 June 2012 $'000
Principal Repayment	
Mater Hospital	154,229
Royal North Shore Hospital (Community Health Building only)	54,521
Long Bay Forensic Hospital	90,259
Orange Hospital	178,300
Public-private partnership liability	**477,309**
Interest	**752,566**
Total construction and financing cost	**1,229,875**
Facility management and life cycle maintenance costs:	
Mater Hospital (until 2033)	542,638
Royal North Shore Hospital (until 2036)	1,714,994
Long Bay Forensic Hospital (until 2034)	313,072
Orange Hospital (until 2035)	1,042,877
Total service cost	**3,613,581**

Source: Audited financial statements.

HealthShare NSW is managing most ICT projects on time and within budget. For every dollar it spends, it expects to receive $3.18 in benefits

Information Technology Projects

The following table outlines current major information technology projects with original budgets exceeding $20.0 million. All projects are managed by HealthShare NSW.

Project description	Original budgeted cost $'000	Revised budgeted cost $'000	Original estimated completion year	Revised completion year	Original quantitative benefits $'000
Electronic Medications Management System	170,300	170,300	2020	2020	369,546
Community Health Outpatient System	104,793	100,702	2016	2016	401,051
Corporate System Stage 2a	107,716	99,693	2014	2014	563,000
Corporate System Stage 2b	77,000	77,400	2018	2018	228,000
Electronic medical record - rollout to clinical specialities	85,400	85,400	2018	2018	430,000
Medical Imaging Information System	61,645	63,103	2012	2013	132,299
Human Resources Information System	59,600	94,282	2011	2011	4,900
Infrastructure Stage 2	47,100	47,100	2015	2015	54,800
NSW Organisational Risk Management Solution	22,218	22,218	2015	2015	121,863
Intensive Care Clinical Information System	43,130	43,130	2015	2015	330,000
Business Information Program	35,948	35,948	2012	2013	32,000
Total	**814,850**	**839,276**	**--**	**--**	**2,667,459**

Source: NSW Ministry of Health (unaudited).

HealthShare NSW plans to spend more than $839 million on the 11 projects, slightly more than the original budgeted cost. Based on the revised budgeted cost, it expects to achieve $2.7 billion in quantitative benefits. This equates to $3.18 for every dollar spent.

The Human Resources Information System project represents the rollout of a new payroll system across NSW Health. As reported in my 2011 Report to Parliament, the project cost increased because of scope changes and additional configuration and development issues arising from the health restructure. HealthShare NSW advises the project was completed in 2011 and the health entities yet to transition to the new payroll system will do so as part of business as usual.

New Patient Revenue System

Last year, I recommended HealthShare NSW and local health districts address the patient receipting and reconciliation issues in the new Statewide patient revenue system. I also recommended they perform a post implementation review of the project. HealthShare NSW advises:

- the receipting and reconciliation issues have been rectified
- a full post implementation review was conducted at the South Eastern Sydney Local Health District and Sydney Children's Hospitals Network sites.

HealthShare NSW advises it has incorporated lessons learned from the post implementation review into the project documentation and practices for the sites yet to transition to the new revenue system. HealthShare NSW will complete a further post implementation review on the entire project after it has implemented it across all sites in 2013-14.

Human Resources

Overtime Payments (including call backs)

Recommendation

All health entities should identify the top one per cent overtime (including call backs) earners in 2011-12 and investigate whether excessive reliance on these employees is value for money or compromises patient safety.

One employee has been paid more than $1.0 million in overtime (including call backs) over the last three years

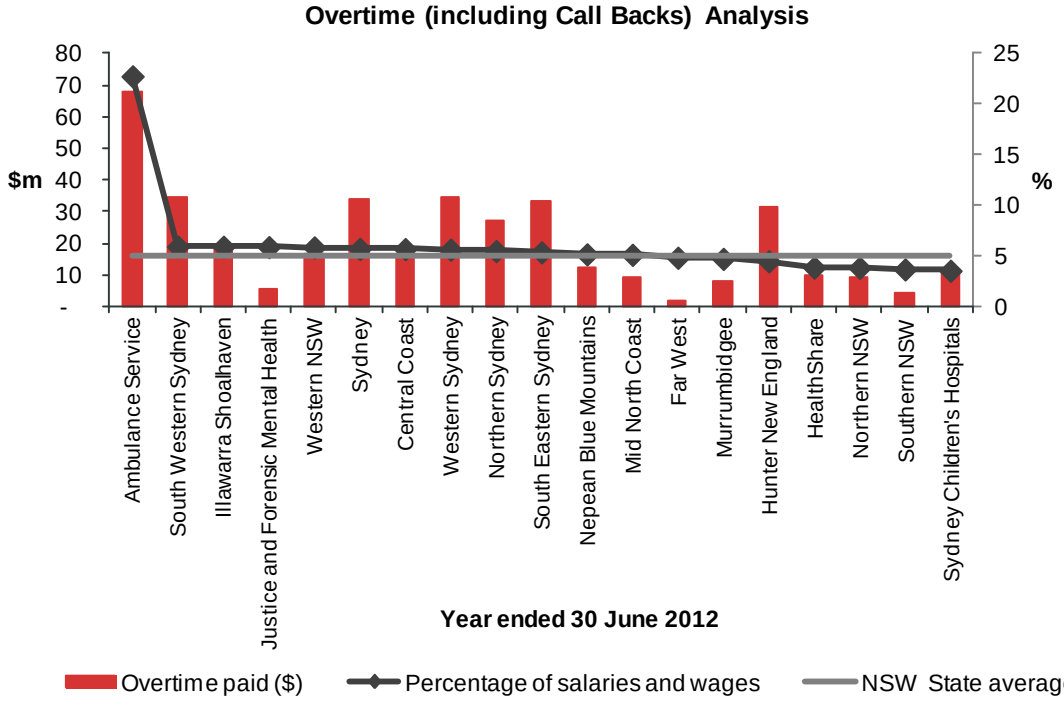
The table below shows six employees who have consistently claimed and been paid more than $160,000 in overtime (including call backs) over the last three years. It shows the highest overtime earner, a career medical officer, earned more than $1.0 million in overtime (including call backs) over the past three years. A call back occurs when a medical staff member is on call and is asked to come to work. The staff member may only come back to work for an hour, but per the award, is paid a minimum of four hours.

Employees who work excessive hours, whether onsite or on-call, may compromise patient safety and not represent value for money.

Year ended 30 June	2012		2011	2010
Position	Annual base salary $	Overtime/call back paid $	Overtime/call back paid $	Overtime/call back paid $
Career Medical Officer Senior	181,049	326,480	333,073	348,686
Career Medical Officer Grade 2	136,030	224,334	234,367	171,357
Career Medical Officer Senior	181,049	173,503	174,841	169,797
Career Medical Officer Grade 2	156,671	169,071	198,760	212,835
Registrar	105,145	165,812	169,829	207,641
Career Medical Officer Senior	181,049	162,882	200,272	184,012

Source: NSW Ministry of Health (unaudited).

Total overtime payments (including call backs) in 2011-12 were $389 million ($387 million in 2010-11). This represented five per cent (4.4 per cent) of total base salary expense for the year. On average, each employee who worked overtime received $5,839 ($5,369) in overtime payments. The graph below shows overtime by health entity.



Source: audited financial statements.

Excluding the Ambulance Service of New South Wales, the South Western Sydney and Illawarra Shoalhaven local health districts paid the most in overtime (including call backs) as a percentage of salary and wages, some six per cent of the salaries and wages expense for the year. The Sydney Children's Hospitals Network paid the least, some 3.6 per cent of salaries and wages expense. Actual overtime as a percentage of salaries and wages can be found in the Local Health Districts Information section.

The Ambulance Service of New South Wales, overtime (including call backs) represented 22.8 per cent of its salaries and wages in 2011-12, 7.0 per cent less than the previous year. It achieved this by reducing unplanned absences and less shift overtime. This was negated by a small increase in overtime for extensions of shifts, largely caused by delays at emergency departments.

The table below provides further statistics on overtime payments.

Year ended 30 June 2012	Total overtime (including call backs) paid ($000)	Number of employees who earned more than 500 hours overtime
Ambulance Service of New South Wales	67,617	795
Western Sydney	34,252	137
South Western Sydney	34,167	136
Sydney	33,806	150
South Eastern Sydney	32,694	102
Hunter New England	27,859	60
Northern Sydney	26,701	94
Illawarra Shoalhaven	16,990	61
Western NSW	15,719	59
Central Coast	14,861	39
Nepean Blue Mountains	12,503	51
Sydney Children's Hospitals	10,114	16
HealthShare NSW	9,678	30
Northern NSW	8,844	17
Mid North Coast	8,548	16
Murrumbidgee	8,155	25
Health Reform Transitional Organisation - Western	7,192	23
Justice and Forensic Mental Health	5,335	26
Southern NSW	4,896	19
Health Reform Transitional Organisation - Northern	4,366	9
Health Reform Transitional Organisation - Southern	2,988	1
Far West	1,628	6
Total *	**388,913**	**1,872**

Source: NSW Ministry of Health (unaudited).

* Totals and averages in this table do not include smaller health agencies.

Annual Leave Balances

Recommendation

In addition to monitoring excessive annual leave balances, all health entities should monitor employees who have taken no, or very little, leave in a rolling 12 month period.

More than 3,000 health employees took no annual leave in 2011-12

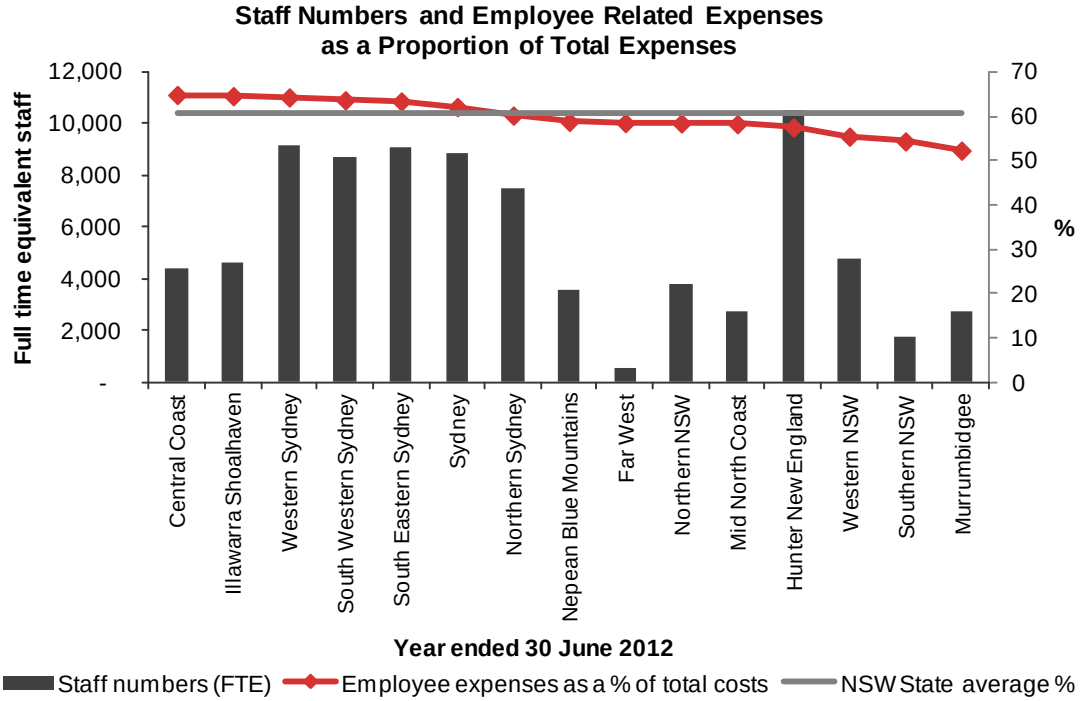
Using the benchmark of two years accrued entitlements, 28,051 employees in the health sector had excessive leave at 30 June 2012 (26,798 employees at 30 June 2011). For some employees, two years of accrued entitlements is equal to eight weeks. For other staff, such as those on rosters, it can be as high as 12 weeks. Liabilities for excessive annual leave generally increase over time as salary rates increase and this can adversely affect cash flows. The health and welfare of employees can also be adversely affected if they do not take sufficient leave. Allowing excess annual leave balances also means employees performing key control functions may not be rotated regularly, which is a preventive control against fraud.

The Ministry has instructed all health entities to reduce excessive annual leave balances.

Of the employees with excessive leave, over 3,000 took no annual leave during 2011-12. This included 366 employees at the Sydney Local Health District, 273 employees at the South Western Sydney Local Health District, 241 employees at the South Eastern Sydney Local Health District and 229 employees at the Ambulance Service of New South Wales. In addition to monitoring employees with excessive annual leave balances, all health entities should develop exception reporting to identify those employees who have taken no, or very little, leave in a rolling 12 month period.

Employee Statistics

The graph below shows the number of full-time equivalent employees at each local health district at 30 June 2012. It also shows the percentage of employee related expenses compared to total expenses.



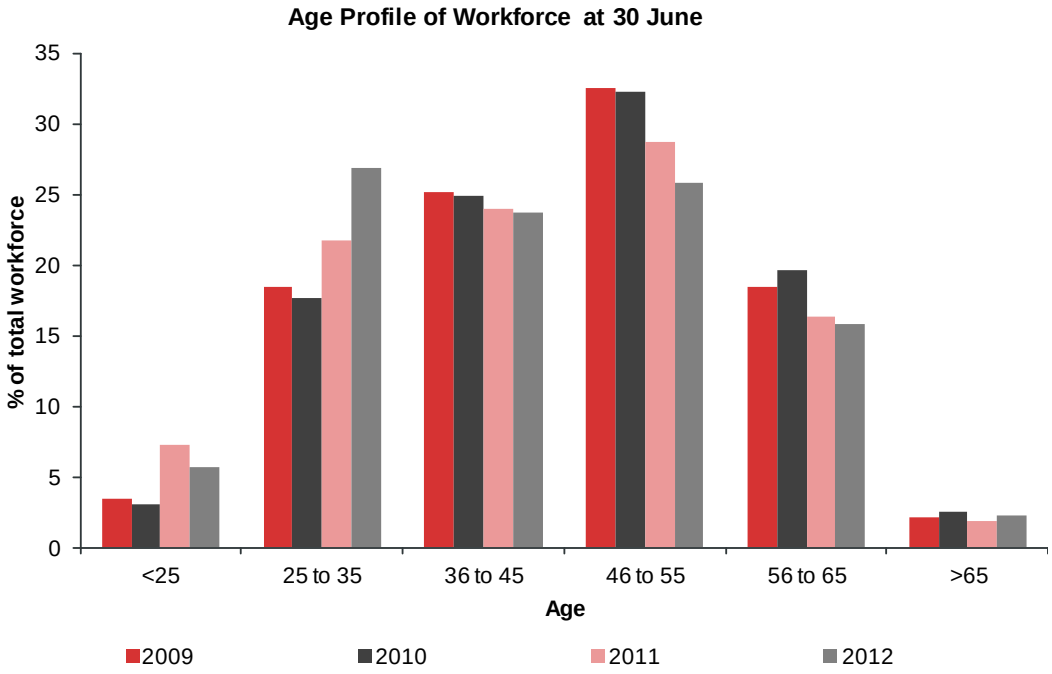
Source: Staff numbers from NSW Ministry of Health (unaudited). Employee expenses/total expenses from audited financial statements.

At 30 June 2012, Hunter New England Local Health District had the most full-time equivalent staff (10,506) while Far West Local Health District had the least (536). At 30 June 2012, NSW Health employed 102,591 full-time equivalent staff (98,728 at 30 June 2011). Clinical staff represented 73.0 per cent (72.4 per cent) of total staff.

As a percentage of total expenses for the year ended 30 June 2012, Central Coast Local Health District recorded the highest percentage of employee related expenses to total expenses at 64.9 per cent and Murrumbidgee Local Health District had the lowest at 52.3 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, excluded in the graph above. The Statewide average for the year was 60.7 per cent (57.9 per cent).

Workforce Ageing

The health sector is facing challenges from the potential loss of thousands of staff over the next few years. Some local health districts advise they have strategies to address the risks arising from an ageing workforce, as well as strategies to develop, attract and retain staff in general. The graph below shows the health sector's age profile.



Source: NSW Ministry of Health (unaudited).

At 30 June 2012, 18.1 per cent (18.2 per cent at 30 June 2011) of staff were aged 56 years and over, while 43.9 per cent (47 per cent) were aged 46 years and over. In the last 12 months, the percentage aged between 25 and 35 years old increased significantly to 26.8 per cent (21.7 per cent).

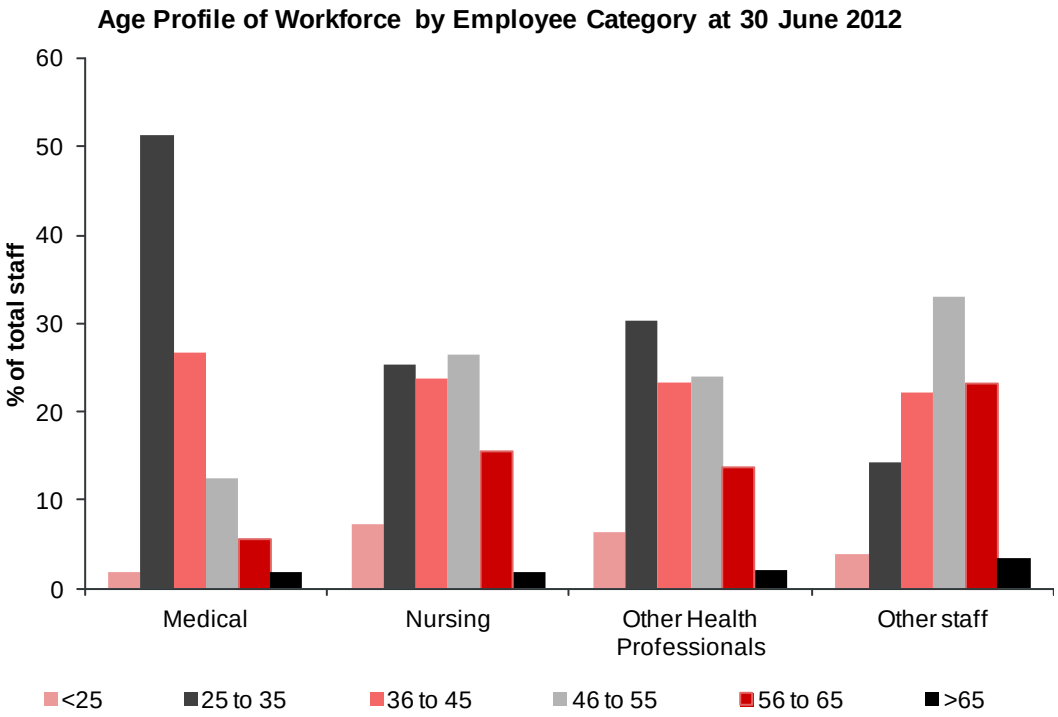
NSW Health has a ten year plan to train, recruit and retain medical and nursing staff

In October 2012, the Ministry released its 'Health Professionals Workforce Plan 2012-2022'. The plan plays a central role in ensuring NSW Health can train, recruit and retain its medical and nursing staff. To manage an ageing workforce, the plan recommends:

- improving recruitment practices
- developing a collaborative health system
- developing effective health professional managers and leaders
- recognising the value of generalist and specialist skills
- aligning specialist medical workforce supply with forecast health service demand and delivery requirements
- investing in the workforce through the provision of career counselling for health professionals
- improving access to education and continuing professional development across NSW Health
- developing support and incentives for rural employment.

All health entities will work together to action these strategies. The Ministry will monitor progress against the plan on a quarterly basis. NSW Health received government funding of $1.9 million in 2012-13 to start implementing the plan.

The graph below shows workforce ageing by employee group. At 30 June 2012, 43.7 per cent of nurses and only 20 per cent of medical staff were 46 years or age or older.



Source: NSW Ministry of Health (unaudited).

Other health professionals comprise allied health staff, para professionals, scientific and technical clinical staff, oral health technicians and ambulance staff. Other staff comprise corporate services, hotel services and maintenance staff.

Ambulance Service of New South Wales Workforce Attrition

The workforce attrition rate for the Ambulance Service of New South Wales was five per cent in 2010-11, an increase from four per cent in the prior year and above the Australian average rate of 4.5 per cent. A low attrition rate is desirable because the service has a highly skilled and professional workforce. The Ambulance Service of New South Wales advises it has appropriate plans and strategies in place to achieve a low attrition rate.

At 30 June	2011		2010	
State	Total operational workforce FTE	Operational workforce attrition %	Total operational workforce FTE	Operational workforce attrition %
NSW	3,778	5.0	3,564	4.0
Vic	2,861	5.2	2,701	4.2
Qld	2,906	2.9	2,841	3.7
WA	748	6.0	619	6.1
SA*	na	na	887	1.2
Tas	314	2.2	270	4.1
ACT	153	4.6	138	7.2
NT	na	na	119	18.5
Aust**	10,759	4.5	11,139	4.1

Source: Report on Government Services 2012, Volume 1: State Emergency Management Table 9A.33.

* 2010-11 ambulance financial and workforce data are not available due to reporting system issues, which will be rectified for the 2013 Report.

** 2010-11 Australian total exclude s SA.

FTE: Full-time equivalent.

na Not available.

Workplace Health and Safety

Workers' compensation claims have decreased by 5.2 per cent

A safe work environment means hospitals can operate effectively while increasing staff performance and morale. Workers' compensation impacts the injured person, their family, the employer and the State. Improved health and safety can reduce these impacts and contribute to better productivity in the workplace. As shown in the table below, workers' compensation claims, compared to 2010, decreased during 2011-12.

Year ended 30 June Workers' compensation claims	2012			2011		2009	
Injury type	Number of claims	Cost of claims ($m)	Average cost per claim(s)	Number of claims	Cost of claims ($m)	Number of claims	Cost of claims ($)
Body stress	2,944	27.2	9,239	3,015	26.5	2,739	24.8
Slips and falls	1,243	10.5	8,447	1,264	11.3	1,205	10.4
Mental stress	442	8.4	19,005	517	11.4	406	8.1
Hit by objects	728	4.7	6,456	762	5.5	1,092	5.8
Motor vehicle	458	3.0	6,550	535	4.1	576	3.8
Other causes	850	5.3	6,235	934	7.1	631	2.4
Total	**6,665**	**59.1**	**8,867**	**7,027**	**65.9**	**6,649**	**55.3**

Source: NSW Ministry of Health (unaudited).

Workers' compensation claims in 2011-12 were 5.2 per cent, or 362 claims, less than the previous year. The most common injury to health employees is body stress, including muscle strains and back conditions, which can be due to a high frequency of lifting and handling people. Nurses are the most likely employees to be injured at work, representing 36.9 per cent of all claims in 2011-12 (38.3 per cent in 2010-11).

At an average cost of $19,005, mental stress claims are more than double the cost of other injury types. Mental stress at work is commonly attributable to one of the following events: work pressure, work-related harassment or workplace bullying, exposure to occupational violence or a traumatic event.

The Ministry advises it has initiatives to reduce the risk of injuries, including education programs for line managers and early intervention strategies to facilitate return to work for injured employees.

Ambulance Service of New South Wales - Partial and Permanent Disability Claims Increasing

The Ambulance Service of New South Wales paid a record $5.2 million in partial and permanent disability claims to 17 injured officers during the year

Despite paying out a record $5.2 million in partial and permanent disability claims to 17 injured officers during the year, the Ambulance Service of New South Wales' liability for partial and permanent disability claims continues to increase, reaching $12.3 million at 30 June 2012 ($10.6 million at 30 June 2011).

Year ended 30 June	2012	2011	2010	2009
Partial and permanent disability liability ($'000)	12,291	10,592	10,005	5,530
Total partial and permanent disability claim payments ($'000)	5,222	1,456	1,383	1,084
Number of partial and permanent disability claims paid	17	7	5	4
Average paid claim size ($)	307,221	207,976	276,690	270,911

Source: Liability figures and average claim size are obtained from an actuarial report, remaining information obtained from the Ambulance Service of New South Wales (audited).

An independent actuary assesses the Ambulance Service of New South Wales' partial and permanent disability liability each year. The increase in liability to $12.3 million at 30 June 2012 was largely due to the actuary allowing for more unreported claims and an increase in the average claim size.

The Ambulance Service of New South Wales will commission a review of the long-term cost of the disability scheme now it has several years of claim experience. Under the award, the Ambulance Service of New South Wales can commission a review when the long-term cost to government exceeds 3.6 per cent of salary expenses. It expects to finalise the review in 2013.

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.

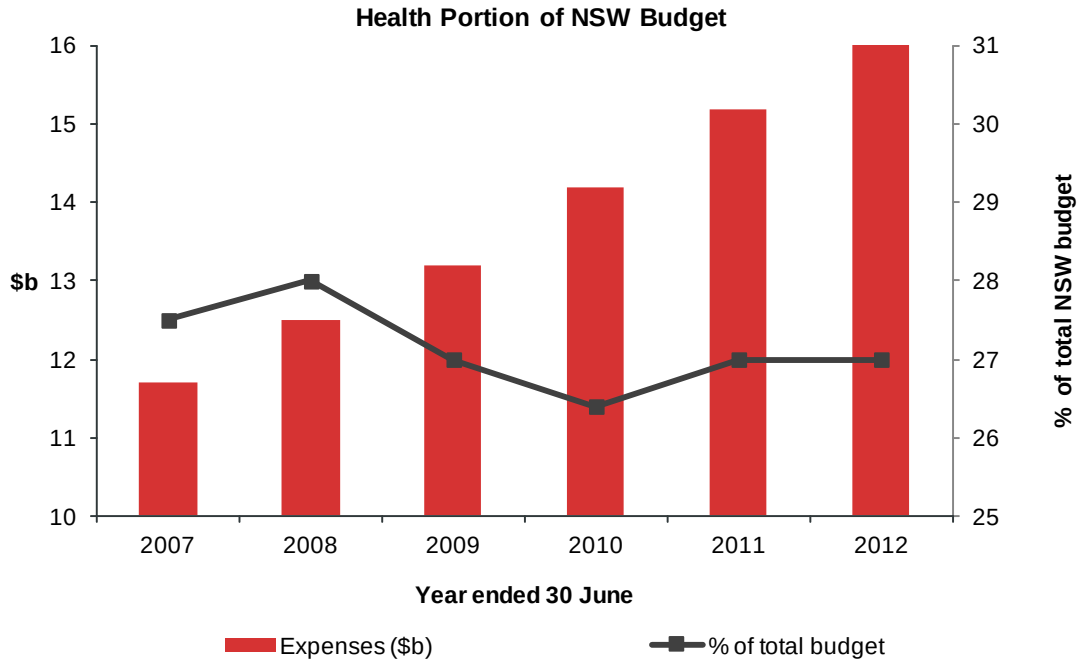
Contract Staff

Last year, I recommended local health districts consider performing an internal audit on hiring and using contractors. While no internal audits were performed, the use of contractors is reconsidered every year when developing internal audit plans. The Ministry's internal audit group plans to review the Ministry's use of contractors as part of its 2012-13 internal audit plan.

To ensure health entities achieve maximum benefit from using contract staff, the Ministry prepared a contingent labour management plan and internal guidelines on the use of contractors during the year. It also plans to implement a vendor management system to improve management and reporting of contingent labour use.

New South Wales Health Expenditure

Based on Government Finance Statistics policy areas, the health sector's expenditure has increased steadily over the past six years from $11.7 billion in 2006-07 to $16.0 billion in 2011-12. As a percentage of the total State's expenditure, health expenditure has decreased from 27.5 per cent in 2006-07 to 27 per cent in 2011-12.



Source: Treasury Budget Papers.

Abridged Statement of Comprehensive Income

Year ended 30 June	2012 $'000	2011 $'000
Employee related expenses	10,096,530	9,432,979
Depreciation and amortisation	535,422	525,138
Grants and subsidies	1,110,497	1,018,964
Finance costs	44,143	41,811
Other expenses	4,675,865	4,405,142
Total expenses	**16,462,457**	**15,424,034**
Government contributions	14,121,101	13,362,735
Sale of goods and services	1,956,814	1,808,715
Other revenue	560,943	492,142
Total revenue	**16,638,858**	**15,663,592**
Other losses	**(86,887)**	**(76,292)**
Net result - surplus	**89,514**	**163,266**
Other comprehensive income		
Net increase in revaluation of assets	139,173	63,004
Total other comprehensive income	**139,173**	**63,004**
Total comprehensive income	**228,687**	**226,270**

Total expenses increased by $1.0 billion, or 6.7 per cent from the previous year. This was largely due to employee award rate increases and the Government's initiative to increase front line staff, such as nurses. It was also due to increased activity, as outlined in the performance section of this report, and rising costs of the health system.

Abridged Statement of Financial Position

At 30 June	2012 $'000	2011 $'000
Current assets	2,100,815	2,012,660
Non-current assets	10,981,575	10,673,690
Total assets	**13,082,390**	**12,686,350**
Current liabilities	2,761,898	2,582,131
Non-current liabilities	557,314	569,728
Total liabilities	**3,319,212**	**3,151,859**
Net assets	**9,763,178**	**9,534,491**

The increase in non-current assets was due to NSW Health spending over $750 million on constructing new facilities and purchasing new plant and computer equipment.

The increase in current liabilities was largely due to the annual leave provision and long service leave on-costs increasing by $72.9 million and $87.4 million respectively from the previous year. The increase in long service leave on-costs was caused by a change in the discount rate used to calculate the liability.

Receivables Management

In 2011-12, NSW Health wrote off $56.9 million of receivables ($48.0 million in 2010-11). Of this, $25.3 million ($22.9 million) related to ambulance transport patients exempt from paying a transport fee, such as pensioners. The remainder largely related to patient fees receivables, particularly ineligible patients. An ineligible patient is someone who is not entitled to Medicare benefits or free hospital treatment, such as overseas visitors.

While the percentage of receivables written off has increased to 13.8 per cent of total receivables at 30 June 2012, NSW Health does have documented policies and procedures for recovering outstanding debts, including the use of debt collection agencies. My testing, at a sample of local health districts, found they generally complied with their debt collection policies and procedures. The table below analyses receivable balances over the last three years.

Year ended 30 June	2012	2011	2010
Total receivables at 30 June ($m)	412	370	357
Receivables older than six months at 30 June ($m)	41.2	45.7	58.6
Doubtful debts at 30 June ($m)	64.2	60.3	57.9
Doubtful debts (% of total receivables) at 30 June	15.6	16.3	16.2
Receivables written off ($m)	56.9	48.0	33.6
Receivables written off (% of total receivables)	13.8	13.0	9.4

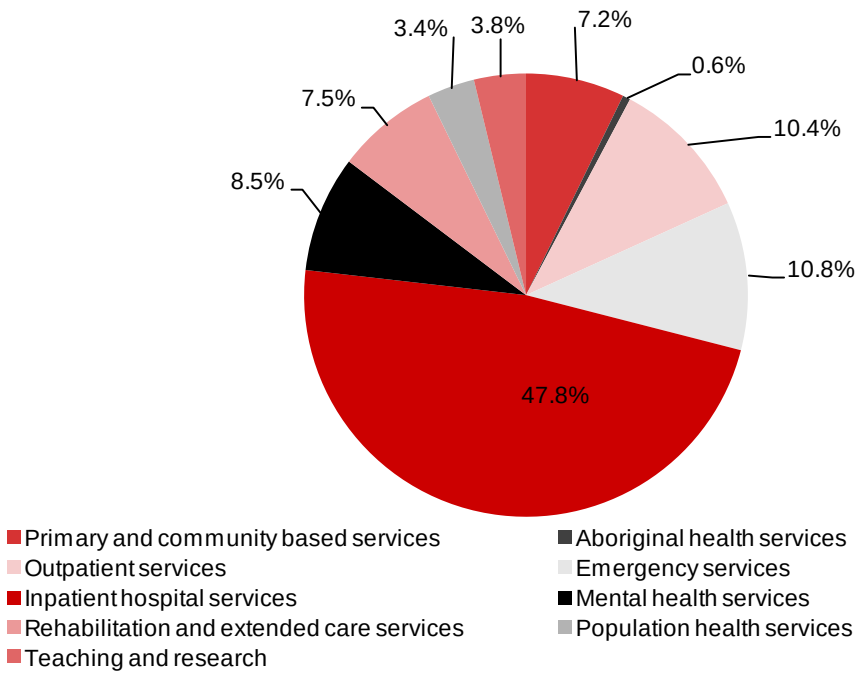
Source: NSW Ministry of Health financial statements (audited).

Abridged Service Group Statements

Year ended 30 June	Total expenses excluding losses				
	2012 Budget $'000	2012 Actual $'000	2011 Actual $'000	2010 Actual $'000	2009 Actual $'000
Primary and community based services	1,186,912	1,186,548	1,135,186	1,143,043	912,556
Aboriginal health services	97,297	91,835	88,932	68,446	57,682
Outpatient services	1,665,318	1,717,337	1,625,761	1,478,488	1,432,502
Emergency services	1,767,349	1,778,725	1,655,698	1,574,919	1,516,812
Inpatient hospital services	7,728,235	7,870,016	7,173,528	6,577,697	6,538,773
Mental health services	1,340,004	1,397,619	1,296,689	1,182,605	1,083,049
Rehabilitation and extended care services	1,265,395	1,231,326	1,215,767	1,165,016	1,105,169
Population health services	554,647	566,968	526,354	580,193	521,014
Teaching and research	805,608	622,083	706,119	710,384	673,873
Total	**16,410,765**	**16,462,457**	**15,424,034**	**14,480,791**	**13,841,430**

In 2011-12, actual expenses in five of the nine service groups was higher than budget. Mental health services recorded the highest unfavourable percentage variance, with actual expenses exceeding budget by $57.6 million, or 4.3 per cent. The Ministry advises this was mostly due to reallocation of costs from teaching and research to other programs to achieve consistency with the definition of teaching and research costs under the National Costing Standards.

Proportion of Total Expenses excluding Losses by Service Group - Year ended 30 June 2012



Source: Audited financial statements.

Public Health Sector Activities

The Ministry of Health manages and regulates the NSW public health care system. Its work includes:

- developing policy and planning
- managing, monitoring and reporting on performance.

The Ministry and the NSW public health care system are known as 'NSW Health'. NSW Health includes:

- fifteen local health districts
- the Sydney Children's Hospitals Network
- the Justice and Forensic Mental Health Network
- statutory health corporations
- the Health Administration Corporation
  - Ambulance Service of New South Wales
  - Health Infrastructure
  - HealthShare NSW (formerly Health Support Services)
  - NSW Health Pathology.

Local health districts are Public Health Organisations constituted under the *Health Services Act 1997*. They are responsible for:

- improving local patient outcomes and responding to issues that arise throughout the local health district
- monitoring the local health district's performance against performance measures included in its service agreement
- delivering services and performance standards within an agreed budget
- ensuring services are provided efficiently and accountably
- maintaining effective communication with local and state public health stakeholders.

Local Health Districts Information

Local Health District	Central Coast		Far West		Hunter New England	
Year	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Abridged Statement of Comprehensive Income (year ended 30 June)*						
Employee related expenses	425,414	180,053	53,437	22,364	1,012,527	473,658
All other expenses excluding losses	230,453	112,320	37,841	17,102	747,160	377,628
Total expenses	**655,867**	**292,373**	**91,278**	**39,466**	**1,759,687**	**851,286**
Government contributions	536,894	247,276	72,916	38,493	1,499,307	759,307
Other revenue	113,318	35,719	12,344	4,597	256,443	109,806
Total revenue	**650,212**	**282,995**	**85,260**	**43,090**	**1,755,750**	**869,113**
Gains/(losses)	(2,491)	(321)	(287)	(94)	(3,310)	(1,203)
Net result - surplus/(deficit)	(8,146)	(9,699)	(6,305)	3,530	(7,247)	16,624
Other comprehensive income	15,510	--	2,507	--	--	--
Total comprehensive income/(expense)	**7,364**	**(9,699)**	**(3,798)**	**3,530**	**(7,247)**	**16,624**
Abridged Statement of Financial Position (year ended 30 June)						
Current assets	43,575	41,860	3,137	8,443	179,134	164,504
Non-current assets	506,996	482,480	86,126	80,737	1,166,965	1,115,621
Total assets	**550,571**	**524,340**	**89,263**	**89,180**	**1,346,099**	**1,280,125**
Current liabilities	116,532	88,779	14,358	10,464	294,437	270,973
Non-current liabilities	285	139	51	27	135,217	145,080
Total liabilities	**116,817**	**88,918**	**14,409**	**10,491**	**429,654**	**416,053**
Net assets	**433,754**	**435,422**	**74,854**	**78,689**	**916,445**	**864,072**
Performance Indicators (year ended 30 June)						
Emergency department attendances	113,531	109,454	22,801	24,464	386,595	377,515
Emergency admission performance % (a)	55	57	83	80	74	76
Emergency admission performance (national emergency access target) (%) (b)	51	na	82	na	72	na
Bed occupancy rate (%) (c)	96.2	92.2	62.4	66.1	81.9	79.8
Average length of stay (days) (d)	3.5	3.6	2.8	3.0	3.5	3.6
Elective surgery - booked surgery admissions	9,773	9,334	1,183	1,134	28,085	27,125
Financial Indicators (year ended 30 June)						
Current ratio at 30 June(e)	0.37	0.47	0.22	0.81	0.61	0.61
Employee related costs as a percentage of total costs (%) (f)	64.9	61.6	58.5	56.7	57.5	55.6
Overtime expense as a percentage of salaries and wages %	5.7	5.6	4.9	4.5	4.5	4.2

Local Health District	Illawarra Shoalhaven		Mid North Coast		Murrumbidgee	
Year	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Abridged Statement of Comprehensive Income (year ended 30 June)*						
Employee related expenses	449,329	200,534	266,663	116,061	250,274	108,410
All other expenses excluding losses	246,251	125,330	190,853	96,889	228,051	106,510
Total expenses	**695,580**	**325,864**	**457,516**	**212,950**	**478,325**	**214,920**
Government contributions	623,427	284,326	405,862	180,316	406,099	183,997
Other revenue	93,493	41,821	58,481	25,866	86,685	33,464
Total revenue	**716,920**	**326,147**	**464,343**	**206,182**	**492,784**	**217,461**
Gains/(losses)	(763)	(329)	(1,260)	(348)	(7,809)	(921)
Net result - surplus/(deficit)	20,577	(46)	5,567	(7,116)	6,650	1,620
Other comprehensive income	28,645	--	3,696	--	--	--
Total comprehensive income/(expense)	**49,222**	**(46)**	**9,263**	**(7,116)**	**6,650**	**1,620**
Abridged Statement of Financial Position (year ended 30 June)						
Current assets	62,259	48,338	34,080	25,481	34,146	28,259
Non-current assets	424,251	385,850	266,853	251,213	281,132	266,059
Total assets	**486,510**	**434,188**	**300,933**	**276,694**	**315,278**	**294,318**
Current liabilities	101,206	88,061	69,703	59,064	70,198	55,722
Non-current liabilities	1,062	195	830	555	1,582	99
Total liabilities	**102,268**	**88,256**	**70,533**	**59,619**	**71,780**	**55,821**
Net assets	**384,242**	**345,932**	**230,400**	**217,075**	**243,498**	**238,497**
Performance Indicators (year ended 30 June)						
Emergency department attendances	136,259	136,154	87,606	85,079	53,237	54,377
Emergency admission performance (%)(a)	60	61	57	54	69	71
Emergency admission performance (national emergency access target)(%)(b)	56	na	66	na	66	na
Bed occupancy rate (%)(c)	92.8	97.6	90.4	94.5	67.2	72.6
Average length of stay (days)(d)	3.3	3.3	3.1	3.2	2.6	2.7
Elective surgery - booked surgery admissions	11,929	11,462	8,888	9,076	6,757	6,561
Financial Indicators (year ended 30 June)						
Current ratio at 30 June(e)	0.62	0.55	0.49	0.43	0.49	0.51
Employee related costs as a percentage of total costs (%)(f)	64.6	61.5	58.3	54.5	52.3	50.4
Overtime expense as a percentage of salaries and wages (%)	6.0	6.1	5.2	5.3	4.8	4.8

Local Health District	Nepean Blue Mountains		Northern NSW		Northern Sydney	
Year	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Abridged Statement of Comprehensive Income (year ended 30 June)*						
Employee related expenses	340,185	157,679	354,768	160,306	743,611	324,000
All other expenses excluding losses	238,231	122,539	252,079	129,719	491,291	253,266
Total expenses	**578,416**	**280,218**	**606,847**	**290,025**	**1,234,902**	**577,266**
Government contributions	541,597	272,916	495,404	250,115	1,075,346	458,484
Other revenue	57,706	26,281	116,972	29,804	215,506	83,152
Total revenue	**599,303**	**299,197**	**612,376**	**279,919**	**1,290,852**	**541,636**
Gains/(losses)	(8,483)	(5,310)	(1,200)	(405)	(10,777)	629
Net result - surplus/(deficit)	12,404	13,669	4,329	(10,511)	45,173	(35,001)
Other comprehensive income	141	--	5,731	--	40,955	--
Total comprehensive income/(expense)	**12,545**	**13,669**	**10,060**	**(10,511)**	**86,128**	**(35,001)**
Abridged Statement of Financial Position (year ended 30 June)						
Current assets	43,301	42,761	36,271	29,405	161,411	153,944
Non-current assets	481,367	460,695	395,416	362,223	1,050,068	958,087
Total assets	**524,668**	**503,456**	**431,687**	**391,628**	**1,211,479**	**1,112,031**
Current liabilities	99,044	90,219	94,265	79,693	210,423	204,094
Non-current liabilities	8,682	10,993	1,364	705	81,074	81,190
Total liabilities	**107,726**	**101,212**	**95,629**	**80,398**	**291,497**	**285,284**
Net assets	**416,942**	**402,244**	**336,058**	**311,230**	**919,982**	**826,747**
Performance Indicators (year ended 30 June)						
Emergency department attendances (a)	107,181	103,541	165,797	108,888	171,555	163,799
Emergency admission performance (%)	64	59	59	60	73	71
Emergency admission performance (national emergency access target) (%)(b)	58	na	71	na	59	na
Bed occupancy rate (%) (c)	90.1	75.2	89.4	94.4	88.9	87.0
Average length of stay (days)(d)	3.2	3.4	2.9	2.9	4.1	4.4
Elective surgery - booked surgery admissions	8,384	8,347	13,026	12,681	12,033	12,409
Financial Indicators (year ended 30 June)						
Current ratio at 30 June(e)	0.44	0.47	0.38	0.37	0.77	0.75
Employee related costs as a percentage of total costs (%)(f)	58.8	56.3	58.5	55.3	60.2	56.1
Overtime expense as a percentage of salaries and wages (%)	5.2	6.0	3.9	4.2	5.5	5.7

Local Health District	South Eastern Sydney		South Western Sydney		Southern NSW	
Year	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Abridged Statement of Comprehensive Income (year ended 30 June)*						
Employee related expenses	909,752	396,934	850,996	399,176	166,219	74,520
All other expenses excluding losses	525,046	255,774	485,752	239,954	139,371	75,690
Total expenses	**1,434,798**	**652,708**	**1,336,748**	**639,130**	**305,590**	**150,210**
Government contributions	1,154,349	509,633	1,206,596	551,276	269,260	131,670
Other revenue	281,587	108,018	157,815	67,293	43,305	16,669
Total revenue	**1,435,936**	**617,651**	**1,364,411**	**618,569**	**312,565**	**148,339**
Gains/(losses)	(2,284)	(343)	(7,942)	(10,915)	(1,852)	(314)
Net result - surplus/(deficit)	(1,146)	(35,400)	19,721	(31,476)	5,123	(2,185)
Other comprehensive income	17,886	--	--	--	--	--
Total comprehensive income/(expense)	**16,740**	**(35,400)**	**19,721**	**(31,476)**	**5,123**	**(2,185)**
Abridged Statement of Financial Position (year ended 30 June)						
Current assets	178,211	152,385	102,182	79,720	20,785	14,495
Non-current assets	1,015,695	989,905	1,057,262	995,206	179,352	174,582
Total assets	**1,193,906**	**1,142,290**	**1,159,444**	**1,074,926**	**200,137**	**189,077**
Current liabilities	266,182	240,166	247,357	227,822	46,372	36,182
Non-current liabilities	16,468	14,783	18,882	2,342	709	69
Total liabilities	**282,650**	**254,949**	**266,239**	**230,164**	**47,081**	**36,251**
Net assets	**911,256**	**887,341**	**893,205**	**844,762**	**153,056**	**152,826**
Performance Indicators (year ended 30 June)						
Emergency department attendances	194,957	185,755	231,254	222,744	57,217	30,987
Emergency admission performance (%)(a)	70	65	58	61	86	87
Emergency admission performance (national emergency access target) (%)(b)	61	na	50	na	75	na
Bed occupancy rate(%)(c)	95.9	96.4	93.9	97.7	70.2	77.0
Average length of stay (days)(d)	3.7	3.6	3.3	3.4	2.5	2.6
Elective surgery - booked surgery admissions	19,164	19,256	21,094	20,085	5,293	5,081
Financial Indicators (year ended 30 June)						
Current ratio at 30 June (e)	0.67	0.63	0.41	0.35	0.45	0.40
Employee related costs as a percentage of total costs (%)(f)	63.4	60.8	63.7	62.5	54.4	49.6
Overtime expense as a percentage of salaries and wages (%)	5.4	5.6	6.0	5.6	3.7	5.0

Local Health District	Sydney		Western NSW		Western Sydney	
Year	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Abridged Statement of Comprehensive Income (year ended 30 June)*						
Employee related expenses	856,448	403,653	415,261	174,087	900,460	404,661
All other expenses excluding losses	521,506	249,173	333,342	163,137	499,670	268,994
Total expenses	**1,377,954**	**652,826**	**748,603**	**337,224**	**1,400,130**	**673,655**
Government contributions	1,128,358	518,930	630,399	308,072	1,174,132	542,712
Other revenue	228,501	110,160	97,497	40,040	189,945	76,400
Total revenue	**1,356,859**	**629,090**	**727,896**	**348,112**	**1,364,077**	**619,112**
Gains/(losses)	(11,281)	(661)	(11,131)	(1,167)	(941)	(4,096)
Net result - surplus/(deficit)	(32,376)	(24,397)	(31,838)	9,721	(36,994)	(58,639)
Other comprehensive income	--	--	112,690	--	33,013	--
Total comprehensive income/(expense)	**(32,376)**	**(24,397)**	**80,852**	**9,721**	**(3,981)**	**(58,639)**
Abridged Statement of Financial Position (year ended 30 June)						
Current assets	288,439	173,811	40,998	69,744	227,660	104,256
Non-current assets	859,044	835,730	781,075	661,412	1,031,848	962,833
Total assets	**1,147,483**	**1,009,541**	**822,073**	**731,156**	**1,259,508**	**1,067,089**
Current liabilities	254,307	221,918	103,431	91,589	247,012	210,560
Non-current liabilities	2,186	4,362	162,473	162,362	5,709	3,909
Total liabilities	**256,493**	**226,280**	**265,904**	**253,951**	**252,721**	**214,469**
Net assets	**890,990**	**783,261**	**556,169**	**477,205**	**1,006,787**	**852,620**
Performance Indicators (year ended 30 June)						
Emergency department attendances	138,505	131,960	79,619	79,277	151,532	145,198
Emergency admission performance (%)(a)	72	63	58	61	57	54
Emergency admission performance (national emergency access target)(%)(b))	54	na	64	na	46	na
Bed occupancy rate (%)(c)	88.7	89.5	77.6	77.5	90.2	91.7
Average length of stay (days)(d)	4.0	4.0	2.8	2.8	3.2	3.4
Elective surgery - booked surgery admissions	23,832	23,557	9,428	9,253	15,075	15,223
Financial Indicators (year ended 30 June)						
Current ratio at 30 June(e)	1.13	0.78	0.40	0.76	0.92	0.50
Employee related costs as a percentage of total costs (%)(f)	62.2	61.8	55.5	51.6	64.3	60.1
Overtime expense as a percentage of salaries and wages (%)	5.7	5.8	5.9	5.3	5.7	6.0

* 2011 Abridged statement of comprehensive income is only for the six months ended 30 June 2011.

a Emergency Admission Performance - percentage of patients admitted to a hospital inpatient bed within eight hours from the time they arrive, or receive triage, in the emergency department.

b Emergency Admission Performance (National Emergency Access Target) - percentage of patients who are admitted, transferred or discharged within four hours of presenting to the emergency department. Indicator commenced 1 January 2012

c Bed occupancy rate - the average percentage of open and occupied beds that were available in June.

d Average length of stay - average time patients spend when admitted in hospital.

e Current ratio - current assets divided by current liabilities.

f Employee related costs as a percentage of total costs - employee related expenses divided by total expenses.

na Not applicable

Section Two

Agencies with Individual Comments

Attorney General

Minister for Aboriginal Affairs

Minister for Primary Industries

NSW Trustee and Guardian Common Fund - Financial Management

Audit Opinion

I issued an unqualified audit opinion on the NSW Trustee and Guardian Common Fund - Financial Management's 30 June 2010 financial statements.

The audits of the Common Fund's financial statements for the years ended 30 June 2011 and 2012 are in progress.

Key Issues

Control Deficiencies

In Volume One of my report for this year, I recommended the Common Fund fully address control deficiencies in the payment of client expenses.

In Volume Seven of my report for this year, I reported control deficiencies still exist with the management of the common funds. I am advised the NSW Trustee and Guardian continues to perform internal audit reviews and implement recommendations to address the control deficiencies.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 $'000	2009 $'000
Investment income	59,548	82,736
Unrealised gain in market value of investments	20,131	--
Total revenue	**79,679**	**82,736**
Management fees	18,405	20,371
Other expenses	1,386	1,759
Unrealised loss in market value investments	--	126,560
Total expenditure	**19,791**	**148,690**
Net result - surplus/(deficit)	**59,888**	**(65,954)**
Net transfer from equity	23	185
Distributions to clients	(39,780)	(60,672)
Unrealised (gain)/loss in market value of investments	(20,131)	126,441
Net result	**--**	**--**
Total comprehensive income	**--**	**--**

Investment income decreased due to a fall in interest income, dividend distributions and realised gains from investments.

The decrease in distributions to clients reflected investment market performance.

Abridged Statement of Financial Position

At 30 June	2010 $'000	2009 $'000
Cash	12,019	24,095
Receivables	18,514	674
Investments	1,166,102	1,137,052
Total assets	**1,196,635**	**1,161,821**
Assets attributable to clients	1,176,380	1,141,671
Other liabilities	4,660	3,810
Total liabilities	**1,181,040**	**1,145,481**
Net assets	**15,595**	**16,340**

Most of the increase in receivables is from a rise in accrued dividends. Approximately 70 per cent of the increase in investments is from unrealised gains at 30 June 2010.

Activities

The Common Fund was established under the *NSW Trustee and Guardian Act 2009*. The Act directs that the NSW Trustee must keep a separate account in a common fund with respect to each trust matter of the NSW Trustee and each estate for which the NSW Trustee is the manager. It also authorises the NSW Trustee to invest the Common Fund in securities authorised by the *Trustee Act 1925.*

For further information on NSW Trustee and Guardian, see www.tag.nsw.gov.au.

New South Wales Aboriginal Land Council

Audit Opinion

I issued an unqualified audit opinion on the New South Wales Aboriginal Land Council's 30 June 2012 financial statements.

Operational Snapshot

The New South Wales Aboriginal Land Council (NSWALC) is the largest member-based Aboriginal organisation in the State. The land council network operates as a two-tiered structure, with the NSWALC as the peak body and 119 Local Aboriginal Land Councils (LALCs). Both the NSWALC and the LALCs are governed by elected boards. The NSWALC annually allocates funds to LALCs.

The NSWALC aims to protect the interests and further the aspirations of its members and the broader Aboriginal community. It works for the return of culturally significant and economically viable land, pursuing cultural, social and economic independence for its people. It is politically proactive and voices the position of Aboriginal people with governments and other stakeholders on issues that affect them.

The NSWALC had total assets of $624 million at 30 June 2012 ($606 million at 30 June 2011). In 2011-12, the NSWALC's income totalled $26.4 million ($51.5 million in 2010-11). Expenses were $44.1 million ($45.8 million) resulting in an operating deficit of $17.7 million for the year (surplus of $5.7 million).

Key Issues

Preservation of the Funds in the New South Wales Aboriginal Land Council Account

Recommendation

The New South Wales Aboriginal Land Council must continue to actively manage its investment strategies and closely monitor its spending to maintain its capital in the longer term.

The Council must preserve its capital above a minimum benchmark

The NSWALC had net assets of $580 million at 30 June 2012, down from $598 million at 30 June 2011. In 2011-12, the NSWALC drew down $35.5 million from its investments to fund operations ($36.5 million in 2010-11). The amount drawn down in 2011-12 to support annual operations exceeded investment returns, which totalled $19.2 million ($45.0 million). The amount drawn down is controlled by spending rules adopted in 2010-11.

Under section 150 of the *Aboriginal Land Rights Act 1983*, the NSWALC is required to maintain the value of the 'NSWALC Account' above the benchmark of $485 million established in 1998-99.

Further analysis is provided later in this report.

The *Aboriginal Land Rights Act 1983* is currently under review

Ministerial Review of the *Aboriginal Land Rights Act 1983*

During 2011-12, the NSW Government appointed a working group to conduct a statutory review of the Act. NSWALC representatives formed part of the working group. The final report and recommendations of the working group was delivered to the Minister for Aboriginal Affairs on 12 October 2012. The minister tabled the report in parliament on 22 November 2012. The tabling of the report is expected to be followed by a wide-ranging consultation process with the Aboriginal Land Council network and other key stakeholders early in 2013.

A ministerial taskforce on Aboriginal Affairs was established in August 2011 to advise the NSW Government on actions to increase opportunities for Aboriginal people in New South Wales. The taskforce has completed its community consultations and any recommendations will be reflected in a new Aboriginal affairs strategy.

Any proposed legislative changes flowing from the statutory review of the Act and the taskforce are expected to come before parliament in 2013.

The minister is required to undertake a statutory review of the Act every five years to determine whether the policy objectives of the Act remain valid. The Act was last reviewed in 2006-07.

Investments in Shares

Recommendation

The Minister for Aboriginal Affairs needs to clarify the New South Wales Aboriginal Land Council's investment powers during the current statutory review of the *Aboriginal Land Rights Act 1983*.

During the financial year ended 30 June 2012, the NSWALC made investments in new ventures, which may not provide returns for some years and are not highly marketable. The NSWALC advises these investments have the potential to provide economic advancement opportunities and financial rewards for Aboriginal people.

I have questioned whether such investments are aligned with the current investment powers allowed to the NSWALC under the Act and the Aboriginal Land Rights Regulation 2002. The Minister for Aboriginal Affairs advises the ability of the NSWALC to make such investments will be clarified during the current statutory review of the Act.

The Minister for Aboriginal Affairs has undertaken to clarify the Council's investment powers

Mining and Exploration Activities

During 2011-12, the NSWALC applied for both coal and petroleum exploration licenses in areas across New South Wales. It established two proprietary companies on 29 June 2012 to manage these activities. The licenses had not been granted and the companies had not conducted any business when the audit of the NSWALC's 30 June 2012 financial statements was completed.

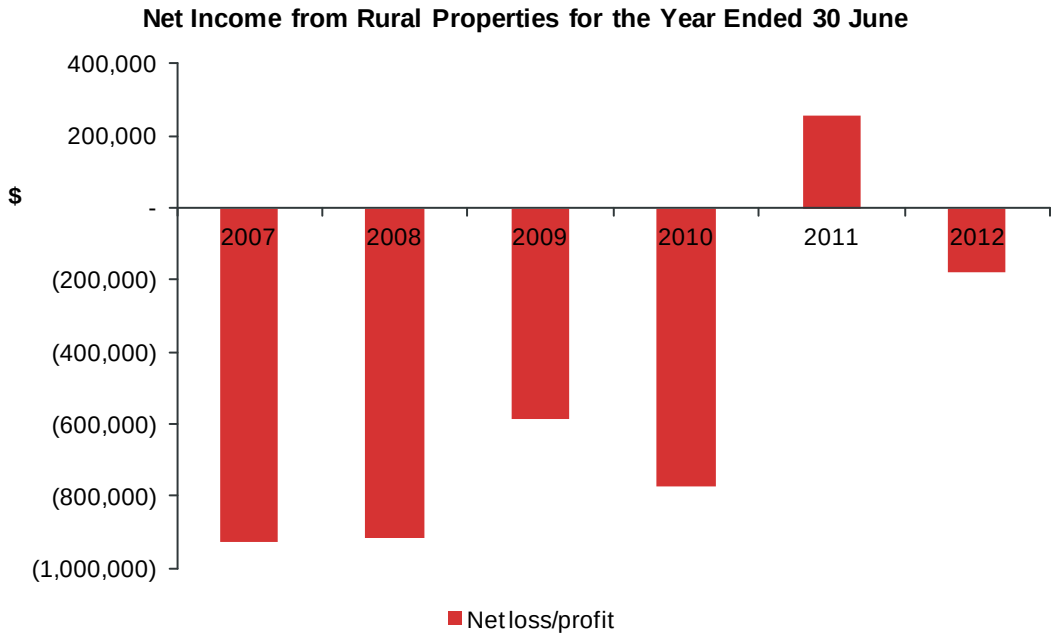
The NSWALC advises the aim of establishing these companies is to have the appropriate structure in place to act commercially as well as to enable participation by LALCs in future activities. Whilst mining activities are speculative with uncertain returns, the NSWALC believes they have the potential to make significant returns to Aboriginal people in future. The NSWALC advises it has not made any investment in these companies other than to cover set up costs.

Rural Properties

The Council's rural properties have made substantial losses

The NSWALC owns four rural properties, transferred to it when the Regional Aboriginal Land Councils' functions were changed in 1990. These properties have made substantial losses in past years and again this year

The table shows the combined profitability of the rural properties over the past six years.



Source: Information derived from audited annual financial statements.

The rural properties incurred total losses of $177,000 in 2011-12 (profits of $254,000 in 2010-11).

The NSWALC decided to transfer each rural property to the relevant LALC where each property is located. Last year, I recommended that prior to any transfer the NSWALC ensures LALCs can operate the rural properties viably before transferring them. The NSWALC continues to work with the LALCs in an effort to have suitable business cases prepared for the transfer of ownership. Sydney University's Remote and Rural Enterprise Project group is helping LALCs in the north western region with their business planning, which is expected to be finalised in December 2012.

The status of each rural property at 30 June 2012 is shown below:

Name of property	Location	Size (ha)	Status as at 30 June 2012
Appin Station	Menindee	31,704	Transfer to LALC approved
Barooga-Karrai	Euabalong	9,890	LALC to submit business plan
Calooma-Nulty Springs	Bourke	35,609	Subject to consultation with LALCs
Kaituna-Uno	Coonamble	5,184	Subject to consultation with LALCs
Total		**82,387**	

Source: New South Wales Aboriginal Land Council Annual Report 2012.

The NSWALC is in the process of consulting with affected LALCs giving them the opportunity to consider a range of options and to be involved in determining future ownership of the rural properties.

Local Aboriginal Land Council's Performance

Last year, the NSWALC released a discussion paper on the Sustainability of the NSW Aboriginal Land Rights Network. It considered several issues affecting the network and recommended improvements to the sustainability of LALCs. In 2012, the NSWALC released the discussion paper entitled 'A Detailed Modelling of Funding Options for LALCs' for consultation in 2013.

The Council improved its system to monitor non-performing land councils

The NSWALC is required to ensure LALCs have the required accounts and records described in the Act before any money is given to them. Hence, the NSWALC developed a LALC Management Support System (LMSS) to allow for regular examination of LALCs. The support system is under ongoing review and in 2012 extensive changes were implemented. As a result, the 2012 LMSS outcomes are not directly comparable to previous years.

LALCs are assessed in LMSS and categorised into one of three risk categories for funding purposes. The LMSS measures a LALC's performance in five key operational areas with each given a weighting based on the nature of the compliance criteria:

- financial management (regular bank reconciliations, two signatories on cheques, etc)
- office system management (monthly management reports, etc)
- property management (land and fixed asset register, etc)
- human resource management (authorisations of payroll, personnel records, etc)
- governance.

Many criteria need to be met under each operational area. A LALC is considered 'low risk' if it has an LMSS score greater than 90 per cent, which means it meets over 90 per cent of the compliance criteria.

The following table shows the LMSS risk levels and the number of LALCs for each risk category over the past five years:

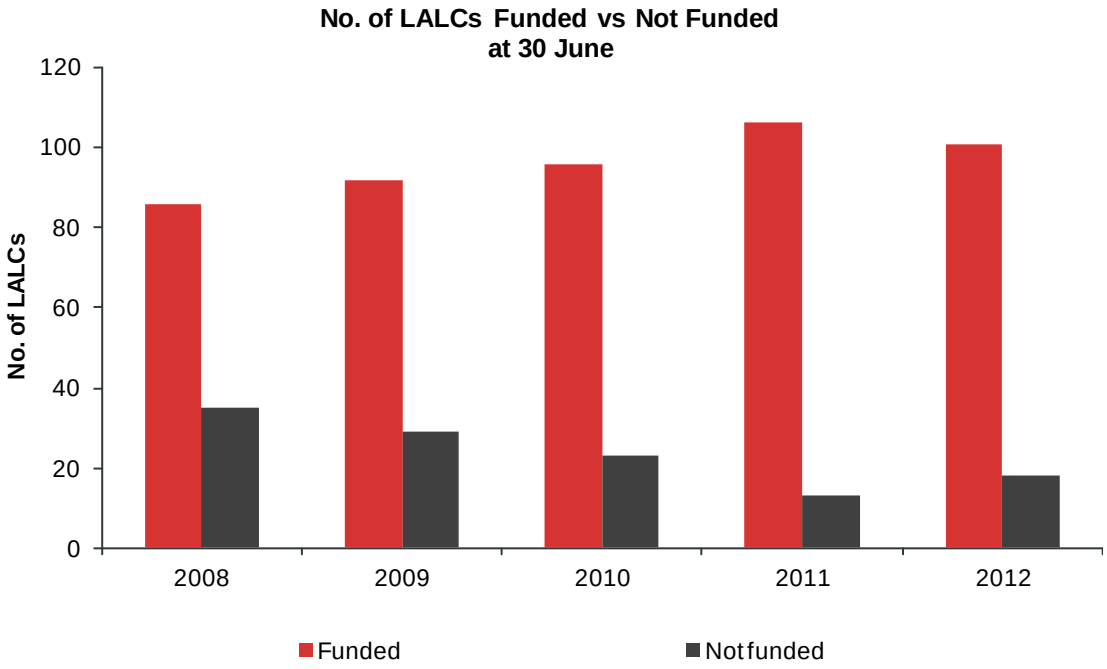
As at 30 June	2012	2011	2010	2009	2008
Low risk (compliant with regulations, LMSS score > 90%)	41	61	41	39	26
Medium risk (compliant with regulations, LMSS score > 70%)	33	38	44	7	16
High risk (compliant with regulations, LMSS score > 50%)	26	4	9	46	44
Under administration	1	3	2	7	7
Not funded (regulatory breach or LMSS < 50%)	18	13	23	22	28
Total LALCS	**119**	**119**	**119**	**121**	**121**

Source: New South Wales Aboriginal Land Council Annual Report 2008-2012.

Note: The years 2008 to 2011 are based on the old LMSS methodology whilst 2012 is based on the new methodology.

The table above shows 26 LALCs were considered high risk at 30 June 2012 under the new LMSS methodology. High risk LALCs must provide monthly financial reports to the NSWALC to facilitate increased monitoring of performance and timely resolution of performance issues.

The following graph shows the LALC funding status for the past five years:



Source: New South Wales Aboriginal Land Council Annual Report 2012.

The number of funded LALCs decreased from 106 at 30 June 2011 to 101 at 30 June 2012, whilst the number of unfunded LALCs increased accordingly. NSWALC stops funding LALCs primarily when they breach the Act, for example, by failing to comply with the reporting requirements of the Act.

Three LALCs were under administration at 1 July 2011. During 2011-12, administrators helped two of these LALCs establish appropriate financial measures and controls and completed their terms of appointment. One LALC remained under administration as at 30 June 2012.

Outstanding Land Claims

Over the last four years, outstanding Aboriginal Land Claims have increased by more than 18,000 claims leaving nearly 26,000 claims outstanding at 30 June 2012.

Nearly 26,000 land claims were outstanding at 30 June 2012

I have previously recommended an urgent review and evaluation of the approach used to process Aboriginal Land Claims to quickly reduce the number of unprocessed claims.

The NSWALC is working with the Department of Trade and Investment, Regional Infrastructure and Services to develop a more effective approach to processing of Aboriginal Land Claims. More effective processing of land claims was also the subject of the review of the Act commissioned by the Minister for Aboriginal Affairs.

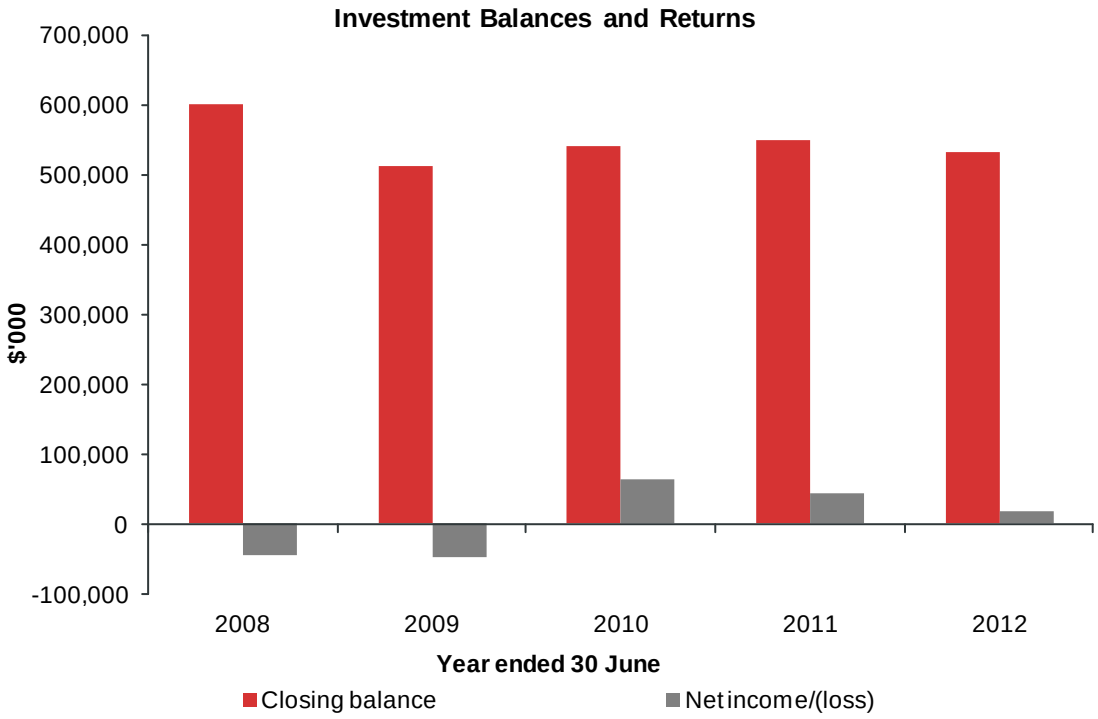
Performance Information

Preservation of Funds in New South Wales Aboriginal Land Council's Account

One of the major challenges to NSWALC's sustainability continues to be volatile financial markets, which have significantly impacted its results in recent years. Under Section 150 of the Act, NSWALC is required to maintain the value of the 'NSWALC Account' above the benchmark of $485 million set in 1998-99.

The NSWALC needs to earn sufficient returns from its investments to meet escalating operating costs and maintain its capital base for its future sustainability. To achieve this, the NSWALC has a Strategic Investment Policy and a 'spending rule' to monitor costs in relation to earnings.

The NSWALC's investment portfolio achieved a return of 3.46 per cent in 2011-12 (9.39 per cent in 2010-11). The following chart shows the investment balance and investment returns over the past five years.



Net investment income/(loss) comprises interest income, dividend income, realised gains and losses and fair value gains and losses, which are shown in the table below:

Year Ended 30 June	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Interest income	182	1,570	2,474	3,080	3,410
Dividend income	28,208	13,285	36,101	40,425	43,543
Realised (losses)/gains	(13,038)	19,850	8,760	--	--
Fair value gains/(losses)	3,855	10,328	16,271	(89,591)	(90,934)
Total investment income/(loss)	**19,207**	**45,033**	**63,606**	**(46,086)**	**(43,981)**

When considering investment performance, it should be noted the NSWALC draws down on its investments each year to meet its operational expenditure requirements. The spending rule determines the amount that can be drawn down in any given year. The projected maximum draw down in 2012-13 is 5.85 per cent of the investment balance.

In 2011-12, the NSWALC drew down $35.5 million, which exceeded the investment portfolio returns. The NSWALC needs to actively manage its investment strategies and closely monitor its future spending.

Hedging Activities

The NSWALC holds some investments denominated in foreign currency. To address the foreign currency exposure risk of its investments in international equities, the NSWALC entered into hedging contracts in 2011-12 covering approximately 25 per cent of the value of the international equities portfolio. The NSWALC recorded a gain of $1.3 million on its hedging activities in 2011-12.

Other Information

Walgett Repairs and Maintenance Program and Subdivision Program

The Walgett Repairs and Maintenance program delivered repairs and maintenance to 70 houses owned by the Walgett LALC. This program was partly funded by the Department of Families, Housing, Community Services and Indigenous Affairs and was completed in 2010-11.

The Subdivision program is jointly funded with the Australian Government for surveying and subdividing former Aboriginal reserves across New South Wales. This program has been substantially delayed by a lack of resources to meet infrastructure requirements and the ongoing reform of State planning legislation.

The following table summarises the current status of the programs' funding:

	Walgett Program	Subdivision
Total grants received and interest accrued at 30 June 2012	$5.1 million	$3.6 million
Total amount spent at 30 June 2012	$5.0 million*	$0.7 million
Starting date	26 June 2008	26 June 2008
Expected completion date	30 June 2011	30 June 2014
Actual completion date	30 June 2011	--

Source: New South Wales Aboriginal Land Council Annual Report 2012.

* Payments withheld for completion of warrant period.

Endowment Fund

In 2007-08, the NSWALC established a $30.0 million Education Endowment Fund to support Aboriginal people's studies. Scholarships are available for primary schools, secondary schools, universities, vocational and TAFE courses. The intention is for the cost of the scholarship program to be covered by the interest earned by the fund.

The fund is administered by the Charities Aid Foundation, which is responsible for the application process, associated due diligence and legal compliance.

The increase in unprecedented demand for scholarships and associated costs in 2010-11 prompted the NSWALC to consider the sustainability of the fund. In 2011-12, it approved a moratorium on the award of scholarships to allow for an independent review of the existing tender process.

Indigenous Money Mentor Program

The NSWALC introduced the Indigenous Money Mentor Program together with the National Australia Bank in February 2011. NAB provides a range of no interest and low interest loans and financial management services to Aboriginal communities and enterprises. The NSWALC advises the program had helped more than 1,750 clients as at 30 June 2012.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2012 $'000	2011 $'000
Employee expenses	12,193	12,746
Funding of Local Aboriginal Land Councils	14,418	13,957
Other expenses	17,488	19,070
Total expenses	**44,099**	**45,773**
Investment income	15,352	34,705
Fair value gains	3,855	10,328
Other income	7,148	6,454
Total revenues	**26,355**	**51,487**
Net result - (deficit)/surplus	**(17,744)**	**5,714**
Other comprehensive income		
Superannuation actuarial gains/(losses)	(401)	5
Total other comprehensive (expense)/income	**(401)**	**5**
Total comprehensive (expense)/income	**(18,145)**	**5,719**

A detailed analysis of investment income is provided earlier in this report.

Other income of $7.1 million in 2011-12 ($6.5 million in 2010-11) includes:

- grants of $1.2 million ($1.3 million)
- income from rural properties of $835,000 ($2.1 million)
- income from property rental of $1.3 million ($1.0 million)
- assets received at nil consideration but valued at $1.4 million ($535,000)
- other miscellaneous income of $2.4 million ($1.3 million).

Abridged Statement of Financial Position

At 30 June	2012 $'000	2011 $'000
Financial assets at fair value	531,192	549,873
Other current assets	44,440	9,112
Non-current assets	48,050	47,494
Total assets	**623,682**	**606,479**
Current liabilities	43,216	7,972
Non-current liabilities	428	324
Total liabilities	**43,644**	**8,296**
Net assets	**580,038**	**598,183**

The decrease in financial assets at fair value was due to the decrease in value of the investment portfolio discussed earlier in this report.

Other current assets increased due to the hedging activities undertaken in 2011-12, which resulted in a hedge asset of $35.1 million at 30 June 2012. Similarly, current liabilities increased by $35.2 million because of the associated hedge liability of $33.9 million at 30 June 2012.

New South Wales Aboriginal Land Council Activities

The New South Wales Aboriginal Land Council was constituted under the *Aboriginal Land Rights Act 1983*. It is governed by a Council comprising nine members, each elected by voting members of the LALCs within the nine regions of New South Wales.

The Minister for Aboriginal Affairs administers the Act.

For further information on the council, refer to www.alc.org.au.

State Management Council of Livestock Health and Pest Authorities of New South Wales

Audit Opinion

I issued unqualified audit opinions on the State Management Council of Livestock Health and Pest Authorities of New South Wales' (the Council) and its controlled entity's financial statements for the eighteen month period ended 30 June 2010.

Key Issues

Late Completion of Financial Statements

The Council has a history of completing its financial statements late

The Council has a history of completing its financial statements late. Its ability to finalise and support its financial statements deteriorated in 2010. Major control deficiencies and poor quality financial records significantly delayed the preparation of the financial statements and my audit for the period 1 January 2009 to 30 June 2010. My opinion was issued on 2 October 2012. The delays resulted in the Council breaching the *Public Finance and Audit Act 1983*.

The restructure of the State Council of Rural Lands Protection Boards into the Council on 1 January 2009 apparently required significant focus at the cost of other aspects of corporate governance.

The Council breached the *Public Finance and Audit Act 1983* and *Annual Reports (Statutory Bodies) Act 1984*

The Council also breached the *Annual Reports (Statutory Bodies) Act 1984* by including unaudited financial statements in its annual report for the eighteen month period ended 30 June 2010. These financial statements were materially misstated.

The 2011 and 2012 financial statements were also submitted late.

Management has been liaising with my office to complete the audits of these financial statements. I expect to issue my audit opinion on the financial statements for the year ended 30 June 2011 in December 2012. The audit of the financial statements for the year ended 30 June 2012 is in progress.

A new management team was established in late 2010, including the board of directors and chief executive officer. In consultation with the minister, the Council has appointed an independent investigative accountant to review current systems and processes.

Appendix 1

Agencies not commented on in this volume, by minister

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity name	Website	Period/year ended
Minister for Education		
Illawarra Health and Medical Research Institute Limited	www.ihmri.uow.edu.au	30 June 2012
Uniprojects Pty Ltd	*	30 June 2012
Minister for Health		
Agency for Clinical Innovations Special Purpose Service Entity	*	30 June 2012
Anzac Health and Medical Research Foundation and Trust Fund	www.anzac.edu.au	30 June 2012
Bureau of Health Information Special Purpose Service Entity	*	30 June 2012
Central Coast Local Health District Special Purpose Entity	*	30 June 2012
Chiropractic Council of New South Wales	*	30 June 2012
Clinical Excellence Commission Special Purpose Service Entity	*	30 June 2012
Dental Council of New South Wales	*	30 June 2012
Far West Local Health District Special Purpose Entity	*	30 June 2012
Health Care Complaints Commission	www.hccc.nsw.gov.au	30 June 2012
Health Education and Training Institute Special Purpose Service Entity	*	30 June 2012
Health Professional Council's Authority	*	30 June 2012
Hunter New England Local Health District Special Purpose Entity	*	30 June 2012
Illawarra Shoalhaven Local Health District Special Purpose Entity	*	30 June 2012
Justice and Forensic Mental Health Network Special Purpose Service Entity	www.justicehealth.nsw.gov.au	30 June 2012
Medical Council of New South Wales	*	30 June 2012
Mid North Coast Local Health District Special Purpose Entity	*	30 June 2012
Murrumbidgee Local Health District Special Purpose Entity	*	30 June 2012
Nepean Blue Mountains Local Health District Special Purpose Entity	*	30 June 2012
New South Wales Health Foundation	*	30 June 2012

Entity name	Website	Period/year ended
New South Wales Institute of Psychiatry	www.nswiop.nsw.edu.au	30 June 2012
Northern NSW Local Health District Special Purpose Entity	*	30 June 2012
Northern Sydney Local Health District Special Purpose Entity	*	30 June 2012
Nursing and Midwifery Council of New South Wales	*	30 June 2012
Office of the Health Care Complaints Commission	*	30 June 2012
Optometry Council of New South Wales	*	30 June 2012
Osteopathy Council of New South Wales	*	30 June 2012
Pharmacy Council of New South Wales	*	30 June 2012
Physiotherapy Council of New South Wales	*	30 June 2012
Podiatry Council of New South Wales	*	30 June 2012
Psychology Council of New South Wales	*	30 June 2012
Public Health System Support Division Special Purpose Service Entity	*	30 June 2012
South Eastern Sydney Local Health District Special Purpose Entity	*	30 June 2012
South Western Sydney Local Health District Special Purpose Entity	*	30 June 2012
Southern NSW Local Health District Special Purpose Entity	*	30 June 2012
Sydney Local Health District Special Purpose Entity	*	30 June 2012
The Sydney Children's Hospitals Network Special Purpose Service Entity	*	30 June 2012
Western NSW Local Health District Special Purpose Entity	*	30 June 2012
Western Sydney Local Health District Special Purpose Entity	*	30 June 2012
Minister for Medical Research		
Cancer Institute NSW	www.cancerinstitute.org.au	30 June 2012
Cancer Institute Division	www.cancerinstitute.org.au	30 June 2012
Minister for Primary Industries		
Cobar Water Board	www.cobar.nsw.gov.au	30 June 2012

Entity name	Website	Period/year ended
Minister for Regional Infrastructure and Services		
Belgenny Farm Agricultural Heritage Centre Trust	www.belgennyfarm.com.au	30 June 2012
Chipping Norton Lake Authority	*	30 June 2012
Lake Illawarra Authority	www.lia.nsw.gov.au	30 June 2012
Milk Marketing (NSW) Pty Limited	www.foodauthority.nsw.gov.au	30 June 2012
Upper Parramatta River Catchment Trust	www.uprct.nsw.gov.au	30 June 2012
Upper Parramatta River Catchment Trust Division	www.uprct.nsw.gov.au	30 June 2012
Premier		
Trustees of the ANZAC Memorial Building (18 month period)	www.anzacmemorial.nsw.gov.au	30 June 2012

* This entity does not have a website.

Appendix 2

Financial Statements not received by Statutory Date (at 9 December 2012)

Entity name	Period/ year ended	Financial statement due date	Financial statement date received
Australian Centre for Advanced Computing and Communications Pty Limited	30 June 2012	31 July 2012	1 August 2012
Board of Surveying and Spatial information	30 June 2012	13 August 2012	15 August 2012
CCP Holdings Pty Limited	30 June 2012	13 August 2012	17 August 2012
Cobar Water Board	30 June 2012	13 August 2012	27 August 2012
Cobbora Coal Mine Pty Limited	30 June 2012	13 August 2012	17 August 2012
Cobbora Coal Unit Trust	30 June 2012	13 August 2012	17 August 2012
Cobbora Management Company Pty Limited	30 June 2012	13 August 2012	17 August 2012
Cobbora Rail Company Pty Limited	30 June 2012	13 August 2012	17 August 2012
Cowra Japanese Garden Maintenance Foundation Limited	31 March 2012	12 May 2012	17 September 2012
Cowra Japanese Garden Trust	31 March 2012	12 May 2012	9 July 2012
Destination NSW	30 June 2012	31 July 2012	23 August 2012
Destination NSW Division	30 June 2012	31 July 2012	23 August 2012
Events New South Wales Pty Limited	30 June 2012	31 July 2012	23 August 2012
Hunter International Sports Centre Club	30 June 2012	13 August 2012	27 August 2012
Long Service Corporation	30 June 2012	27 July 2012	10 August 2012
Mid West Primary Pty Limited	30 June 2012	13 August 2012	17 August 2012
Midwest Development Corporation Pty Limited	30 June 2012	13 August 2012	17 August 2012
Ministry of Health	30 June 2012	26 July 2012	06 August 2012
Office of Hawkesbury-Nepean	30 June 2012	31 July 2012	19 September 2012
Office of the Redfern-Waterloo Authority	31 December 2011	13 February 2012	16 March 2012
Redfern-Waterloo Authority	31 December 2011	13 February 2012	16 March 2012
Rental Housing Assistance Fund	30 January 2012	12 March 2012	30 April 2012
Riverina Citrus	30 April 2012	11 June 2012	18 June 2012
Rocky Point Holdings Pty Limited	30 June 2012	13 August 2012	17 August 2012
Trustees of the ANZAC Memorial Building	30 June 2012	13 August 2012	24 October 2012
International Livestock Resources and Information Centre Ltd	2 November 2011	14 December 2011	29 November 2012
State Management Council of Livestock Health and Pest Authorities of NSW	30 June 2011	11 August 2011	12 October 2012
State Management Council of Livestock Health and Pest Authorities of NSW	30 June 2012	11 August 2012	1 November 2012

Appendix 3

Financial Statements received but audit incomplete (at 9 December 2012)

Agricultural Scientific Collections Trust

The audit for the year ended 30 June 2012 is incomplete. Agricultural Scientific Collections Trust is reviewing a valuation method for its Collection. This review and the audit are expected to be completed in early 2013.

Building Insurers' Guarantee Corporation

The audit for the period ended 30 June 2012 will be completed shortly.

Chipping Norton Lake Authority

The audit for the year ended 30 June 2012 is complete. We await the signed financial statements to issue our Independent Auditor's Report.

Lands Administration Ministerial Corporation

The audits for 30 June 2011 and 30 June 2012 are incomplete. The Corporation was established in 1989 and prepared its first set of financial statements in 2011. It is checking the completeness of transactions to be reported in the financial statements.

Marine Parks Authority

The audit for the year ended 30 June 2012 is incomplete as the client is checking for existence of prior period errors. This review and the audit are expected to be completed in early 2013.

Ministerial Corporation for Industry

The audit for the year ended 30 June 2012 is complete. We are waiting on signed financial statements to be provided and this is expected soon.

Ministerial Holding Corporation

The audit for the year ended 30 June 2012 is incomplete. It is expected to be completed in early 2013.

Murray Catchment Management Authority

The audit for the year ended 30 June 2012 is incomplete. The client is addressing inventory matters. This work and the audit are expected to be completed by 21 December 2012.

Office of Hawkesbury-Nepean

The audit for the year ended 30 June 2012 is incomplete as the client is checking for existence of prior period errors. This review and the audit are expected to be completed in early 2013.

Residual Business Management Corporation

The audit for the period ended 30 June 2012 is incomplete. The audit has been delayed while property related issues are resolved. The audit is expected to be completed in 2013.

Small Business Development Corporation of New South Wales

The audit for the year ended 30 June 2012 is complete. We are waiting on signed financial statements to be provided and this is expected soon.

State Emergency Service

The audit for the year ended 30 June 2012 is incomplete. The audit is expected to be completed by 21 December 2012.

State Management Council of Livestock Health and Pest Authorities of New South Wales

The audits for the year ended 30 June 2011 and 30 June 2012 are incomplete. The Council submitted both 2011 and 2012 financial statements late. The audit for 2011 is expected to be complete by 21 December 2012 and that same date is a target for the 2012 audit completion.

State Records Authority of New South Wales

The audit for the year ended 30 June 2012 is incomplete. The client is attempting to resolve asset valuation issues. The audit is expected to be completed by 21 December 2012.

State Sporting Venues Authority

The audit for the year ended 30 June 2012 is incomplete. The client is addressing asset recognition matters.

Trustees of the ANZAC Memorial Building

The audit for the period ended 30 June 2012 is incomplete. The Trustees used several accounting service providers during the period and submitted the financial statements late. The audit is expected to be completed by 21 December 2012.

Water Administration Ministerial Corporation

The audit for the years ended 30 June 2011 and 2012 are incomplete. The client is addressing asset valuation matters. This work and the audits are expected to be completed in mid 2013.

Appendix 4

Qualified Independent Auditor's Opinions Issued

From 3 December 2011 to December 2012 the Audit Office issued 22 qualified Independent Auditor's Opinions (in the preceding period, 26 qualified and one adverse opinion were issued).

Organisation	Financial statements period ended	Reason for qualification
Qualifications - Financial Statements		
Bandwidth Foundry International Pty Ltd	31 December 2009	Insufficient appropriate audit evidence was available to form an opinion on the opening balances, the result and cash flows for the year ended 31 December 2009.
Bandwidth Foundry International Pty Ltd	31 December 2010	The financial statements for the year ended 31 December 2010 were qualified because of the possible effects relating to the source of the qualification issued on the 31 December 2009 financial statements (see above).
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	30 June 2012	There was insufficient appropriate audit evidence available to form an opinion on the value of land assets.
Department of Education and Communities (including TAFE Commission)	30 June 2012	There was insufficient appropriate audit evidence available to form an opinion on building values and related transactions.
Department of Trade and Investment, Regional Infrastructure and Services and its controlled entity	30 June 2012	There was insufficient appropriate audit evidence to form an opinion on 4,000 plus long term leases; investments in joint ventures and share of joint venture net income. Transactions and balances of the former Department of Primary Industries were incorrectly included in its 30 June 2011 financial statements, which materially impacted the comparability of the 2011-12 disclosures and balances with 2010-11.
Gosford Water Supply Authority	30 June 2011	Many of the Authority's investments are not widely traded and do not have market values that are independently quoted. Accordingly, there was insufficient appropriate evidence to support the fair value and recoverability of the Authority's investment portfolio.
New South Wales General Government and Total State Sectors	30 June 2012	There was insufficient appropriate audit evidence available to form an opinion on: • the value of buildings and related transactions in the Total State Sector Accounts; • land assets and related infrastructure that should be in the Total State Sector Accounts; • the existence and value of archives recognised for the first time in the Total State Sector Accounts.

Organisation	Financial statements period ended	Reason for qualification
New South Wales Technical and Further Education Commission	30 June 2012	There was insufficient appropriate audit evidence available to form an opinion on building values and related transactions.
NSW Self Insurance Corporation	30 June 2012	In accounting for its general insurance contracts, the Corporation applied the incorrect accounting standard. This resulted in the Corporation materially understating its liabilities and failing to disclose some required information about these insurance contracts.
Riverina Citrus	30 April 2012	There was insufficient appropriate audit evidence available to form an opinion on the completeness of income from grower levies.
Sydney Water Corporation	30 June 2012	The Corporation incorrectly accounted for contractual arrangements concerning three water filtration plants. This resulted in the Corporation materially understating its liabilities.
Qualifications - Fundraising and Voluntary Donations Revenue		
ANZAC Health and Medical Research Foundation - Trust Fund	30 June 2012	The Trust Fund finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
Charles Sturt University Foundation Trust	31 December 2012	The Trust finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
The Sydney Children's Hospitals Network (Randwick and Westmead)(incorporating The Royal Alexandra Hospital for Children)	30 June 2012	The Network finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
UNE Foundation	31 December 2011	The Foundation finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
University of New South Wales Foundation	31 December 2011	The Foundation finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
University of Western Sydney Foundation Trust	31 December 2011	The Trust finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
UNSW Study Abroad - Friends U.S. Alumni Incorporated	31 December 2011	The Company finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.

Organisation	Financial statements period ended	Reason for qualification
UNSW Hong Kong Foundation Limited	31 December 2011	The Foundation finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
UON Foundation	2 December 2011	The Trust finds it impractical to maintain an effective system of internal controls over voluntary donations until their initial entry in the financial records.
Whitlam Institute within the University of Western Sydney Trust	31 December 2011	The Trust finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
Qualified Conclusion - Compliance Audit		
Ministry of Health (Report on Compliance with Division 3 of Part 4 of the User Rights Principles 1997 issued under section 96-1 of the *Aged Care Act 1997*)	30 June 2012	The Ministry of Health did not refund an accommodation bond within the timeframe specified in the User Rights Principles 1997.

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OF NEW SOUTH WALES

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