Health Overview

THE HEALTH GROUP

This commentary covers the Department of Health and the entities it controls. These are:

Area Health Services	Other Entities
Greater Southern	Ambulance Service of NSW
Greater Western	Clinical Excellence Commission
Hunter and New England	HealthQuest
North Coast	Justice Health
Northern Sydney and Central Coast	The Royal Alexandra Hospital for Children
South Eastern and Illawarra	
Sydney South West	
Sydney West	

AUDIT OPINION

The audit of the consolidated financial report of the Department and its controlled entities for the year ended 30 June 2005 resulted in an unqualified Independent Audit Report. The audits of the financial reports of each of the controlled entities also resulted in unqualified Independent Audit Reports.

KEY ISSUES

NSW Health Reforms

In previous Reports we commented on a review of NSW Health Services by the Independent Pricing and Regulatory Tribunal (IPART). The review recommended streamlining health administration and reducing duplication between the Department, Area Health Services and hospitals. It also recommended improvements to accountability in the administration structure and increased clinician and community involvement in health service decision-making processes.

On 1 January 2005 the 17 Area Health Services were amalgamated into 8 larger Areas. The Boards of Area Health Services and the Children's Hospital at Westmead were dissolved. A Chief Executive now manages these organisations.

The restructure also established a Health Care Advisory Council as the peak clinical and community advisory group for the Health Minister and Director-General. It advises the Government on how the health system can best meet the current and emerging health needs of the community. Local Area Health Advisory Councils have also been established to involve the local community and clinicians. They will advise the Chief Executives on the planning and delivery of health services. The Councils will assess the performance of the amalgamated Health Services using a dashboard of high-level indicators developed by the Department.

Management of Information Management and Technology (IM&T) Projects

The Department's many information technology (IT) systems are critical to good patient outcomes. They cover a range of health functions from patient administration and clinical care to human resources and finance. If problems arise they could affect the Department's capacity to plan and support the provision of health care.

IT projects represent very substantial expenditures, often with high risks of project failure - a common issue with IT projects in many organisations. For example, our review of Sydney Water's Customer Billing and Information System (Volume 1, 2003) highlighted the significance of an IT project failure, with most of the $61 million invested in that project expected to be written off.

The Department of Health has not had instances of waste of this magnitude with IT projects to our knowledge. However, problems have occurred at times, for example:

- the direct appointment of a project manager in 2002, whose contract was later terminated due to performance issues (cost of $284,000)
- the rollout of a Patient Administration System was aborted in 1995 due to insufficient stakeholder consultation (valued at $20 million).

In both cases, decisions to terminate were made to prevent further waste. However, potential process issues were exposed. In 2002 the Department's internal audit branch reviewed project management practices for IM&T projects funded under the Government Action Plan for Health. It found a lack of project management practices and competencies, and problems with the governance model and operation of IT management committees.

In 2004 we received three IT-related protected disclosures. They related to:

- IT projects managed by the Department's IM&T Branch from 1991 to 2004
- the initial engagement of a major IT provider by the former Institute of Clinical Excellence in 2002
- procurement process associated with the Clinical Services Reform Program in 2004.

The Department engaged external consultants to review each disclosure. We reviewed the consultants' reports to determine whether there had been serious and substantial waste of public money. As the Independent Commission Against Corruption (ICAC) and NSW Ombudsman handle complaints about corruption and maladministration, we did not assess these aspects of the allegations.

The reviews made no findings of serious or substantial waste in recent projects, and did not conclude that major systemic weaknesses existed. The reviews did, however, outline a pattern of poor procurement and project management practices. ICAC did not find corruption in any of the matters raised, and commended the Department on its action to investigate the complaints. However, ICAC also raised what it considered were a number of process weaknesses.

The Department reacted promptly to develop a range of improvements to procurement and project management processes. If implemented they should address what we consider to be the key issues requiring improvement, namely:

- planning for multi-staged projects
- a heavy reliance on particular consultants for planning and project implementation
- the use of singly invited tenders and direct appointments without competitive selection processes
- inconsistent procurement practices which could pose probity risks
- contract and vendor management
- project management documentation
- evaluation of consultant performance including post implementation reviews.

Governance Structures

The Department has decided that the most appropriate methods for dealing with the variety of recommendations and observations that it has received about ways to improve the management of IM&T projects are:

- establishing a NSW Health Procurement Advisory Panel, to be the principal source of advice on all major NSW Health procurement projects (except for those matters dealt with by the State Contracts Control Board and the Board of Reference and Advice, Department of Commerce)
- revising the Supply Procedures Manual
- running information sessions for staff who have authority to incur expenditure and enter into contracts, and including training on procurement processes in the regular staff induction program.

This is a positive outcome. While the specific allegations in the various protected disclosures were not substantiated by any of the reviews, or by ICAC, weaknesses in the control environment have been identified and action taken to effect improvements.

The Department considers that the restructuring that has occurred through the creation of the Strategic Information Management Branch and Health Technology will further improve procurement processes and the governance of IM&T across the NSW Health System.

We will monitor the implementation of these improvements as part of our ongoing financial audit of the Department of Health.

PERFORMANCE ISSUES

The Department measures the performance of Health Services using indicators aligned with its goals, these being healthier people, fairer access to health services, quality health care and better value.

The tables on the following pages are based on the financial and operational indicators used by the Department to assess the performance of the new Area Health Services for the 6-month period ended 30 June 2005.

While the Department has established overall benchmarks, it also enters into performance agreements with individual Health Services, which include targets that may vary from the benchmark. The agreements set out key Government priorities and the level of performance and deliverables expected from Health Services. The Department annually reviews and evaluates the performance of Health Services against agreed targets.

Our review of financial and operational indicators of other health entities is contained in individual comments within this Volume.

	Area Health Services		
	Greater Southern	Greater Western	Hunter New England
	2005 $m	2005 $m	2005 $m
Abridged Operating Statement (six month period ended 30 June)			
Employee related	*175.7*	*167.0*	*373.0*
Other expenses	*166.5*	*135.0*	*253.6*
Total expenses	*342.2*	*302.0*	*626.6*
Total revenues	*49.5*	*46.2*	*95.6*
Net cost of services	*292.7*	*255.8*	*531.0*
Government contributions	*277.2*	*228.2*	*537.5*
Result for period	*(15.5)*	*(27.6)*	*6.5*
Abridged Balance Sheet (at 30 June)			
Total assets	*316.9*	*397.1*	*1,052.3*
Total liabilities	*143.2*	*130.7*	*280.4*
Net assets	*173.7*	*266.4*	*771.9*
Performance Indicators			
General creditors > 45 days ($m) **(a)**	*7.5*	*--*	*--*
Average available beds (June)	*2,057*	*1,821*	*3,073*
Bed occupancy (%) (June)	*75.9*	*73.2*	*86.4*
Non-admitted patient occasions of service (000's) **(d)(e)**	*1,400*	*1,192*	*2,536*
Total admissions **(d)(e)**	*93,753*	*80,467*	*175,782*
Unweighted separations **(d)(e)**	*93,912*	*80,574*	*175,858*
Case-weighted separations in episode funded hospitals **(e)**	*56,407*	*38,209*	*147,551*
Average length of stay (days)	*3.1*	*3.0*	*3.5*
Average staff numbers (EFT) **(e)**	*5,241*	*4,800*	*10,811*
Emergency triage treatment categories **(b)(e)**			
T1 (%)	*100*	*100*	*100*
T2 (%)	*73*	*79*	*86*
T3 (%)	*78*	*75*	*67*
T4 (%)	*79*	*84*	*63*
T5 (%)	*91*	*95*	*86*
Emergency access block **(c)(e)**	*14*	*11*	*16*

Key: Unless otherwise indicated all data is based on statistics provided by the Department of Health:

- **(a)** total creditors less amounts owing to Visiting Medical Officers and other Government agencies.
- **(b)** **T1** immediately life threatening – treatment required within 2 minutes - benchmark – 100%
  T2 imminently life threatening – treatment required within 10 minutes - benchmark – 80%
  T3 potentially life threatening – treatment required within 30 minutes - benchmark – 75%
  T4 potentially serious – treatment required within 1 hour- benchmark – 70%
  T5 less urgent – treatment required within 2 hours- benchmark – 70%
- **(c)** percentage of patients not admitted 8 hours after active treatment starts
- **(d)** includes services contracted to private sector.
- **(e)** Includes former Area Health Service statistics from 1 July 2004 to 31 December 2004

	Area Health Services		
	North Coast	Northern Sydney and Central Coast	South Eastern and Illawarra
	2005 $m	2005 $m	2005 $m
Abridged Operating Statement (six month period ended 30 June)			
Employee related	*196.7*	*438.3*	*539.2*
Other expenses	*160.6*	*276.8*	*355.7*
Total expenses	*357.3*	*715.1*	*894.9*
Total revenues	*52.2*	*133.0*	*176.7*
Net cost of services	*305.1*	*582.1*	*718.2*
Government contributions	*304.6*	*559.5*	*673.4*
Result for period	*(0.5)*	*(22.6)*	*(44.8)*
Abridged Balance Sheet (at 30 June)			
Total assets	*453.1*	*1288.0*	*1,710.6*
Total liabilities	*149.7*	*310.7*	*453.2*
Net assets	*303.4*	*977.3*	*1,257.4*
Performance Indicators			
General creditors > 45 days ($m) **(a)**	*--*	*3.8*	*--*
Average available beds (June)	*1,602*	*2,795*	*3,391*
Bed occupancy (%) (June)	*88.5*	*94.9*	*98.0*
Non-admitted patient occasions of service (000's) **(d) (e)**	*1,717*	*2,973*	*4,843*
Total admissions **(d) (e)**	*123,789*	*181,948*	*265,948*
Unweighted separations **(d) (e)**	*123,921*	*182,208*	*275,132*
Case-weighted separations in episode funded hospitals **(e)**	*75,145*	*153,529*	*221,581*
Average length of stay (days) **(e)**	*3.2*	*3.6*	*3.5*
Average staff numbers (EFT)	*5,103*	*11,461*	*15,866*
Emergency triage treatment categories **(b)(e)**			
T1 (%)	*100*	*100*	*100*
T2 (%)	*76*	*63*	*76*
T3 (%)	*62*	*59*	*60*
T4 (%)	*65*	*66*	*62*
T5 (%)	*87*	*86*	*85*
Emergency access block **(c)(e)**	*19*	*34*	*36*

Key: unless otherwise indicated all data is based on statistics provided by the Department of Health:

- **(a)** total creditors less amounts owing to Visiting Medical Officers and other Government agencies.
- **(b)** **T1** Immediately life threatening – treatment required within 2 minutes - benchmark – 100%
  T2 Imminently life threatening – treatment required within 10 minutes - benchmark – 80%
  T3 Potentially life threatening – treatment required within 30 minutes - benchmark – 75%
  T4 Potentially serious – treatment required within 1 hour - benchmark – 70%
  T5 Less urgent – treatment required within 2 hours - benchmark – 70%
- **(c)** percentage of patients not admitted 8 hours after active treatment starts
- **(d)** includes services contracted to private sector.
- **(e)** Includes former Area Health Service statistics from 1 July 2004 to 31 December 2004

	Area Health Services		
	Sydney South West	Sydney West	Total
	2005 $m	2005 $m	2005 $m
Abridged Operating Statement (six month period ended 30 June)			
Employee related	*615.1*	*462.3*	*2,967.3*
Other expenses	*392.3*	*313.5*	*2,054.0*
Total expenses	*1,007.4*	*775.8*	*5,021.3*
Total revenues	*214.3*	*127.8*	*895.3*
Net cost of services	*793.1*	*648.0*	*4,126.0*
Government contributions	*787.3*	*686.8*	*4,054.5*
Result for period	*(5.8)*	*38.8*	*(71.5)*
Abridged Balance Sheet (at 30 June)			
Total assets	*1,880.7*	*1,565.5*	*8,664.2*
Total liabilities	*482.4*	*342.7*	*2,293.0*
Net assets	*1,398.3*	*1,222.8*	*6,371.2*
Performance Indicators			
General creditors > 45 days ($m) **(a)**	*1.9*	*--*	*13.2*
Average available beds (June)	*3,784*	*3,006*	*21,529*
Bed occupancy (%) (June)	*94.1*	*90.0*	*90.7* **(f)**
Non-admitted patient occasions of service (000's) **(d) (e)**	*4,004*	*3,195*	*21,860*
Total admissions **(d) (e)**	*264,324*	*188,212*	*1,374,223*
Unweighted separations **(d) (e)**	*264,464*	*190,898*	*1,386,967*
Case-weighted separations in episode funded hospitals **(e)**	*237,951*	*149,590*	*1,079,963*
Average length of stay (days) **(e)**	*3.8*	*3.7*	*3.5***(g)**
Average staff numbers (EFT)	*15,660*	*12,843*	*81,785*
Emergency triage treatment categories **(b)(e)**			
T1 (%)	*100*	*100*	*100***(f)**
T2 (%)	*79*	*73*	*75***(f)**
T3 (%)	*56*	*53*	*60***(f)**
T4 (%)	*65*	*61*	*65***(f)**
T5 (%)	*86*	*88*	*87***(f)**
Emergency access block **(c)(e)**	*38*	*35*	*30***(f)**

Key: unless otherwise indicated all data is based on statistics provided by the Department of Health:

- **(a)** total creditors less amounts owing to Visiting Medical Officers and other Government agencies.
- **(b)** **T1** Immediately life threatening – treatment required within 2 minutes - benchmark – 100%
  T2 Imminently life threatening – treatment required within 10 minutes - benchmark – 80%
  T3 Potentially life threatening – treatment required within 30 minutes - benchmark – 75%
  T4 Potentially serious – treatment required within 1 hour - benchmark – 70%
  T5 Less urgent – treatment required within 2 hours - benchmark – 70%
- **(c)** percentage of patients not admitted 8 hours after active treatment starts
- **(d)** includes services contracted to private sector.
- **(e)** Includes former Area Health Service statistics from 1 July 2004 to 31 December 2004
- **(f)** Statistics include the Children's Hospital at Westmead
- **(g)** Statistics include the Children's Hospital at Westmead and Justice Health

Financial Performance

The two key indicators used by the Department to monitor the financial performance of Area Health Services are net cost of services (adjusted to exclude special purpose and specific project funds) and general creditor levels. The Department told us that only two Areas achieved both benchmarks (South Eastern Sydney and Illawarra and Hunter and New England). Sydney West, North Coast and Greater Western achieved the creditors benchmark. Sydney South West achieved the net cost of services benchmark. Northern Sydney and Central Coast and Greater Southern failed to meet either benchmarks.

Net Cost of Services

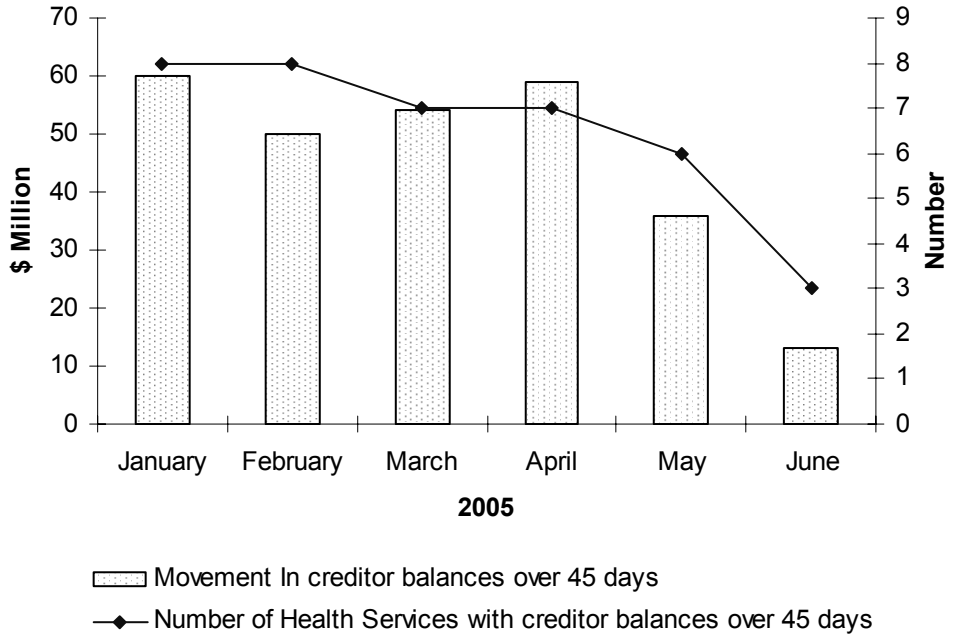
The adjusted net cost of services for two of the eight Areas were higher than the budget approved by the Department. The over-runs for Northern Sydney/Central Coast and Greater Southern were $10.0 million and $8.3 million respectively.

The Northern Sydney/Central Coast's unfavourable result is attributed to budgetary problems emanating from the former Northern Sydney Area. Greater Southern's result is largely due to issues relating to the former Greater Murray Area. The Department is assisting the Areas in developing strategies to address this issue.

Creditor Levels

The Department requires creditor payments to be made within contract terms and monitors Area performance against a benchmark of 45 days. Despite the Department continually monitoring creditor levels and providing additional financial assistance (including loans), some Areas continue to regularly have creditors over 45 days.

We have previously commented on fluctuations in both the value of creditors greater than 45 days and the number of Areas with creditors greater than 45 days. Notwithstanding the establishment of the new Areas, the fluctuations continued. This is illustrated in the following graph.



At 31 January 2005 the balance was $60.1 million (across all eight Areas) before falling to $13.2 million at 30 June 2005 (three Areas). The Areas with creditors in excess of 45 days at the end of the financial year were Sydney South West, Northern Sydney and Central Coast, and Greater Southern.

Consistent with previous years, the level of creditors greater than 45 days increased to $34.1 million (across four areas) at 31 August 2005. This suggests that 30 June figures are an artificial measure of Areas' performance in paying creditors on time. The Department advised that creditor performance is reviewed on an ongoing basis. The Department has established individual benchmarks ranging between 35 and 45 days by which Health Service performance will be assessed. Strategic financial plans are required in respect of any creditors reported in excess of benchmark.

Operational Performance and Activity Levels

The Department also uses indicators to monitor operational performance and activity levels. These indicators include bed occupancy rates, total admissions and separations, average length of stay and the time taken to treat and admit emergency department patients.

Bed Occupancy Rate

The bed occupancy rate is the percentage of available beds that are occupied, and is a measure of the use of hospital resources by inpatients. The bed occupancy rate includes only June 2005 data and covers only major facilities. In March 2005 a new beds information collection system was introduced. Because of the limited time that the new system has been in place the average number of beds for the period is not available.

The June bed occupancy rate ranged from a high of 98.0 per cent (South Eastern and Illawarra) to a low of 73.2 per cent (Greater Western). It also indicates that the metropolitan bed occupancy rate is significantly higher than rural areas.

Total Admissions

Total admissions for 2004-05 increased by 1.8 per cent. The largest percentage increases were in the Greater Southern and North Coast Areas.

Average Length of Stay

The Statewide average length of stay for acute separations in acute hospitals was 3.5 days, a slight decrease from the previous year's 3.6 days. Generally metropolitan areas registered a slightly higher average length of stay than rural areas.

Emergency Department Patients

- ***Triage***

  Triage is a mechanism used to assess and treat emergency department patients. Triage ensures that patients are treated in a timely manner according to clinical urgency.

  In its 2005 performance agreements with Areas the Department set triage targets that aligned with those recommended by the Australasian College of Emergency Medicine (ACEM).

  This increased the previous benchmark for triage category three (68 per cent to 75 per cent) and decreased the benchmark for triage category two (83 per cent to 80 per cent) and triage category five (75 per cent to 70 per cent).

  Critical care triage categories T1 to T3 relate to life threatening situations. While all health services met the benchmark for the most urgent life-threatening category (T1), a significant number of Areas again did not meet the benchmark for the other life threatening categories (T2 and T3).

The following table indicates the number of Area Health Services meeting triage benchmarks.

Triage Category	Total (eight)
	2005
Triage Category 1	8
Triage Category 2	1
Triage Category 3	2
Triage Category 4	2
Triage Category 5	8

- ***Access Block***

  Access Block measures the delay in moving patients from the emergency department to an inpatient bed. It is expressed as a percentage of patients not admitted to an inpatient bed (who require to be) within eight hours of first being seen by a doctor or nurse.

  Metropolitan health services had a higher access block than rural services. Sydney South West recorded the highest access block (38 per cent) and the lowest was Greater Western (11 per cent).

Non-admitted Patient Occasions of Service

Non-admitted patient occasions of service (NAPOOS) are instances where the patient receives a health service without undergoing a formal admission process. Services provided through emergency departments, community health centres, outpatient clinics, day centre programs, home assessments, diagnostic services and chemotherapy are counted as NAPOOS.

NAPOOS decreased 1.3 per cent over the previous year.

Separations

Separations are episodes of care from admission to discharge, transfer or death. Target separation levels form part of the performance agreement between Areas and the Department and are one of the factors in determining funding at hospital levels. Total separations for 2004-05 increased by 1.9 per cent over the previous year.

To recognise the various levels and complexities of separations, a weighting is applied. Total case weighted separations increased by 3.2 per cent over the previous year.

Interstate Comparisons

The following information compares performance indicators for public acute hospitals for New South Wales with other jurisdictions. Each jurisdiction has different complexities, salary structures and accounting mechanisms. The information provided is also based on 2003-04 statistics. The data should be considered in this context.

		NSW	National
Average available beds per 1,000 population		***2.7***	***2.5***
Separations per 1,000 population		***191.1***	***206.8***
Average cost weight per separation		***1.07***	***1.0***
Average length of stay (including day surgery) (days)		***4.1***	***3.8***
Emergency Department Waiting Times by Triage Category	T1	***100***	***99***
	T2	***76***	***76***
	T3	***58***	***62***
	T4	***65***	***61***
	T5	***86***	***82***

Source: Australian Institute of Health and Welfare (AIHW) 2004 Australian Hospital Statistics 2003-2004

The number of beds per 1,000 population was highest in South Australia and the Northern Territory (2.9) and lowest in the Australian Capital Territory (2.1). The New South Wales public hospital system was slightly higher than the national average.

The AIHW continues to maintain that 'the concept of an available bed is also becoming less important, particularly in the light of increasing same day hospitalisations, and the provision of hospital in the home care'. AIHW also considers that different casemixes in hospitals affect the comparability of bed numbers.

Both nationally and in New South Wales, there tends to be more beds per 1,000 population in rural areas than in metropolitan areas.

Separations per 1,000 population for New South Wales during 2003-04 were less than the national average. The Steering Committee for the Review of Government Service Provision identified that care should be taken when interpreting differences in separation rates. Variations may be caused by the nature of the conditions being treated and differences in clinical practice. Higher/lower rates do not necessarily mean inappropriate care.

The average cost weight information provides a guide to the relative complexity and resource use of admissions and is based on the average cost per separation at a Diagnostic Related Group (DRG) level (DRG is based on principal diagnosis complexities and comorbidities procedures performed, age and sex, transfer and discharge status). A value of 1.0 represents the theoretical average for all separations. Most States and Territories had average cost weights close to the national average.

The Department told us that NSW's average cost weight of 1.07 reflected a higher complexity of patients treated in hospital. This is consistent with the lower than average hospital separation ratio and higher average length of stay. It reflects the increased proportion of lower acuity patients treated on an ambulatory basis and not admitted to hospital.

The triage figures suggest that NSW continued to equal or better the national average in four of the five triage categories.

CONTROL ISSUES

Other Control Issues

The audit of the Department and its controlled entities highlighted opportunities for improvement in internal controls. These opportunities have been identified in letters issued to or to be issued to the relevant health entity. The more significant items have been referred to in individual comments within this Volume.

COMPLIANCE ISSUES

Compliance reviews were undertaken at the Department and Area Health Services. The results of these reviews are contained in individual comments within this Volume.

Last year our reviews included compliance with payment of account requirements contained in the Public Finance and Audit Regulation 2000, Treasurer's Directions and annual reporting legislation. We noted instances of non-compliance with these requirements. The Department told us that Treasurer's Directions did not apply to Area Health Services and undertook to obtain legal advice to clarify the matter. The Department told us that it has not yet provided additional information requested by the Crown Solicitor.

OTHER ISSUES

Private Sector Infrastructure Projects

We have previously reported to Parliament that Health entities do not account for private sector infrastructure projects consistently. Some recognise the value of the right to receive an asset at the end of the lease period but others do not. Departmental officers told us they discussed this issue with Treasury to identify the most appropriate accounting treatment. We also reported that because this issue extends beyond health entities, NSW Treasury was discussing the issue with other jurisdictions with a view to issuing a Treasury Circular that had Australia-wide consensus. While this inconsistency has not materially impacted financial reports, it is possible that the value will become material in a future period.

In July 2005 NSW Treasury told us that it would soon release guidance/policy on accounting for these arrangements. To date this guidance has not been formally issued.

Australian Equivalents to International Financial Reporting Standards (AEIFRS)

Earlier this year we surveyed public sector agencies to assess the impact of AEIFRS on them. We reported that, depending on the nature of their operations, their assets and their liabilities, there may be little impact or it may be significant.

The initial financial reporting period of the 8 new Area Health Services commenced on 1 January 2005. This meant that the new Areas were amongst the first entities in Australia to prepare their financial reports under the AEIFRS framework.

Following our survey at the Department of Health we reported that, together with the amalgamation issues they faced, the new Area Health Services may not be adequately prepared to meet this challenge. The Area Health Services did not obtain significant specialist advice and relied on guidance provided by the Department of Health and the analysis of the standards undertaken by Treasury. The Areas were able to successfully manage the preparation of their initial financial reports. This was largely because the new framework (as it applied to the Areas) did not differ significantly from the requirements of Australian Generally Accepted Accounting Principles.

FINANCIAL INFORMATION

Abridged Consolidated Statement of Financial Performance

Year ended 30 June	2005 $'000	2004 $'000
Employee related	***6,380,846***	5,893,330
Other expenses	***4,009,008***	3,793,197
TOTAL EXPENSES	***10,389,854***	9,686,527
TOTAL REVENUES	***1,348,807***	1,250,249
Gain/(loss) on disposal of non-current assets	***4,469***	5,371
NET COST OF SERVICES	***9,036,578***	8,430,907
Add: Government Contributions		
Recurrent appropriation	***8,027,362***	7,447,711
Capital appropriation	***453,230***	416,840
Acceptance by the Crown Entity of employee entitlements and other liabilities	***516,666***	465,743
Total Government Contributions	***8,997,258***	8,330,294
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	***(39,320)***	(100,613)

Employee related expenses represent 61.4 per cent of total expenditure of the Department and its controlled entities. The $487.5 million increase in employee related expenses is largely due to higher award rates and employee entitlements.

Government Contributions

The Consolidated Fund appropriation to the Department of Health increased by $616.0 million, a rise of 7.8 per cent, to $8,481 million in 2004–05.

Government contributions included Commonwealth assistance of $2,997 million ($2,822 million), the major component being the $2,662 million ($2,536 million) paid under the Australian Health Care Agreement.

Abridged Consolidated Statement of Financial Position

At 30 June	2005 $'000	2004 $'000
Current assets	***1,131,601***	888,511
Non-current assets	***8,460,278***	7,491,595
TOTAL ASSETS	***9,591,879***	8,380,106
Current liabilities	***1,297,436***	1,114,847
Non-current liabilities	***1,238,317***	1,109,353
TOTAL LIABILITIES	***2,535,753***	2,224,200
NET ASSETS	***7,056,126***	6,155,906

The rise in non-current assets is largely due to purchases and revaluations of property, plant and equipment.

The increase in current liabilities reflects higher employee entitlements including accrued salaries and wages. It also reflects an 11.8 per cent increase in creditors (from $404 million to $452 million).

Non-current liabilities rose because of an increase in the value of employee entitlements.

Abridged Program Information

The table below details the Department's consolidated net cost of services by program:

Year ended 30 June	2005			2004
	Revenues	Expenses	Net Cost* of Services	Net Cost of Services
	$'000	$'000	$'000	$'000
Overnight acute inpatient services	588,612	4,174,287	***3,576,137***	3,260,483
Outpatient services	92,522	1,067,437	***975,222***	901,709
Rehabilitation and extended care services	187,312	927,060	***743,959***	678,384
Primary and community based services	63,939	795,249	***731,784***	707,108
Aboriginal health services	5,005	49,235	***44,243***	46,205
Emergency services	94,384	1,093,573	***999,125***	972,071
Same day acute inpatient services	67,188	649,141	***582,015***	562,789
Mental health services	54,754	841,167	***786,356***	695,512
Population health services	22,689	305,567	***283,141***	284,897
Teaching and research	172,402	487,138	***314,596***	321,749
Total all programs	1,348,807	10,389,854	***9,036,578***	8,430,907

*****Includes gain on disposal of non-current assets

Program Statement

All controlled entities within NSW Health are required to measure expenses and revenues in accordance with a standard methodology developed by the Department. This is to ensure consistency in reporting. The Department requires the use of relatively current activity data in apportioning overheads over the ten program areas. Our audit again identified some health services that were incorrectly preparing program statements.

The existing program structure has been in place since 1995-96. We understand that these programs are still under review to ascertain whether they best demonstrate the key objectives of the Department, the resources applied and measurable outputs and outcomes.

PUBLIC HEALTH SECTOR ACTIVITIES

Structure

The Department advises the Government on the strategic direction, policy and planning of the State's health system. It also monitors and evaluates health activities.

The *Health Administration Act 1982* empowers the Department's Director-General as a Corporation Sole (Health Administration Corporation) to enter into various legal contracts such as the purchase, sale or lease of property. The Corporation is the legal employer of health system staff.

Area Health Services are Public Health Organisations scheduled under the *Health Services Act 1997* (the Act). The Services are subject to the control and direction of the Director-General. They provide health services for the residents of New South Wales.

Justice Health, the Royal Alexandra Hospital for Children, Institute for Clinical Excellence, Stewart House Preventorium and HealthQuest are Statutory Health Corporations scheduled under the Act. These corporations are also subject to the control and direction of the Director-General.

The Ambulance Service of New South Wales is constituted under the *Ambulance Services Act 1990*. The Service is subject to the control and direction of the Director-General.

Other entities are the eleven professional boards. These boards are constituted under various Acts to license and control practitioners of medicine, nursing, dentistry, optical services, pharmacy, podiatry, chiropractic, physiotherapy and psychology. All Boards (apart from Medical, Pharmacy and Dental) are subject to the control and direction of the Minister for Health through the Health Administration Corporation.

The financial results of all Boards (apart from Medical, Pharmacy and Dental) form part of the Department of Health parent entity financial report commented on elsewhere in this Report. The Medical, Pharmacy and Dental Boards will be included in later Reports to Parliament.

While the Department cooperates with the Institute of Psychiatry, the New South Wales Health Foundation and the Health Care Complaints Commission, it does not control these entities.