



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

Oversight of Visiting Medical Officers

PERFORMANCE AUDIT | 7 MAY 2026

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General and the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and 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 assess whether the activities of government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.



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In accordance with section 38EC of the *Government Sector Audit Act 1983*, I present a report titled '**Oversight of Visiting Medical Officers**'.

A handwritten signature in black ink, which appears to read 'Bola Oyetunji'.

Bola Oyetunji

Auditor-General for New South Wales
7 May 2026

RECONCILIATION STATEMENT

We pay our respect and recognise Aboriginal peoples as the traditional custodians of the land in NSW who have cared for and protected the environment, waterways, and sacred sites over many millennia. We honour and thank the traditional custodians of the land on which our office is located, the Gadigal people of the Eora Nation, and the traditional custodians of all the lands on which our employees live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

We also acknowledge that our long history is shared with the histories of colonisation in New South Wales. We acknowledge the impacts of colonisation, and the resulting marginalisation and disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

We embrace our role in holding government agencies to account for the delivery of effective services for Aboriginal and Torres Strait Islander peoples. We are committed to ensuring that our audits are culturally responsive, respectful and inclusive, and that we engage with Aboriginal and Torres Strait Islander peoples and communities in a meaningful and collaborative way.

We recognise the ancestral tie of Aboriginal and Torres Strait Islander peoples to this land, and we acknowledge that we have much to learn from their wisdom, rich and diverse culture, languages, knowledge and practices.

contents

Oversight of Visiting Medical Officers

1.	Report snapshot	1
2.	Executive summary	1
	Conclusion	2
3.	Introduction	5
	3.1. The importance of VMO management	5
	3.2. Relevant NSW Health organisations	5
	3.3. Legislative and policy framework for VMO settings	6
	3.4. Overview of VMOs and other employment methods	7
	3.5. VMOs in the NSW public health system	8
	3.6. NSW Health VMO engagement and payment framework	11
	3.7. VMO engagement and remuneration lifecycle	12
	3.8. About the audit	12
4.	Design and implementation of VMO governance framework	13
	4.1. Policy framework	13
	4.2. Workforce planning	14
	4.3. Internal controls	17
	4.4. System controls	23
	4.5. Policy implementation guidance and support	28
5.	Monitoring, reporting and assurance on the VMO framework	29
	5.1. Routine monitoring	29
	5.2. Performance reporting	29
	5.3. Assurance activities	30
	Appendix 1 – Response from entity	32
	Appendix 2 – NSW Health framework	35
	Appendix 3 – About the audit	37
	Appendix 4 – Performance auditing	39

1. Report snapshot

Objective

This audit assessed the efficiency and effectiveness of NSW Health’s oversight and assurance of arrangements to engage and accurately remunerate Visiting Medical Officers (VMOs).

Key findings

NSW Health does not provide coordinated statewide governance of VMO engagement and remuneration

While there are established policies for VMO engagement and remuneration, these do not operate as an integrated governance framework across each stage. System stewardship elements including statewide oversight, monitoring, reporting and assurance are not in place.

NSW Health does not assess the long-term financial or workforce impacts of VMO use

There is an absence of statewide workforce planning or value for money criteria to guide Local Health Districts (LHDs) on when and how VMOs should be used. District decisions on VMO engagement are largely driven by short-term service needs.

LHDs do not have effective internal controls over VMO payments

There are significant and persistent weaknesses in NSW Health’s payment controls. These include failures to segregate claims checking from claims payment duties, limited oversight of higher-risk arrangements and insufficient monitoring of excessive hours or potential double billing. These weaknesses increase the risk of error, inappropriate payments and fraud.

Weaknesses in IT systems and data controls undermine compliance with policy

NSW Health practices for processing VMO claims undermine the accuracy and integrity of

payments, including extensive use of ‘miscellaneous’ claim categories, lack of validation against Medicare item codes and inconsistent application of aged-claim discounting.

NSW Health does not monitor or report on VMO arrangements

There is a lack of routine, system-wide monitoring of VMO arrangements, including expenditure, compliance and emerging risks. NSW Health has limited visibility over the effectiveness of controls operating within LHDs. Decision making is not informed by consistent, reliable or comprehensive information.

Assurance methods are reactive and fail to quickly identify and address system-wide risks

NSW Health relies on LHDs to undertake assurance activities at the district level and has not routinely analysed or aggregated results across the state. This limits the timely identification and resolution of system-wide risks. Governance reforms are at an early stage of implementation and have not yet delivered effective system-wide assurance.

NSW Health is strengthening its system-wide oversight of the use of VMOs

NSW Health has recently undertaken work to improve assurance, monitoring and reporting for VMO engagement and remuneration. This includes an internal audit and legal review which are in the early stages of completion.

Recommendations

The report makes 3 recommendations targeted at strengthening system-wide governance, assurance, value for money consideration and controls for VMO engagement and remuneration.

Fast facts

\$1.32b

spent on VMO expenses in 2024–25

\$3.5m

was the highest amount invoiced by a single VMO in 2024–25

9,250 hours

was the highest combined hours claimed by a single VMO in 2024–25 (roughly equal to 5 full-time roles)

2. Executive summary

Context

Visiting Medical Officers (VMOs) are contracted medical practitioners engaged by Local Health Districts (LHDs) to provide clinical services within health facilities across the NSW public health system. VMOs play an important role in clinical service delivery, particularly in regional, rural and highly specialised settings where alternative methods of engaging medical officers (e.g. as employees) may be limited. VMOs are often engaged to ensure that required medical services can be delivered across key clinical professions.

Within NSW Health, the NSW Ministry of Health (the Ministry) is responsible for the stewardship of the NSW public health system and setting the policy framework governing VMO engagement, contractual relationships with VMOs, and claims management for VMOs. Decisions regarding VMO engagements have been the remit of LHDs, subject to compliance with Ministry's policies. Similarly, decisions regarding governance have primarily sat with the LHDs, having regard to value for money considerations within the context of their individual operations, which can vary across the State. In recent years, the Ministry has sought to identify ways to strengthen this model and the overarching governance framework.

LHDs are allocated funding each year to deliver services across their district or network. They have autonomy to make decisions regarding how that funding is used, including what staff are engaged and through what means. This includes having regard to service delivery needs, market issues (such as the ability to recruit senior medical staff) and budgetary constraints.

The oversight of VMO arrangements is supported by legislative, policy and system requirements (referred to in this report as controls) to ensure services are properly authorised and public funds are spent appropriately. These include requirements relating to contract conditions, remuneration rates, clinician credentialling and financial management, such as claim verification, payment approval and monitoring of expenditure by LHDs and the Ministry.

Spending on VMOs across NSW Health is significant and growing. In 2024–25, there were over 7,000 VMOs providing services in NSW public health organisations. During this period, across all LHDs, expenditure totalling \$1.317 billion was made towards VMO operating expenses, an increase of more than 10% (over \$123 million) compared to the prior financial year.

Audit objective

This audit assessed the efficiency and effectiveness of NSW Health's oversight and assurance of arrangements to engage and accurately remunerate VMOs. The audit assessed this with reference to the following questions:

1. Is the design of NSW Health's policy framework effective in providing oversight and assurance over VMO engagement and payments?
2. Has the implementation and operationalisation of NSW Health's policy framework provided effective oversight of VMO engagement and payments across LHDs?

The audit is focused on the oversight and assurance of VMO engagement and remuneration arrangements and did not assess the quality or effectiveness of clinical service delivery.

To support the audit, 3 of the 15 LHDs in NSW were selected for consultation to understand day-to-day practice and deepen insights of relevant data and documents. These districts were not audited individually and are referred to as 'the consulted LHDs' throughout this report.

Conclusion

NSW Health has not effectively overseen or assured VMO engagement and remuneration arrangements. While the Ministry has established a statewide policy framework for VMO engagement and remuneration, this is not supported by clear and effective governance, controls, monitoring, reporting and assurance processes.

LHDs have systemic deficiencies in both the design and operation of key controls for engaging and remunerating VMOs, including weaknesses in workforce planning, payment verification, data quality, reporting and assurance processes. Additionally, the Ministry lacks clear visibility of system-wide risks and reliable evidence that LHD controls are operating effectively. The Ministry cannot demonstrate that VMO arrangements are efficient, represent value for money, comply with policy requirements or support the financial sustainability of its workforce.

Key findings

The Ministry has not designed or established end-to-end statewide governance of VMO engagement and remuneration

The Ministry has established policies for VMO engagement and remuneration, but these do not provide coordinated governance, control and accountability across the full lifecycle. Key elements of system stewardship, such as coordinated oversight, monitoring of VMO engagement and remuneration activity, reporting and assurance, are not clearly defined or connected at a statewide level. This is impacting the effective management of VMO risks and performance across the system, which weakens system-wide oversight and accountability for VMO engagement and remuneration.

The Ministry has not provided a workforce planning framework or value for money criteria to guide VMO use across NSW Health

The Ministry has not established a statewide workforce planning framework to guide when, where and how VMOs should be used across the public health system. It also has not defined value for money criteria to assess whether VMO engagement represents the most appropriate workforce model relative to salaried staff specialists, locums or alternative service arrangements. LHD decisions on VMO engagement are primarily driven by short-term service needs rather than coordinated system planning, and the Ministry cannot demonstrate efficiency or long-term sustainability.

LHDs have financial management responsibilities, but do not maintain effective internal controls over VMO payments

LHD chief executives and Boards are responsible for ensuring proper arrangements are in place to monitor the adequacy and effectiveness of their internal control systems, including financial control. However, there are significant and persistent weaknesses in payment-related controls, including gaps in oversight of non-standard contractual arrangements and higher-risk remuneration settings. Over \$10 million was paid between 2022–23 and 2024–25 where the same individual performed checking and approval functions and there was limited monitoring of VMOs working excessive hours or potential double billing. These weaknesses increase the risk of error, inappropriate payment and potential fraud.

NSW Health's IT and data validation controls do not reliably ensure that VMO payments comply with policy requirements

NSW Health's automated data validation controls do not demonstrate that VMO remuneration aligns with the Ministry's claims management policy requirements. Weaknesses in the design and configuration of NSW Health's IT systems mean that the enforcement of key payment rules is, dependent on individual VMOs correctly entering claim details, resulting in inconsistent application.

Risks include the extensive use of the 'miscellaneous' claim category, which can bypass system business rules designed to ensure payments are calculated correctly and do not overlap. LHDs are not reducing or denying payment for VMO claims submitted for payment more than one year after services were delivered, as required by their aged-claim policy.

Further, there is no validation process to ensure that claims submitted align with Medicare Benefits Schedule (MBS) item coding, even though the fee-for-service payment model relies on MBS codes to determine the applicable service type and payment rate. This weakens controls designed to detect errors, duplicate claiming or non-compliant payments.

NSW Health is unable to confirm the remuneration paid to VMOs aligns with its own policy rules and requirements, reducing confidence in the accuracy, consistency and integrity of VMO payments across the system.

The Ministry has not undertaken structured statewide monitoring or reporting over VMO arrangements

The Ministry has historically not performed routine, system-wide monitoring of VMO activity across the LHDs, including detailed expenditure patterns, compliance with policy or management of risks. It also lacks visibility of relevant controls within LHDs to ensure these are operating effectively across the system.

The Ministry has not established comprehensive performance reporting, meaning that senior decision makers do not receive consistent information on performance, compliance or emerging risks related to LHDs' engagement and remuneration of VMOs. Governance reforms are underway, but these are not yet delivering comprehensive statewide oversight or assurance.

The Ministry has not established system-wide assurance monitoring and reporting for VMO engagement and remuneration

While the audit identified some evidence of assurance activity occurring at the LHD level, the Ministry has not routinely obtained or analysed the results of this activity to understand risks, control effectiveness, or emerging issues across the system.

As a result, the Ministry's assurance approach is predominantly reactive, relying on issue-driven reviews such as internal audits rather than regular, structured, proactive monitoring. This has limited its ability to identify and address control weaknesses in a timely and coordinated manner across NSW Health.

The Ministry has recently undertaken work to strengthen its oversight, including an internal audit and legal review; however, uplift initiatives are at an early stage of implementation and are yet to demonstrate sustained, system-wide assurance.

Recommendations

By April 2027, the NSW Ministry of Health should:

1. Strengthen system-wide governance and assurance of VMO engagement and remuneration by:
 - a) clearly defining roles and responsibilities for the Ministry and LHDs
 - b) setting minimum and mandatory accountability, monitoring, assurance and reporting requirements
 - c) providing clarity on discretionary and non-discretionary decision-making, including on the use of non-standard contractual arrangements and departures from policy
 - d) identifying and escalating emerging risks and persistent non-compliance with minimum or mandatory requirements
 - e) reporting to executive governance forums, sharing better practice across LHDs, and evaluating the effectiveness of policy implementation and remediation actions.
2. Strengthen system-wide oversight of value for money considerations in VMO engagement and remuneration by:
 - a) having centralised workforce planning capability that considers the role of VMOs and alternative workforce models
 - b) defining value for money decision criteria for LHDs when deciding on the engagement and ongoing use of VMOs
 - c) improving data collection, analytics and reporting to enable statewide and district monitoring of cost drivers, utilisation and longer term financial sustainability.
3. Establish and communicate minimum internal control requirements for LHDs in relation to VMO engagement and remuneration by:
 - a) defining minimum mandatory control standards across the VMO contract lifecycle to ensure decisions are appropriately authorised, evidenced and subject to periodic review
 - b) setting clear expectations for governance and oversight of higher-risk or non-standard arrangements
 - c) requiring the implementation of effective IT system-enabled controls to support compliance with policy requirements and transparent monitoring of claims and payments.

3. Introduction

3.1. The importance of VMO management

Visiting Medical Officers (VMOs) play a critical role in the delivery of public health services across NSW, particularly in regional, rural and highly specialised settings where alternative methods of engaging medical officers (e.g. as employees) may be limited. VMO engagement and remuneration involves significant public expenditure, with the Ministry's 2024–25 financial statements reporting that \$1.317 billion was spent on VMO operating expenses, an increase of more than 10% (over \$123 million) compared to the prior financial year.

Effective management of VMOs, including robust governance, workforce and financial controls, is important to ensure continuity of medical services, compliance with legislative and policy requirements, appropriate use of public resources, and assurance¹ that workforce arrangements are sustainable and deliver value for money.²

3.2. Relevant NSW Health organisations

NSW Health

NSW Health refers to the collective of NSW Health agencies, including the Ministry of Health, HealthShare NSW, Local Health Districts (LHDs) and Specialty Networks, all of which are relevant to this audit.

Ministry of Health

The Ministry of Health (the Ministry) supports the executive and statutory roles of the Health Ministers and is led by the NSW Health Secretary. The Ministry undertakes regulatory functions, public health functions and public health system manager functions in statewide planning, purchasing and performance monitoring and support of health services, including the LHDs. This includes the development and publication of policies related to the engagement of VMOs, contractual relationships with VMOs and claims management for VMOs. These functions are spread across different branches of the Ministry, primarily Workplace Relations and Finance. Additionally, the Ministry is responsible for negotiating and arbitrating instruments covering the remuneration and other terms of engagement of VMOs.

HealthShare NSW

HealthShare NSW is the shared services provider for NSW Health and delivers centralised corporate services, such as payroll, payment and invoice processing and procurement services, including those for VMOs. While these services are delivered centrally, LHDs retain responsibility for key activities, including the approval of payments and procurement decisions.

¹ Assurance refers to the processes that provide confidence that controls are operating effectively, risks are appropriately managed, and activities comply with legislative, policy and governance requirements.

² Workforce and financial sustainability refer to NSW Health's ability to maintain a stable medical workforce and fund services over time without uncontrolled cost growth or declining access to care.

Local Health Districts (LHDs) and specialty networks

LHDs manage public hospitals and health facilities and are responsible for providing health services across NSW. There are 15 LHDs across NSW, all of which engage VMOs. LHDs are separate, board-governed statutory corporations but are subject to governance, oversight and control by the NSW Health Secretary. LHDs are allocated funding each year to deliver services across the district or network. They have autonomy to make decisions regarding how that funding is used, including what staff are engaged and through what means, having regard to service delivery needs, market issues (such as the ability to recruit senior medical staff) and budgetary constraints. Decisions regarding VMO engagements have been wholly in the remit of LHDs, subject to compliance with Ministry's policies. Similarly, decisions regarding governance have primarily sat with the LHDs, having regard to value for money considerations within the context of their individual operations, which can vary across the State.

In addition, 2 specialist networks exist which focus on children's and paediatric services, and justice health and forensic mental health. These networks also appoint and oversee VMOs through the same processes.

LHDs and specialist networks may also be referred to as public health organisations.

3.3. Legislative and policy framework for VMO settings

Health services legislation

Engaging and remunerating VMOs within the NSW public health system is governed by legislation that establishes requirements for the administration of public health services and the conditions under which medical practitioners may be engaged. The *Health Services Act 1997* (the Act) provides the legislative basis for the operation of public health organisations, including LHDs, and for engaging staff and other persons to provide health services.

Chapter 8 of the Act enables public health organisations to engage visiting practitioners (i.e. VMOs) and provides that the terms and conditions of engagement are to be determined in accordance with approved arrangements. This section establishes a clear expectation that VMO engagements are subject to formal conditions and controls, rather than being determined solely at a LHD or individual VMO level.

The *Health Administration Act 1982* establishes the Ministry and sets out the functions of the Secretary and responsibility for the administration of the public health system and system-wide stewardship. This includes overseeing how public health organisations engage medical practitioners and manage public resources.

Industrial relations determinations

VMO engagement and remuneration arrangements are also governed by industrial relations determinations arbitrated by a judicial member of the NSW Industrial Relations Commission. These determinations establish binding terms and conditions for VMOs, including that remuneration will be in accordance with established rates, allowances and other conditions applicable to the provision of services.

These industrial instruments are legally enforceable and form a core component of the framework regulating VMO engagement. Public health organisations are required to ensure that VMO contracts, claims and payments are consistent with the relevant determinations, and that deviations from standard arrangements are appropriately authorised. The determinations provide an important control mechanism to support consistency, compliance and equity in VMO remuneration across the NSW public health system.

The Special Commission of Inquiry into Healthcare Funding was commissioned by the NSW Government in August 2023 and reported in April 2025. The Inquiry examined the NSW Health workforce broadly, including the use and terms of VMOs. It concluded that VMO determinations and related awards were outdated and no longer fit-for-purpose. The final report stated there was broad support from unions, representative bodies and senior NSW Health executives for award reform that modernised, simplified and consolidated existing instruments to reflect contemporary workforce needs.

Among the workforce-related issues identified, the Inquiry specifically considered the extent to which VMOs are engaged within NSW Health and whether the terms on which they are engaged enable the recruitment and retention of a sustainable health workforce. The NSW Government's formal response to the Inquiry, published in December 2025, accepted most recommendations (including 3 recommendations relating to VMO engagement and remuneration), and advised that it was progressing a comprehensive reform agenda across the NSW public health system. This audit provides additional insight to the Inquiry by examining whether the current governance, control and oversight environment is sufficient to support the effective and consistent implementation of these reforms.

Public sector financial management and stewardship

The *Government Sector Finance Act 2018* establishes principles for financial management across the NSW public sector. Section 3 sets out objectives, including the efficient, effective and economical use of public resources, accountability and long-term fiscal sustainability. This legislation further establishes expectations for accountability, risk management and assurance across the NSW public sector. These frameworks emphasise the importance of clear roles and responsibilities, effective oversight and reliable information to support decision-making.

Under section 127 of the Act, it is a mandatory condition for public health organisations to establish and comply with principles of sound corporate governance. The *Corporate Governance and Accountability Compendium* outlines the governance requirements that apply to NSW Health organisations and sets out the roles, relationships and responsibilities of those organisations.

Taken together, these legislative, industrial and governance frameworks establish the obligations for how VMO engagement and remuneration arrangements must operate.

3.4. Overview of VMOs and other employment methods

NSW Health uses a mix of VMOs, salaried staff specialists and locum clinicians to deliver medical services across the state, each with distinct cost, risk and value for money characteristics.

VMOs and associated contract types

VMOs are contracted practitioners who provide services on a sessional or fee-for-service basis across the NSW public health system. They are used in a range of settings, including metropolitan, regional and specialist services, particularly where demand fluctuates, specialist expertise is required, or recruitment to ongoing salaried roles is challenging. VMOs offer flexibility in responding to service needs and can help maintain continuity of service delivery where workforce capacity is constrained. Their direct cost per service or hourly rate is typically higher than salaried employment and overall expenditure may increase with service activity.

VMOs are engaged under a range of industrial relations determinations and arrangements. These reflect differences in service delivery models, clinical settings and workforce needs across the NSW public health system. These determinations are made by the NSW Industrial Relations Commission and establish legally binding terms and conditions for VMO engagement and remuneration as outlined in Table 1 below.

Table 1: VMO contract types

Contract type	Description	Applicable determination
Sessional VMOs	VMOs are paid a set rate for a defined period (for example, a half-day or full-day clinical session), regardless of the number of patients treated or services delivered during that period.	<i>Visiting Medical Officers (Sessional) Determination (2014)</i>
Fee-for-service VMOs	VMOs are paid per individual clinical service provided, with payment rates typically linked to Medicare Benefits Schedule (MBS) item codes. This means total remuneration is activity-driven, increasing as the volume or complexity of services delivered rises.	<i>Visiting Medical Officers (Fee-for-Service) Determination (2014)</i>
Rural Doctors Settlement Package (RDSP)	Additional incentives (for fee-for-service VMOs) to support recruitment and retention in rural and remote locations	<i>Visiting Medical Officers (Fee-for-Service) Determination (2014) paired with the RDSP incentive scheme and associated item numbers.</i>

Source: Audit Office of New South Wales created from NSW Health website content.

Staff specialists

Salaried staff specialists are directly employed by NSW Health on ongoing or fixed-term contracts and are remunerated through a fixed salary with associated employment on-costs. While less flexible than VMO or locum arrangements, salaried roles generally provide the most predictable and cost-efficient model over time, particularly where service demand is stable and services are delivered at scale.

Locum clinicians

Locum clinicians are non-specialist medical practitioners engaged on a short-term basis (commonly through agencies) to fill urgent vacancies, provide leave cover or respond to unexpected demand. They are typically remunerated at premium daily or hourly rates and may involve additional costs for travel, accommodation and agency fees. As a result, locums generally represent the highest-cost workforce option per day or service, with limited continuity of care and integration into local governance arrangements.

It should be noted that clinicians may be engaged under multiple employment or contractual arrangements at the same time, combining salaried roles with VMO or locum engagements where service needs require.

3.5. VMOs in the NSW public health system

NSW Health consider VMOs to be a critical part of the NSW public health system workforce, providing specialist clinical capacity across hospitals and helping sustain services where permanent staff specialist coverage is constrained. A major contributor to these constraints is the difficulty in recruiting and retaining a skilled health workforce to sustain the quality of health services in rural and remote areas. VMOs have been able to provide a range of medical and surgical services necessary to meet rural healthcare needs, especially for acute and emergency care, where access to other medical specialists is limited or non-existent.

The Ministry’s 2024–25 financial statements report \$1.317 billion in consolidated spending on VMO operating expenses, up from \$1.195 billion in 2023–24 and \$1.08 billion in 2022–23, reflecting an increase of over \$110 million (around 10%) each year. VMO costs as a proportion of NSW Health’s total clinical costs was 8.1% in 2024–25. This growth sits within a broader increase in operating and labour-related health expenditure and highlights the system design is reliant upon contracted specialist clinicians to sustain service capacity.

The distribution and growth of VMOs by contract type across financial years is outlined in Table 2 below. Overall, the total number of VMOs increased from 7,444 in 2022–23 to 8,032 in 2024–25, driven primarily by growth in sessional engagements. The number of fee-for-service VMOs increased modestly over the period, while the number of rural VMOs declined.

Table 2: Statewide unique StaffLink³ numbers by VMO contract type and financial year

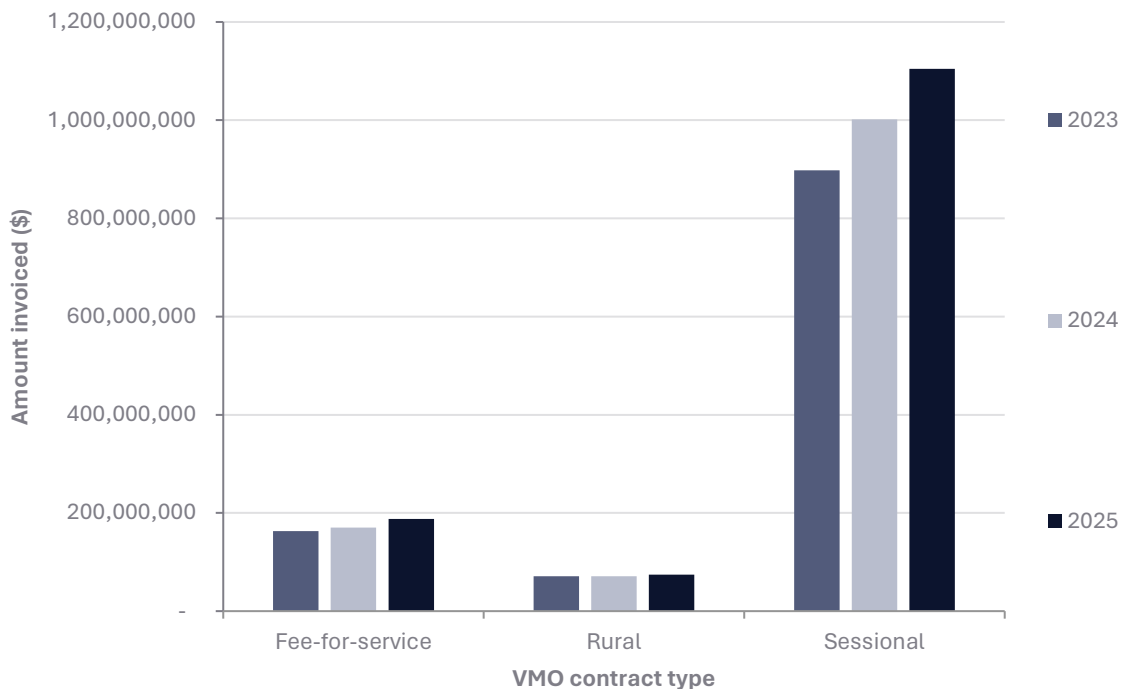
Financial year	Fee-for-service	Rural	Sessional	Total VMOs
2022–23	1,050	542	5,852	7,444
2023–24	1,068	501	6,205	7,774
2024–25	1,091	480	6,461	8,032

Note: VMOs are counted more than once where they have worked across more than one VMO contract type in a financial year.

Source: Audit Office of New South Wales calculations from HealthShare contract and claims payment dataset.

The financial significance and growth in VMO expenditure across the NSW public health system is further illustrated by trends in claims-invoiced activity over time. Exhibit 1 demonstrates there are notable increases observed across fee-for-service, rural and sessional VMO contract types, highlighting the scale of reliance on VMOs, the distribution across VMO contract types and the associated upward cost trajectory. In addition, trends observed in Exhibit 1 indicate a gradual shift in the composition of the VMO workforce, with increasing reliance on sessional arrangements contributing to overall growth in VMO numbers across the system.

Exhibit 1: Total amount of claims invoiced by VMO contract type, 2022–23 to 2024–25



Source: Audit Office of New South Wales calculation from HealthShare claims payment data.

³ StaffLink is the consolidated Oracle IT system that facilitates the delivery of human resources and payroll, financials and procurement, and identity and access management functions for NSW Health.

VMO activity represents a substantial component of service delivery across the NSW public health system. Over the three financial years between 2022–23 and 2024–25, LHDs invoiced a total of about \$3.75 billion in VMO claims, comprising around 5 million approved claim lines and representing approximately 8.3 million hours of clinical service. Exhibit 2 shows the distribution of claim activity and expenditure by LHDs between 2022–23 and 2024–25. This analysis provides insight into the scale and distribution of VMO-related spending across the NSW public health system, which informs our assessment of governance, financial oversight and sustainability.

Exhibit 2: Distribution of VMO claims invoiced by LHD, 2022–23 to 2024–25 (aggregated)

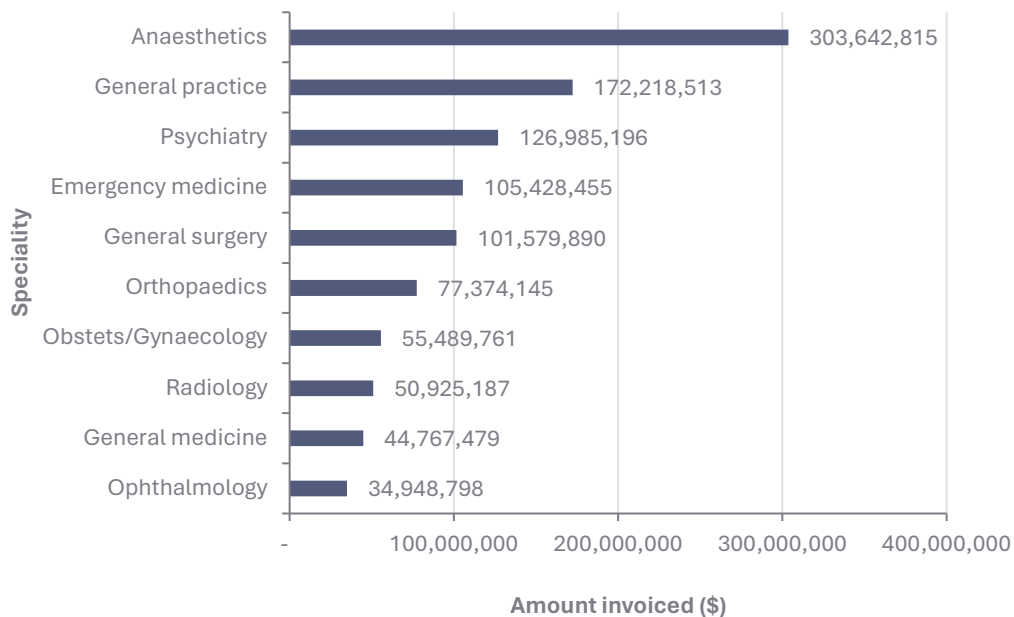


Note: This heat map excludes amount invoiced for the following networks (Justice Health, Sydney Children's Hospitals Network and St Vincent's Health Network).

Source: Audit Office of New South Wales calculation from HealthShare claims payment data.

VMOs provide services across a wide range of clinical specialties within the NSW public health system. However, VMO expenditure is concentrated in a relatively small number of specialties. In 2024–25, there were 66 unique specialty categories recorded (including one 'other' category). Exhibit 3 shows the top 10 specialties by total VMO expenditure across the system in the 2024–25 financial year. Together, these specialties account for approximately \$1.07 billion of the \$1.366 billion (78%) total VMO expenditure over the period analysed, representing most of the spending.

Exhibit 3: Top 10 VMO specialties across the NSW public health system in 2024–25



Source: Audit Office of New South Wales calculation from HealthShare claims payment data.

These patterns indicate that fluctuations in VMO expenditure are influenced by both workforce numbers and service activity levels. Accordingly, monitoring practitioner headcount alone does not provide sufficient insight into cost drivers. Furthermore, effective oversight requires combined analysis of workforce numbers, hours worked, claim volumes and total remuneration to understand underlying trends and sustainability implications.

3.6. NSW Health VMO engagement and payment framework

NSW Health has established a framework of policy directives, model service contracts and supporting information bulletins, and rates guidance to govern the engagement and remuneration of VMOs across public health organisations. These instruments together set requirements for VMO appointment, define standard contract conditions, establish remuneration settings, and support consistent fee claiming, checking and payment processes. These instruments are mapped in Appendix 2 and briefly described below.

Policy directives

Mandatory requirements for VMO engagement and claims management are primarily set out in NSW Health policy directives, which apply to LHDs as a condition of ongoing financial support. *Visiting Practitioner Appointments in the NSW Public Health System* establishes requirements for the appointment of visiting practitioners, including VMOs, and sets expectations for LHDs relating to governance, approval and documentation of these workforce engagements. More recently, *Visiting Medical Officer (VMO) Claims Management* implemented in October 2024 mandated requirements for the submission, checking, approval and payment of VMO claims, with the stated intent of strengthening financial controls and sustainability.

Model service contracts

NSW Health maintains standardised model service contracts that are intended to be used by LHDs when engaging VMOs. The *Model Service Contracts – VMO and HMO⁴* policy directive consolidates and links to the approved model contracts, including the *Model Sessional Service Contract* and the *Model Fee-for-Service Service Contract*. These contracts set out standard terms and conditions for service delivery, remuneration and compliance with applicable industrial determinations and NSW Health policies.

Chief executives of LHDs must ensure that the model VMO service contracts are brought to the attention of all staff involved in VMO contract matters. They must be utilised for all applicable engagements, unless approval for non-standard arrangements has been obtained from the Health Secretary (or delegate) within the Ministry, prior to the offer being issued.

Information bulletins and rates guidance

To support the implementation of expected remuneration arrangements, NSW Health issues information bulletins that communicate updated rates and administrative requirements to LHD staff. These bulletins provide practical guidance to LHDs on applying industrial determinations, including remuneration rates for sessional and fee-for-service VMOs, as well as related taxation and superannuation matters. While these bulletins do not establish new policy requirements, they are an important mechanism for operationalising the expected remuneration settings across the system.

There are currently 8 active information bulletins relevant to VMOs published on NSW Health's policy distribution system, 7 of which were published between 2024 and 2026.

⁴ Honorary Medical Officer (HMO) is a medical practitioner appointed under an honorary contract to provide services as a visiting practitioner for or on behalf of a public health organisation without monetary remuneration for those services.

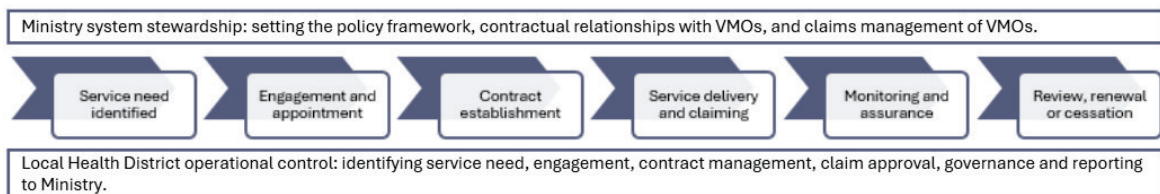
3.7. VMO engagement and remuneration lifecycle

LHDs are required to use the approved model contracts when engaging VMOs and apply remuneration settings set by the Ministry, outlined in policy directives and information bulletins.

Within LHDs, the model by-laws⁵ require the Board to establish a committee (the Medical and Dental Appointments Advisory Committee or MDAAC) which has the function of advising the chief executive, or authorised decision maker, in relation to the appointment of a person as a visiting practitioner. The model by-laws also require the MDAAC to establish a Credentials (Clinical Privileges) Subcommittee, to provide advice on all matters concerning the clinical privileges/scope of clinical practice of visiting practitioners.

VMO claims are submitted and processed through the NSW Health ‘VMoney’ IT system, with LHD checking and approval processes intended to verify that claims align with approved contract terms, applicable rates and supporting documentation prior to payment. The VMO engagement and remuneration life cycle has been visually represented in the figure below.

Figure 1: VMO engagement and remuneration life cycle



Note: This diagram is specific to the individual need and engagement of a VMO and does not represent the process at a workforce level.

Source: Audit Office of New South Wales based on analysis of NSW Health policy documentation.

3.8. About the audit

The arrangements under which VMOs are remunerated are complex and the total expenditure on VMOs in NSW is significant, with VMO operating expenses increasing approximately 10% each financial year.

The Audit Office last examined governance and remuneration arrangements for VMOs in 2011. It was found that the complexity and scale of VMO expenditure required stronger oversight, clearer governance and improved internal controls to ensure payments were appropriate and represented value for money. Our financial audit reports and data analytics on NSW Health VMO expenditure undertaken in 2022–23 again identified several potential control weaknesses and failings.

This audit builds on the previous financial audit reports and data analytics from 2022–23 by assessing whether governance, oversight and assurance arrangements for VMO engagement and remuneration have since been strengthened and are operating effectively in the current environment. This audit did not seek to assess the quality or effectiveness of clinical service delivery.

⁵ Model by-laws for public health organisations are a standardised set of core governance rules created by NSW Health that provide a consistent framework for the operation, management, and governance of LHDs, specialty health networks, and public hospitals.

4. Design and implementation of VMO governance framework

4.1. Policy framework

The Ministry has established policy settings governing VMO engagement and remuneration, but these do not cover all aspects of the process

Accountability for workforce and employment matters (which includes the VMO cohort) is defined at a system-level across NSW Health, with roles articulated for both the Ministry and LHDs in the *Corporate Governance and Accountability Compendium*. In particular, employment functions which must be approved by the NSW Health Secretary include:

- all non-standard contracts of employment/engagement
- statewide industrial matters
- determining any non-standard conditions for visiting practitioners
- determining any over-award payments or benefits.

LHD chief executives are assigned general responsibilities to manage staff of the NSW Health Service within the LHDs and other public health organisations. This delegation is subject to:

- compliance with all policy directives and instructions
- the provisions of all industrial awards, agreements and determinations where they prescribe the criteria to be followed in the grading/classification of positions
- maintenance of a staff profile in accordance with any instructions issued by the Ministry for the relevant division of the NSW Health Service
- compliance with the Ministry's policy regarding the right to private practice for salaried senior medical and dental practitioners
- prior written approval from the NSW Health Deputy Secretary, Governance, Workforce & Corporate or the NSW Health Director, Workplace Relations in respect of the settlement of any employment or industrial dispute or termination of employment, of any member of the NSW Health Service which involves the payment of money or benefits over and above award or statutory conditions and entitlements.

NSW Health has established policy directives, information bulletins, model service contracts and supporting guidance that set requirements for appointing and remunerating VMOs (refer to Appendix 2). These instruments are intended to support consistent engagement and remuneration practices across LHDs and include direction on:

- engagement and contracting arrangements
- remuneration and claiming processes
- credentialling and scope of clinical practice
- clinical governance and professional standards
- financial management and compliance requirements.

Whilst these instruments collectively establish key requirements, they do not provide a single, integrated, end-to-end guide on governance across the full VMO engagement and remuneration lifecycle. From workforce planning and engagement through to day-to-day management, performance monitoring and exit.

Roles and responsibilities for the Ministry and LHDs are described in isolation across individual policy instruments, and do not sufficiently cover:

- the Ministry's role in ongoing VMO system-wide oversight and assurance
- expectations for LHDs in monitoring and reporting risks and control effectiveness
- escalation pathways or intervention thresholds where issues are identified.

As a result, expectations of LHDs in relation to governance, oversight and reporting of VMO arrangements are not clearly articulated, contributing to variability in local implementation across LHDs which is discussed further in sections 4.3, 4.4 and Chapter 5.

These gaps in policy coverage relating to roles and responsibility, oversight and accountability increase the risk that inappropriate practices, control weaknesses, or emerging system-wide issues are not identified or addressed in a timely and coordinated manner.

The Ministry has not exercised a system stewardship role over VMO arrangements, and no function is accountable for providing consolidated, system-wide assurance

The Ministry advised that it has not historically played a system stewardship role in overseeing VMO engagement and remuneration arrangements.

Consistent with this, the audit found there is no function accountable within the Ministry for providing consolidated assurance to senior executives on the effectiveness of controls over VMO engagement and payments.

Despite the scale and complexity of VMO expenditure, there is no designated role or function within the Ministry that routinely provides structured, system-wide oversight of VMO engagement and remuneration risks, compliance issues, or emerging trends. While LHDs are expected to undertake day-to-day management and relevant assurance activities at the district level, the Ministry does not routinely obtain or analyse the outcomes of this activity to form a consolidated view of control effectiveness across the system.

Within the Ministry, key responsibilities relating to VMO arrangements, including policy development, remuneration frameworks, monitoring and reporting, and assurance and escalation, are dispersed across multiple branches with limited formal coordination. Accountabilities are not clearly assigned and documented. There is no overarching function or mechanism that brings these elements together to support ongoing system-wide oversight and assurance.⁶

4.2. Workforce planning

The Ministry has not provided a system-wide workforce planning framework to guide the use of VMOs

The relevant legislation gives the Ministry the authority and levers to influence statewide workforce settings and reform. However, the Ministry has not exercised its authority to establish an overarching statewide workforce policy or strategy that articulates the different workforce models available to LHDs. Nor does the Ministry provide guidance on when and how each model should be considered and applied.

While LHDs undertake workforce planning to support local service delivery, the Ministry has not defined a statewide strategy that articulates the role of VMOs and other medical workforce options, including staff specialists, locums or alternative service delivery arrangements.

⁶ The VMO Governance was established in September 2025 as a result of Ministry audit activity. The VMO governance committee provides advisory oversight on discrete policy and remuneration matters but does not deliver enduring end-to-end governance, compliance monitoring or lifecycle assurance over VMO engagement and management.

Decisions regarding VMO engagement are largely determined at the operational level within LHDs against their clinical service plans and in response to both local need and supply, without reference to system-wide workforce capability, capacity, sustainability or long-term service planning. Discussions with executives at the consulted LHDs indicated that, in practice, prioritisation is given to sustaining clinical workforce capacity and minimising public patient wait times, over clinical resourcing optimisation.

The Ministry's existing processes and controls provide it with limited visibility of whether VMO engagements are sustainable over the medium to long-term and are strategically aligned with workforce objectives and outcomes set out in the *Future Health* vision and the *NSW Health Workforce Plan 2022–2032*. Existing VMO policy directives do not establish criteria for LHDs in choosing VMOs over other options or minimum requirements for the rationale for engaging VMOs. As VMO arrangements generally involve higher direct service costs than salaried employment, clear documentation of service need, staff specialist supply constraints and the factors considered by LHDs in deciding whether engaging a VMO represents value for money, are critical to workforce planning, but were not generally present in the LHDs consulted.

The *Visiting Practitioner Appointments in the NSW Public Health System* policy directive (established by the Ministry) embeds a number of internal control-related requirements intended to ensure the integrity and appropriateness of the VMO appointment process. However, these focus primarily on the processes that apply once the decision to engage the VMO has been made, with little attention on controls around the initial decision to engage VMOs.

There are no specific requirements within the VMO policy framework for LHDs to:

- align VMO use with workforce strategies and service planning
- justify attracting and retaining VMOs
- assess alternative workforce options.

In addition, the Ministry has not articulated any statewide metrics or expectations for LHDs to monitor their patterns of VMO usage over time, to identify any dependencies on VMOs in particular specialty areas or locations, or address the risks associated with sustained or increasing VMO reliance.

In the absence of express policy requirements, the audit found VMO engagement decisions are often made in response to current local demand to respond to staffing gaps at short notice, or by rolling over existing contracts without reviewing whether VMO engagement continues to be the most effective utilisation of resources. This has resulted in a disconnect between LHDs decisions about engaging VMOs and system-wide objectives outlined in the *NSW Health Workforce Plan 2022–2032*.

Exhibit 4 below illustrates an example related to the psychiatry specialty.

Exhibit 4: Case Study - Changes in psychiatry workforce mix and costs

VMOs and staff specialists both play an established and complementary role in delivering psychiatry services across NSW Health. These roles are not mutually exclusive, with some clinicians engaged under both arrangements concurrently.

In recent years, NSW Health has experienced a shift in the composition of its psychiatry workforce. The Ministry advised that between 2019–20, 73 of 483 staff specialist psychiatrists (15%) paid between October to February were also engaged as VMOs. This increased to 93 of 427 staff specialist psychiatrists (22%) in the same period in 2024–25, indicating a growing overlap between employment models.

Further, the Ministry advised that between 2023–24 to 2024–25, total expenditure on psychiatry services increased by 8.6%, from \$216.5 million to \$235.2 million. This includes a 22.2% increase in VMO costs (from \$97.6 million to \$119.2 million), and a 2.5% decrease in staff specialist psychiatrist costs (from \$119 million to \$116 million). This shift in expenditure occurred alongside changes in workforce composition. The number of VMO full time equivalent (FTE) roles increased by approximately 100 FTE over the period, while staff specialist psychiatrist FTE decreased by around 50 FTE, despite underlying wage growth. The Ministry advised these changes indicate that higher VMO expenditure partly reflects increased service delivery, though differences in employment conditions and payment models mean costs are not directly comparable.

This example highlights the complexity of workforce and remuneration arrangements in NSW Health and reinforces the importance of system-wide oversight to understand changes in workforce mix, service delivery models, and associated cost implications.

Source: Audit Office of New South Wales based on NSW Health data analysis and policy documentation.

The Ministry has not defined value for money criteria for VMO arrangements

While NSW Health promotes value for money as a principle, the Ministry has not established expectations or criteria that would enable an assessment of whether VMO use (across the state, for certain specialties or for individual engagements) delivers efficient and sustainable outcomes.

NSW Health's website states that focusing on delivering better value improves patient outcomes and experiences, can make health services more effective and efficient, and use resources wisely to support a more sustainable healthcare system. Using value-based principles can reduce fragmentation, allow resources to be used in better ways and improve financial sustainability.

By applying values-based principles at every level of the health system and everything NSW Health does can help:

- manage the health system to meet new challenges and opportunities
- deliver a financially sustainable future
- use resources to deliver care that aligns with better outcomes and experiences
- plan, deliver and improve services based around holistic healthcare needs.

In practice, achieving value for money requires workforce model decisions, including the engagement of VMOs, to be informed by an assessment of service need, cost, productivity, workforce availability and long-term financial sustainability. This extends beyond compliance with approved rates or budgets to consider whether the chosen model is the most appropriate, cost-effective, and capable of supporting ongoing service continuity and system resilience.⁷ Improving value for money in VMO arrangements is critical to ensuring that NSW Health delivers sustainable, efficient and equitable health services within a high-cost and demand-constrained system.

⁷ NSW Government procurement policy requires agencies to apply defined value-for-money criteria when making purchasing decisions, including for lower-value procurements (see *NSW Procurement Policy Framework* and *Procurement Board Directions*). Applying similar criteria to workforce engagement decisions can support consistent, transparent and well-governed use of public resources.

Without value for money criteria, the Ministry has limited visibility of whether VMO arrangements represent optimal use of public resources across the system. Whilst not specific to VMOs, there are expectations outlined in Section 7 - Finance and Performance Management of the *Corporate Governance and Accountability Compendium* that LHD chief executives and Boards are responsible for putting into place appropriate arrangements to:

- ensure the efficiency and effectiveness of resource utilisation by public health organisations
- regularly review the adequacy and effectiveness of organisational financial and performance management arrangements.

In addition, LHDs have significant discretion in how value for money is interpreted and applied within the context of their individual operations, leading to inconsistent consideration of value for money across the system. For example, the LHDs consulted by the audit team varied in whether they:

- compared VMO costs to salaried employment equivalents before renewing contracts
- assessed the long-term financial impact of repeated VMO (or locum) use
- considered non-financial benefits, such as access to scarce specialist capability or reduced service disruption
- documented the rationale and evidence supporting the employment model selection in each instance.

The Ministry has recently established savings targets and efficiency improvement initiatives that include examining VMO-related expenditure as part of broader workforce financial management. Reviews undertaken by the Efficiency Improvement and Support Team examined VMO arrangements across a sample of LHDs and identified local issues relating to non-compliance with policy and VMO claiming patterns. However, these reviews were part of targeted project work, rather than an ongoing, systematic assessment of value for money in VMO engagement decisions. They do not provide enduring assurance that VMO use is optimised relative to cost, productivity and long-term workforce sustainability.

4.3. Internal controls

The Ministry has not historically exercised a consistent approach to defining and implementing controls for VMO engagement and contract management

NSW Health's existing policies provide direction on VMO appointment and remuneration processes but do not establish internal control expectations for related contracts, variations or extensions. They do not set minimum requirements for key preventative and detective controls, such as independent review and approval of contract changes, reconciliation of services delivered to contracted terms, or system-based alerts for expired or inactive contracts. This is reflective of the Ministry not historically performing a system oversight role for VMO engagement and remuneration.

Under the existing division of responsibilities between the Ministry and LHDs, control design and implementation are largely determined at the LHD level, increasing the risk of inconsistent contractual practices and variable control effectiveness.

The Ministry has not defined, and does not routinely monitor, controls for non-standard arrangements and higher-risk VMO remuneration settings

Non-standard contractual arrangements and remuneration settings for VMOs are higher risk than standard VMO arrangements because they fall outside established policy requirements, approval pathways and system controls. The Ministry has established policy expectations regarding such arrangements within the *Non-Standard Remuneration or Conditions of Employment* policy directive. However, this policy does not provide specific guidance in the context of VMO engagements and does not clearly define how its key criteria are to be interpreted or applied in practice. In addition, the Ministry has not specified monitoring or periodic review of non-standard arrangements at a system-wide level, increasing the likelihood of unauthorised departures from approved statewide conditions.

Specific to VMOs, the *Visiting Practitioner Appointments in the NSW Public Health System* policy directive states that ‘a public health organisation shall not, without specific approval from the Secretary (or delegate) offer a VMO or VDO⁸ remuneration or conditions of service other than in accordance with the rates and conditions specified in the relevant NSW policy directives or the relevant VMO determinations made under Chapter 8 of the *Health Services Act 1997*.’

In a statement to the Special Commission of Inquiry into Healthcare Funding, non-standard arrangements were defined by the Ministry as ‘any arrangement, contract or agreement (which may be formal or informal) which provides for payments or other employment related benefits or conditions for staff specialists or VMOs, that increase the doctor’s remuneration to an amount that exceeds, or provides employment conditions more beneficial than, that provided by the relevant award or determination.’

In 2023 the Ministry sought legal advice as to the nature and extent of unauthorised, non-standard arrangements across NSW Health with a view to adopting a system-wide approach to identifying and, where appropriate, either approving them or directing their cessation or remediation. For example, by replacing with approved non-standard arrangements in different terms. Separately, the Ministry has identified unauthorised, non-standard arrangements including:

- non-standard issuing of contracts or application of policy
- payments made inconsistent with the template contract and/or industrial instrument
- payments processed through VMoney, payroll or trust accounts⁹
- non-standard arrangements involving private patient revenue
- senior doctors providing services outside approved contracts or arrangements.

Without ongoing active identification, approval and monitoring of non-standard arrangements, the Ministry cannot demonstrate that higher-risk remuneration practices are lawful, transparent, equitable or financially sustainable. This exposes the system to risks of unauthorised expenditure, inequitable remuneration outcomes, industrial and legal disputes, and reputational damage.

LHDs do not consistently maintain segregation of duties in the checking and approval of VMO claims, creating an increased risk of error, inappropriate payment, and potential fraud

Core internal controls in any system require separation between staff roles that verify claims for payment and staff roles that authorise payment. This aims to ensure claims are valid, accurate and compliant with contractual and policy requirements prior to payment, and reduces the likelihood of collusion to support unauthorised or unjustified payments.

In the NSW Health claims process, VMO claims are reviewed and checked by administrative or finance staff within LHDs before being formally approved for payment by an authorised delegate, with both functions ordinarily performed at the LHD level.

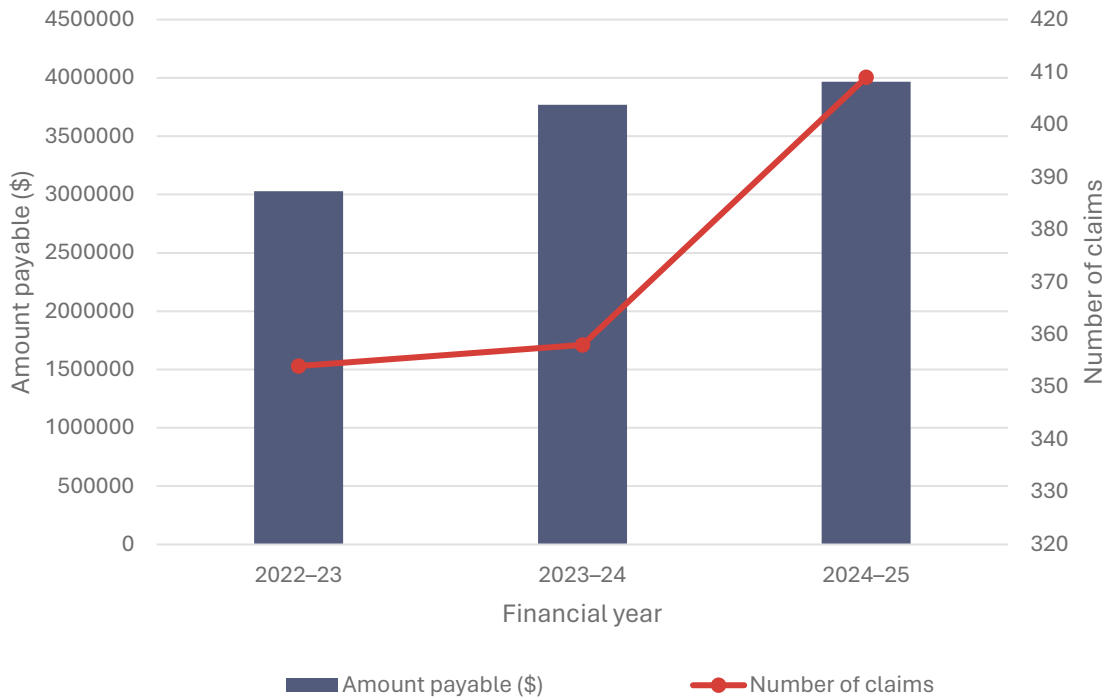
Audit testing of all VMO claims paid between 2022–23 and 2024–25 identified 1,121 claims in fee-for-service and rural categories (with a total value of \$10,763,660) where the same individual performed both the claims checking and approval functions. While this represents a nominal proportion of the total volume and value of VMO claims processed during the period (refer to Exhibit 1), it reflects a breakdown in a key internal control designed to prevent error and inappropriate payment. This is highlighted in Exhibit 5.¹⁰

⁸ Visiting Dental Officer (VDO) - Means a dentist appointed to provide dental services to a public health organisation as a dentist, dental specialist, or senior dental specialist.

⁹ Payroll systems are used to process salary and employment-related payments to employed staff, including wages, tax and superannuation obligations. Trust accounts are typically used to hold and manage monies on behalf of third parties for specific purposes, such as patient-related funds or other designated payments, and are not intended to operate as general payment channels for workforce remuneration.

¹⁰ The audit identified a control weakness in segregation of duties and did not assess whether, or conclude that, any inappropriate conduct occurred.

Exhibit 5: Value and number of claims processed without separation of checking and approval functions, 2022–23 to 2024–25



Note: No sessional claims were found to have issues with the separation of checking and approval functions.

Source: Audit Office of New South Wales analysis based on HealthShare approvers, checkers and claims payment datasets.

A lack of segregated duties substantially weakens controls over the integrity and accuracy of VMO claim approval and payments. Without independent review, incorrect or unsupported claims may be processed without challenge and any deliberate manipulation is less likely to be identified in a timely manner.

The Ministry advised that in March 2025, eHealth NSW implemented an enhancement in the VMoney system which disallows the same Stafflink ID from being added as checker and approver for the same Health Entity/Facility/Cost Centre combination, for an overlapping period. The Ministry also advised that the HealthShare NSW VMO Processing Team emailed each health entity individually when the enhancements were implemented, outlining where the checker and approver was the same person to ensure that steps are taken to address checking and approval tasks in VMoney.

LHD claims checking and approval practices do not consistently demonstrate effective and thorough review of VMO claims

The checking and approval of VMO claims is a key control designed to ensure that payments are valid, accurate and compliant with contractual and policy requirements before payments are made. In practice, claims checking and approval functions are performed by administrative or finance staff within LHDs. While these officers play an important governance role, they may not have the clinical expertise required to independently assess the appropriateness of services delivered, increasing reliance on individual VMOs to accurately categorise claims and upload supporting documentation, as well as effective IT system controls being in place.

In alignment with the requirements of the *Claims Management* policy directive, effective review of claims submission should involve claims checkers and approvers validating that:

- the services align with the VMO’s contract and engagement type
- hours claimed are reasonable and do not overlap with other services
- appropriate claim categories and MBS items codes have been used (where relevant)
- supporting documentation has been evidenced and is complete
- aged-claims rules and discounting requirements have been applied where relevant.

Audit analysis indicates that there was a small number of notable outliers where the timeframes taken to review and approve individual claims raised questions about whether the review processes are consistently operating as intended to effectively verify claims. More specifically, between 2022–23 and 2024–25:

- For Sessional claims: 9 claims were checked in under 5 minutes, and 235 claims were approved in under 5 minutes.
- For Fee-for-service claims: 302 claims were checked in under 5 minutes, and 1,170 claims were approved in under 5 minutes.
- For Rural claims: 58 claims were checked in under 5 minutes, and 170 claims were approved in under 5 minutes.

It is acknowledged that the time taken to perform claims checking and approval processes will vary depending on the complexity of individual claims, noting that simpler claims may reasonably require less time to review.

Exhibit 6 outlines some further examples by medical speciality.

Exhibit 6: Time taken to perform claims checking and approval processes for sessional VMO claims

Audit analysis identified instances where both claims checking and approval processes were performed in under 8 minutes for large claims (i.e. claims involving services in which over 50 hours were claimed to have been worked by the VMO). This included individual claims made over a one month period for:

- diagnostic radiology for services where the VMO claimed 247 hours were worked
- general surgery for services where the VMO claimed 153 hours were worked
- paediatrics for services where the VMO claimed 108 hours were worked
- psychiatry for services where the VMO claimed 160, 106 hours and 64 hours were worked
- emergency medicine for services where the VMO claimed 102 hours were worked
- anaesthetics for services where the VMO claimed 62 hours were worked.

The scale of these hours claimed would ordinarily require careful review of the service period, contractual limits, supporting documentation and potential overlap with other work. The recorded checking and approval timeframes suggest these steps may not have been fully undertaken. The audit did not assess individual intent or behaviour, nor whether any inappropriate conduct occurred. However, the observed review patterns demonstrate weaknesses in the operation of a key preventative control.

Source: Audit Office of New South Wales analysis based on HealthShare approvers, checkers and claims payment datasets.

NSW Health is not actively monitoring VMO hours claimed

NSW Health is not systematically reviewing the volume of hours claimed by individual VMOs prior to making payment. While claims are processed and approved at the LHD level, there is no structured process to identify unusually high cumulative hours over defined time periods or to flag claims that may warrant further review. This is reflective of the Ministry not historically performing a system oversight role for VMO engagement and remuneration.

Audit analysis indicates that such monitoring is not routinely performed before payments are made. In the absence of exception reporting or threshold-based review, unusually high hour volumes (such as those identified in Table 3 and Exhibit 7 below) may not be identified in a timely manner. This increases the risk that excessive, overlapping or ineligible hours may be paid without timely detection.

VMO remuneration is concentrated among a small number of practitioners

Audit analysis identified that the highest VMO remuneration occurred among a small number of individual practitioners. Table 3 presents the 5 highest paid VMOs in a single financial year, ranked by total invoiced claims. This analysis illustrates the scale of payments made to individual VMOs and highlights the importance of systematic monitoring of aggregate hours and remuneration levels to ensure payments are reasonable, supported and consistent with contractual arrangements.

Table 3: Top five VMOs with the highest invoiced claims, by financial year, 2022–23 to 2024–25

VMO rank	Amount 2022–23	Contract type	Amount 2023–24	Contract type	Amount 2024–25	Contract type
1	\$2,416,789	Sessional	\$3,368,249	Sessional	\$3,498,857	Sessional
2	\$2,232,840	Sessional	\$3,033,543	Sessional	\$3,028,590	Sessional
3	\$1,926,788	Sessional	\$1,886,286	Sessional	\$1,817,540	Sessional
4	\$1,684,447	Sessional	\$1,746,231	Sessional	\$1,815,070	Fee-for-service
5	\$1,227,854	Sessional	\$1,587,136	Sessional	\$1,680,922	Sessional

Note 1: The values stated are based on approved claims over the time period where claims were paid, not the period in which the services were rendered.
 Source: Audit Office of New South Wales analysis based on HealthShare claims payment dataset.

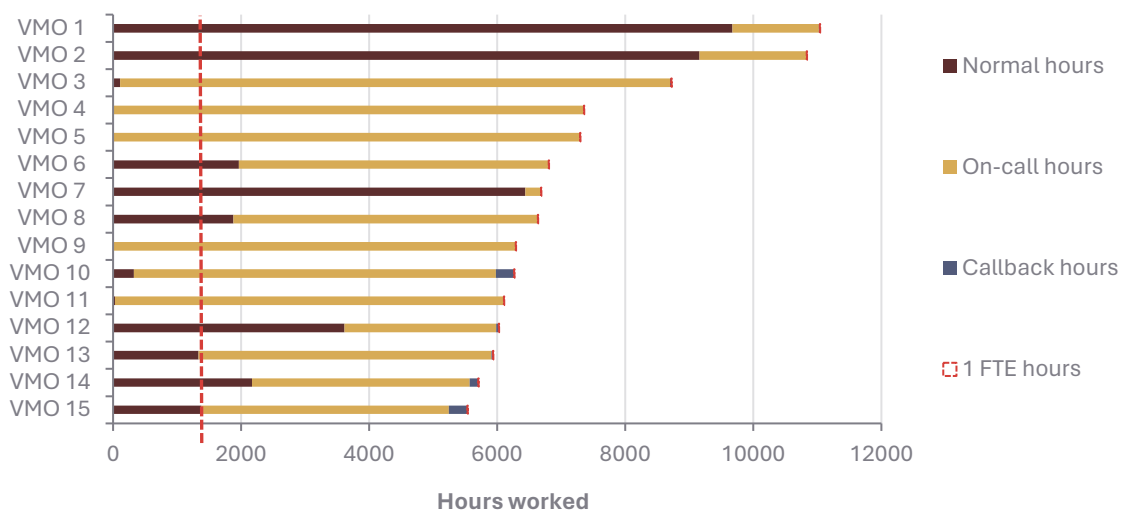
Across the 3 financial years it should be noted that 3 of the top 5 ranked VMOs were employed as radiologists across 2 LHDs and were remunerated under an established non-standard arrangement. The Ministry advised that these VMOs are paid on a ‘modified sessional’ basis, which operates similarly to a fee-for-service model and is intended to approximate the time required to complete diagnostic reporting with a small buffer to encourage throughput. It was also noted that some VMOs engaged under this model have claimed volumes of work equivalent to more than 100 hours per week. While these services are predominantly delivered offsite and the work itself is understood to be performed, the scale and speed of output raises questions about how activity levels align with expected time assumptions underpinning the payment model.

The scale and concentration of on-call claims highlight the need for stronger monitoring

Audit analysis of sessional VMO claims for 2024–25 indicates that a significant proportion of remuneration for some practitioners relates to on-call hours. Exhibit 7 below presents the top 15 sessional VMOs by total remuneration in 2024–25, disaggregated into normal service hours, on-call and callback hours. In several cases, the volume of on-call hours claimed approaches the equivalent of continuous availability (e.g. 24 hours a day, 7 days a week) across extended periods.

While on-call arrangements are an established component of sessional VMO contracts and play an important role in maintaining service availability, the concentration and scale of on-call claims highlight the importance of monitoring whether such arrangements remain necessary, proportionate and cost-effective.

Exhibit 7: Distribution of normal, on-call and callback hours worked for the top 15 Sessional VMOs in 2024–25



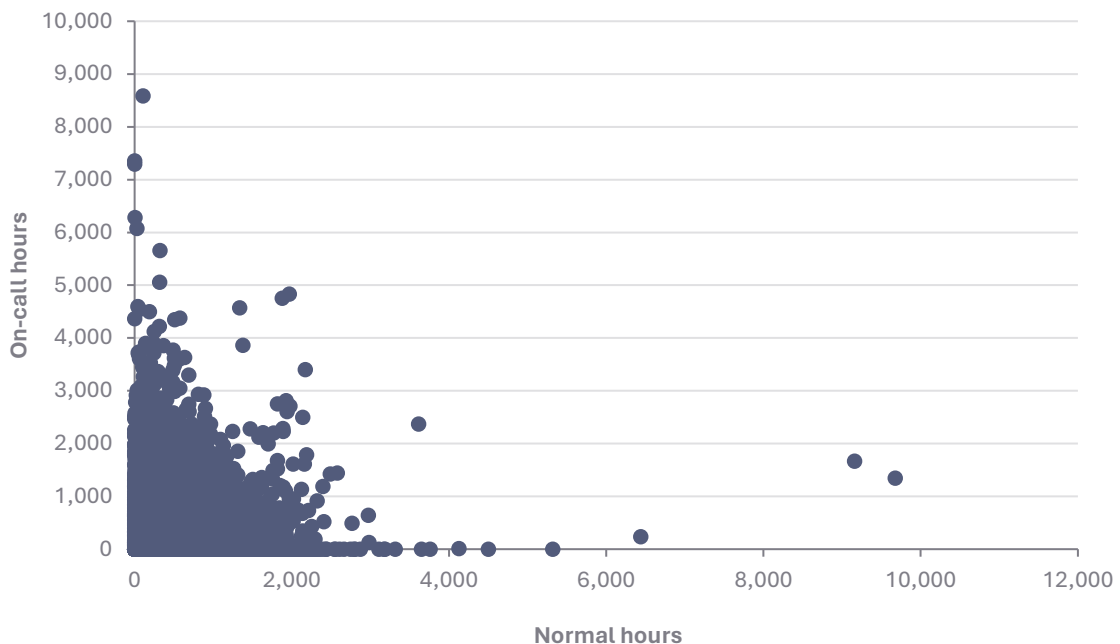
Note 1: The dotted line represents one standard FTE hours which is equivalent to approximately 1,976 hours worked per year.

Note 2: The VMO hours shown above represent the total hours worked in 2024–25 for all claims processed up to December 2025. Some claims for services rendered in 2024–25 may not yet have been submitted due to delays in VMOs submitting claims (refer to section 4.4).

Source: Audit Office of New South Wales analysis based on HealthShare claims payment data.

Exhibit 8 illustrates the relationship between normal service hours and on-call hours claimed by VMOs in 2024–25. Each point represents an individual VMO, plotted according to total hours claimed across both categories during the financial year. The distribution shows significant variation in how VMO time is allocated between normal service delivery and on-call availability. In a number of cases, aggregate hours exceed the equivalent of 1 FTE when on-call hours are included. The exhibit highlights the importance of monitoring cumulative hours across categories to ensure workloads remain reasonable, proportionate and subject to appropriate oversight.

Exhibit 8: Scatterplot of on-call hours vs normal hours (excluding callback hours) worked by sessional VMOs in 2024–25



Source: Audit Office of New South Wales analysis based on HealthShare claims payment data.

NSW Health is not monitoring VMOs concurrently engaged as staff specialists to identify excessive hours worked or potential double billing

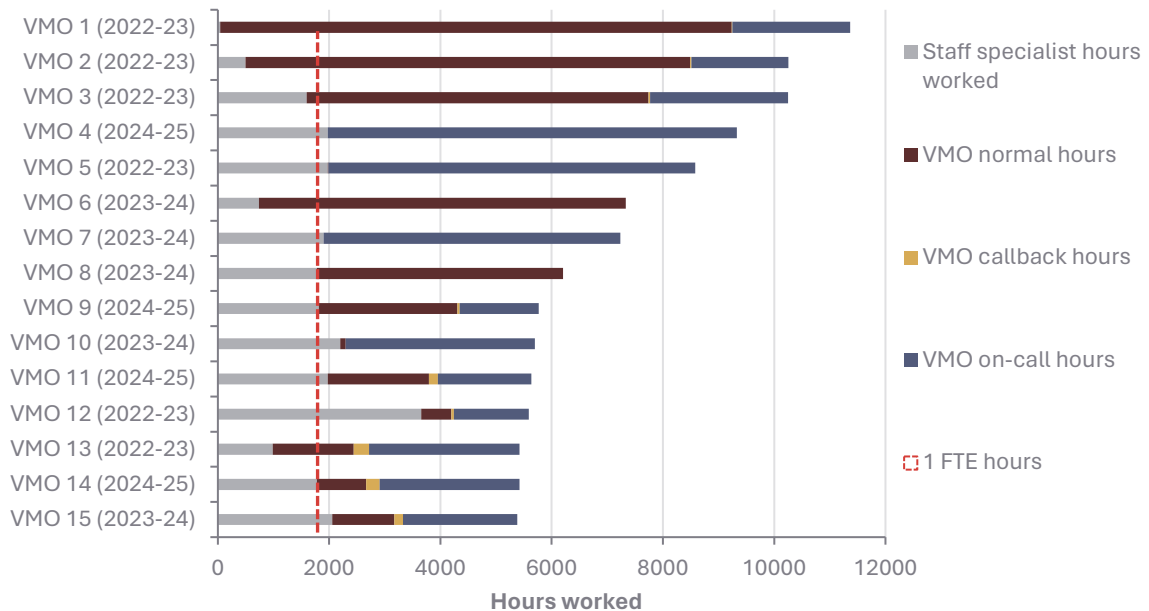
The Ministry’s policy settings allow for clinicians to hold concurrent roles, being directly employed as salaried staff specialists while also engaged separately as VMOs (possibly in multiple sites) to deliver additional or specialised services where workforce capacity or service needs require. However, the Ministry advised that NSW Health communicates with LHDs to discourage concurrent appointments as VMO and staff specialists, particularly in the same facility.

The audit’s analysis of all VMO claims data between 2022–23 and 2024–25 identified 1,361 instances where the aggregate hours of VMO hours (excluding on-call hours) plus staff specialist hours worked claimed by an individual over a calendar year exceeded 1,976 hours (equivalent working hours to one FTE). This represented 33.5% of individuals who were paid as both a VMO and staff specialist in a financial year. While medical practitioners commonly work hours more than one standard FTE, and minor exceedances above 1,976 hours per annum would not necessarily be unusual in clinical practice, the analysis also identified 93 instances where aggregate hours exceeded 2,964 hours (equivalent to 1.5 FTE). This represented 2.3% of the relevant population.

Although this proportion is relatively small, the volume of instances at this higher threshold reinforces the importance of coordinated monitoring. Without consolidated visibility of total hours worked across engagement types and locations, NSW Health cannot readily identify potentially excessive workloads, overlapping service periods, or increased risks of error, fatigue or inappropriate claims.

Exhibit 9 below presents the highest combined recorded hours each financial year between 2022–23 and 2024–25 across both engagement types. This analysis illustrates the scale of cumulative hours worked by certain practitioners and highlights the importance of coordinated monitoring to identify potentially excessive workloads or overlapping service periods.

Exhibit 9: Top 15 sessional VMOs also working as a staff specialist by aggregated hours worked and claimed, between 2022–23 and 2024–25



Note 1: Staff specialist hours were determined by converting the average FTE for staff specialists in the relevant financial year, using 1 FTE as equivalent to 1,976 hours.

Note 2: The VMO hours shown above represent the total hours worked in the relevant financial year for all claims processed up to December 2025. Some claims for services rendered in those periods may not yet have been submitted due to delays in VMOs submitting claims (refer to section 4.4).

Note 3: The graph includes 12 unique individuals. VMOs 4, 5 and 7 have the same Stafflink ID.

Note 4: The dotted line represents 1 FTE which is equivalent to approximately 1,976 hours worked per year.

Source: Audit Office of New South Wales analysis based on HealthShare on-call adjustments, staff specialist listing and claims payment datasets.

In these instances, the combined hours across VMO and staff specialist roles indicate a risk that combined workloads are unreasonable, and excessive hours beyond full-time employment are being worked and claimed. It also increases the likelihood of services being double counted, inappropriately claimed, or that concurrent employment contracts have not been considered in a combined and coordinated manner.

These results demonstrate that NSW Health’s existing controls are not consistently identifying unreasonable workloads, overlapping service periods, or breaches of contractual and industrial conditions before payment is made. Effective oversight of working hours is a fundamental control to ensure that work, health and safety (WHS) obligations are being met in managing excessive workloads and that payments correspond to actual, eligible clinical services. This was noted by one of the consulted LHDs as an area of VMO management with known deficiencies.

4.4. System controls

NSW Health’s VMO remuneration processes did not prevent \$4.8 million in VMO claims payments being made that were inconsistent with its aged-claims discounting policy

VMoney is the IT system used across NSW Health to record, process and approve VMO claims for payment. The system is intended to support consistent application of remuneration settings, provide an audit trail of claim approvals and enable reporting on VMO activity and expenditure across LHDs. These functions are important in ensuring payments align with approved contract terms, industrial determinations and policy requirements.

The Ministry’s *VMO Claims Management* policy directive (in alignment with wording from the *Public Hospitals VMO Sessional Contracts Determination 2014*) specifies that delayed claims will be discounted as follows:

- After 12 months from the date a service was provided, the value of a claim can be discounted by 50%, subject to the LHD having provided 28 days’ notice to the VMO that a discount of 50% will apply if a claim is not received.
- After 24 months from the date a service was provided, no payment is owing in respect of the service, subject to the LHD having provided 28 days’ notice to the VMO that no payment will be made if a claim is not received.”
- Applications to submit claims later than these time limits without any, or with a lesser discount can be made in writing to the relevant LHD within 4 weeks from the date of receipt of discount notice if there are exceptional circumstances (such as serious illness of the VMO). The LHD has the discretion on how to deal with such applications. If a VMO is dissatisfied with the decision of the LHD, the dispute resolution procedures of the Determinations may be invoked.

The application of the discount relies on the LHD issuing formal notice. The Ministry considers this to be a discretionary matter for LHDs to decide whether to offer a 50% discount on claims between 12 and 24 months after the date of service. It also allows LHDs to pay claims submitted more than 24 months after the service, where there are exceptional circumstances.

Table 4 below outlines the distribution of ageing claims processed and paid to VMOs between 2022–23 and 2024–25, grouped by months after the related services were rendered. The table shows that there was a 69% increase in claims aged 24+ months between 2023–24 and 2024–25.

Table 4: Ageing and value of claims processed after services rendered, 2022–23 to 2024–25

Months after services rendered	2022–23 claims processed	2023–24 claims processed	2024–25 claims processed	Total amount paid to VMOs across 3 financial years (GST ex)	% of total amount paid across 3 financial years
1–6	\$952,974,656	\$1,055,961,638	\$1,149,334,657	\$3,158,270,951	96.37%
7–12	\$28,637,128	\$26,734,166	\$30,729,880	\$86,101,174	2.63%
13–24	\$8,424,480	\$9,053,241	\$9,772,231	\$27,249,951	0.83%
24+	\$1,013,867	\$1,674,001	\$2,829,953	\$5,517,822	0.17%
Total	\$991,050,131	\$1,093,423,046	\$1,192,666,721	\$3,277,139,898	100.00%

Note 1: This analysis includes all NSW Local Health Districts and specialty networks.

Source: Audit Office of New South Wales analysis based on HealthShare data.

Due to the configuration and set-up of VMoney, the Ministry and LHDs are unable to easily determine whether discounting for aged claims have been applied correctly. The Ministry and HealthShare have provided some periodic communications to guide LHDs on delayed claims such as a factsheet, process guideline and supplementary information. However, these were focused on policy and process reminders. These communications have not included how to perform system monitoring and what reporting should be considered by LHDs to actively manage their aged claims. Reliance is placed on manual checking and approval processes rather than automated system controls to ensure compliance with policy requirements. This increases the risk of inconsistent application of remuneration settings across LHDs and therefore unnecessary excessive cost.

Further, the VMoney reporting functionality does not provide clear visibility of aged claims, including the volume, value and discounting outcomes for such claims across LHDs. In particular, VMoney does not provide clear evidence or reporting to demonstrate:

- whether or not, or when, discounting has been applied
- the basis for any discount applied or not applied
- alignment of discounting outcomes with policy requirements.

Audit testing found that between 2022–23 and 2024–25, a total amount of \$4,786,777 (exclusive of GST) was paid by LHDs for services delivered by VMOs more than 24 months prior to the claim being made, where a 100% discount should have been applied in alignment with the requirements of the *VMO Sessional Determination 2014*. These are further detailed in Table 5 below.

Table 5: Total amounts paid by LHDs to VMOs for processed claims where services were delivered more than 24 months prior

Local Health District (LHD)	Sum of total amount paid to VMOs between 2022–23 to 2024–25 for services delivered more than 24 months prior (exclusive of GST)
Central Coast Local Health District	\$34,058
Far West Local Health District	\$103,458
Hunter New England Local Health District	\$1,164,234
Murrumbidgee Local Health District	\$418,200
Mid North Coast Local Health District	\$75,987
Nepean Blue Mountains Local Health District	\$158,535
Northern NSW Local Health District	\$162,660
Northern Sydney Local Health District	\$183,807
South Eastern Sydney Local Health District	\$118,138
Southern NSW Local Health District	\$500,045
South Western Sydney Local Health District	\$893,783
Sydney Local Health District	\$111,858
Western NSW Local Health District	\$161,675
Western Sydney Local Health District	\$700,339
Total amount paid	\$4,786,777

Source: Audit Office of New South Wales analysis based on HealthShare data.

This demonstrates LHDs have made payments that are contrary to the Ministry’s policy, resulting in expenditure that should not have occurred and undermining value for money in the use of public funds. The Ministry advises that this may include claims that involved exceptional circumstances (such as serious illness of the VMO) accepted by the LHD, but it cannot readily identify these.

Exhibit 10 below further illustrates the control risks arising from aged VMO claims. It demonstrates how delayed submission and processing of claims can weaken the effectiveness of review and approval controls, reduce transparency over expenditure, and increase the risk that inappropriate or excessive claims are not identified in a timely manner.

Exhibit 10: Case Study – Risks associated with aged VMO claims

Audit testing identified an individual VMO who delivered services over a 12-month period from June 2024 to May 2025. Across this period, the VMO recorded 7,325 hours worked, equating to an average of about 20.07 hours per day. The total invoice value for this period was \$2,309,212.

However, the associated claims were not processed contemporaneously. Instead, claims relating to the 12-month worked period were processed over a later 6 month period between July and December 2025. Audit analysis found that about \$827,000 of claims invoiced were for services performed 13 months prior, meaning that a discount of 50% could have been applied by LHDs.

The processing of aged claims of this magnitude creates practical challenges for effective review and approval of claims within LHDs. Here, claims checkers and approvers were required to verify services delivered over 12 months prior. This reduces the effectiveness of scrutiny applied at the point of approval and increases the risk that errors, excessive hours, application of aged-claims discounts, or inappropriate claims may not be identified.

The delayed submission and processing of claims also limit timely financial visibility and weakens routine monitoring of emerging cost trends.

Source: Audit Office of New South Wales analysis based on HealthShare data.

NSW Health’s automated data validation controls do not adequately demonstrate that VMO remuneration aligns with the Ministry’s claims management policy requirements

Variability in data entry practices, coding and supporting documentation across LHDs affects the reliability and comparability of VMO claim information recorded in VMoney. VMoney does not have any business rules to identify unusual Medicare Benefits Schedule (MBS) item claim codes¹¹ based on a VMO’s speciality. This is particularly significant because the fee-for-service payment model relies on MBS item codes to determine the applicable service type and payment rate. Without valid coding, the Ministry cannot readily confirm that claims align with approved services or fee schedules, weakening controls designed to detect errors, duplicate claiming or non-compliant payments.

The absence of MBS item codes reduces transparency over the services delivered and limits the Ministry’s ability to verify that payments were appropriate. We also found that some MBS item codes could not be found in the MBS item code dataset provided by HealthShare NSW, and instances of incorrectly coded MBS item codes.

Together, these findings show that VMoney lacks effective validation at the point of data entry, raising concerns about the accuracy of recorded services, the correctness of fees charged, and the reliability of information used for oversight, assurance and decision-making.

NSW Health’s extensive use of ‘miscellaneous’ claim categories weakens the reliability of VMO payment data

Audit analysis found inconsistent use of claim categories within the VMoney system, particularly the miscellaneous claim type. In a number of cases, this category was used to record services such as patient consultations, on-call activity and other claimable work that have existing designated claim categories.

¹¹ Medicare Benefits Schedule (MBS) item codes are nationally defined codes that describe specific medical services and determine the approved fee that can be charged and paid for each service for fee-for-service VMOs.

Exhibit 11 demonstrates that the value of claims recorded under the miscellaneous category is financially significant across all VMO contract types. Sessional claims account for the largest share, reaching approximately \$20 million in 2022–23 and increasing to around \$23 million in 2023–24, before declining to about \$9 million in 2024–25. In comparison, fee-for-service and rural miscellaneous claims are lower in absolute terms but remain material, each ranging between about \$2.5 million and \$3.7 million per year across the period.

Exhibit 11: Value of VMO claims classified as miscellaneous by VMO contract type, 2022–23 to 2024–25



Note 1: 2024–25 figures for sessional amounts claimed are significantly less as payments made under special provisions for the COVID-19 pandemic ended in January 2024 and were part of the dataset reviewed. In addition, in September 2024, HealthShare NSW commenced a review of miscellaneous claims entered and the report is now reviewed daily.

Source: Audit Office of New South Wales analysis based on HealthShare data.

Audit analysis identified substantial use of the miscellaneous claim category to record services that have designated claim types or are subject to specific remuneration rules. Examples included entries such as:

- Fee-for-service miscellaneous claims noted as other (refers to uncategorised) were valued at \$7,099,856.
- Miscellaneous claims noted as locum amounted to \$519,156 and \$22,500 across sessional and fee-for-service claim types, respectively.
- Rural miscellaneous claims noted as on-call amounted to \$461,881¹².
- Fee-for-service miscellaneous claims noted as on-call came to \$147,587.
- Miscellaneous claims noted as 'private' amounted to \$11,109 and \$2,439 for fee-for-service and rural claim types, respectively.

Using the miscellaneous category can bypass system business rules designed to ensure payments are calculated correctly and do not overlap. For example, controls that normally prevent overlapping on-call and service claims, or that calculate withholding tax and superannuation based on claim type, may not operate as intended when claims are recorded as miscellaneous. This increases the risk of incorrect remuneration, inappropriate payments or inaccurate calculation of employment-related costs.

¹² All figures are exclusive of GST.

Under Ministry policy and system design, services such as locum, on-call activity or private patient services are intended to be recorded under designated claim categories and subject to specific remuneration rules. For example, fee-for-service VMOs are generally remunerated based on individual clinical services delivered rather than for availability, such as on-call periods, unless otherwise provided for in their contract. Similarly, remuneration for private patient services is subject to distinct policy and funding arrangements.

Recording these services as miscellaneous is inconsistent with the intended categorisation and may bypass automated validation rules, reducing transparency and increasing the risk that payments are not aligned with contractual or policy requirements.

The high value of 'other' claims, particularly for rural VMOs may partly reflect the absence of a dedicated 'meeting' category in the system for rural contract types. However, this does not remove the requirement to accurately categorise services in accordance with policy and system design.

HealthShare NSW advised that since September 2024 it has been reviewing miscellaneous claim lines input into VMoney through system reporting. The system report captures work that was entered and processed via the miscellaneous category rather than under the designated claim category within the VMoney system (e.g. routine, call back or on call). HealthShare NSW advises that the report is reviewed daily and its VMO processing team emails the relevant LHD checker/approver of claims to advise the correct process for entering claim lines. This has contributed to the significant decrease in the value of miscellaneous claims in the 2024–25 financial year highlighted in Exhibit 11.

4.5. Policy implementation guidance and support

The Ministry's support for implementation of revised VMO policy requirements is insufficient to promote consistent compliance across LHDs

The Ministry's approach to communicating and supporting changes to VMO policy settings does not provide sufficient guidance, training or oversight to ensure LHDs apply revised requirements consistently and in line with policy.

In October 2024, NSW Health updated VMO claims management requirements through the *Visiting Medical Officer (VMO) Claims Management* policy, including mandated evidence requirements within the claims process. While consultation occurred before release, communication of the changes relied largely on automated distribution of policy instruments and circulars. There was no supporting guidance tailored to key stakeholder groups such as finance, workforce, clinical governance and operational staff. There was also little evidence of structured training or practical implementation support, such as worked examples, decision aids or scenarios, to promote consistent understanding across LHDs.

The Ministry also did not clearly identify affected roles or required capability uplift, set expectations for LHDs to deliver and monitor local communication or training, or establish mechanisms to obtain feedback on staff awareness and implementation challenges. As a result, implementation relied on local interpretation and informal knowledge transfer, contributing to variability in practice across consulted LHDs.

In addition, publicly available guidance to support compliant claim preparation and submission had not been consistently maintained. Some NSW Health web content has not been updated to reflect current policy requirements and hyperlinks within key artefacts such as the *Information and Welcome Pack for Visiting Medical Officers* were broken or directed users to obsolete webpages. Where authoritative guidance is outdated or inaccessible, VMOs and administrative staff may rely on superseded instructions or informal local practices, increasing the risk of inconsistent claiming, incorrect entitlement application and avoidable payment errors.

5. Monitoring, reporting and assurance on the VMO framework

5.1. Routine monitoring

The Ministry has not undertaken structured, routine monitoring of VMO engagement, activity and remuneration across the NSW Health system to date

While the Ministry has the authority and system-level visibility to exercise a stewardship role over VMO arrangements, it has not done so. Decisions regarding VMO engagements and related governance have been wholly in the remit of LHDs, subject to compliance with the Ministry's policies. Accordingly, the Ministry has not defined the monitoring requirements for VMO arrangements, including roles, responsibilities and routine information to be observed, at either the Ministry or LHD level.

Relevant monitoring activities undertaken by the Ministry are primarily focused on the high-level expenditure, efficiency and budgetary impacts of VMO arrangements, not on the effective operation of internal controls. The audit found that at both LHDs and the Ministry there was no comprehensive or routine analysis of data on:

- VMO cost drivers
- comparative VMO costs across LHDs or specialties
- trends in reliance on VMOs relative to service delivery outcomes.

These monitoring gaps weaken stewardship and value for money in a high-cost workforce model and heighten the risk of inefficient spending, cost escalation, and reduce assurance over sustainable service delivery. This is especially true given the weaknesses in controls outlined in the previous chapter. They further limit the Ministry's capacity to identify emerging pressures, detect governance weaknesses and intervene where LHD reliance on VMOs is misaligned with outcomes or efficiency.

5.2. Performance reporting

The Ministry does not have a structured performance reporting framework for VMO engagement and remuneration

The Ministry has outlined broad workforce and employment reporting requirements for LHDs through its *Corporate Governance and Accountability Compendium*, the *Health Performance Framework* and the *Financial Requirements and Conditions of Subsidy (Government Grants)*. There are no performance reporting requirements for LHDs specific to VMOs.

While some LHD information on VMO expenditure and activity is available to the Ministry through financial and operational reporting processes, there is no consistent set of performance measures to assess the effectiveness, efficiency or sustainability of VMO arrangements across the NSW Health system.

Existing periodical performance reporting (monthly and quarterly) is primarily focused on expenditure and budget impacts, rather than indicators that would support an assessment of whether VMO engagement is effective across the system and represents an efficient and sustainable workforce model. The Ministry does not routinely examine or report on comparative costs, utilisation trends, reliance on non-standard arrangements, or alignment of VMO use with objectives outlined in NSW Health's *Workforce Plan 2022–2032*. There is no reporting to provide the Ministry with assurance regarding LHD compliance with approved contract conditions, industrial determinations or policy settings for VMO engagement or remuneration.

Senior decision makers have not established or enforced requirements for comprehensive reporting on VMO performance and risks

Information provided to Ministry executive or governance committees relating to VMOs is limited in scope and not supported by consolidated system-wide analysis. For the information that is provided, variability in data capture and reporting across LHDs, together with constraints in system reporting capability, reduce its reliability and comparability. This limits the ability of senior decision makers to identify emerging risks, monitor trends or assess the effectiveness of governance and control arrangements.

The Health System Performance Monitor forum supports the Secretary in monitoring the performance of the NSW Health system in early detection and response to performance concerns and risks, and oversight of remediation required under the *Health Performance Framework*. The forum considers enterprise performance functions including workforce. However, to date this forum has only held ad-hoc discussion on VMO management matters and observations raised around a sample of LHDs. Discussions were not supported by comprehensive or consistent information on system-wide VMO performance and risks.

The Ministry has recently established processes to collect and consolidate information on control deficiencies across NSW Health entities, including through the Internal Control Deficiency Register (ICDR) put in place in line with NSW Treasury requirements. This process is intended to capture, assess, address and monitor financial control weaknesses, including those relating to VMO arrangements, and to identify common themes and system-wide issues. While this represents a positive step towards improving visibility of control deficiencies, the process is still being embedded and has not yet resulted in comprehensive, consistent or routine reporting to support system-wide oversight of VMO performance and risks.

Without defined performance measures, consistent reporting and system-wide analysis, the Ministry cannot readily determine whether VMO engagement supports value for money or long-term workforce sustainability. This constrains the Ministry's ability to exercise effective system stewardship and to take timely corrective action where performance or compliance concerns emerge.

5.3. Assurance activities

The Ministry has not established a structured, risk-based assurance framework to oversee VMO engagement and remuneration across the NSW Health system

While the Ministry has historically been responsible for statewide policy, industrial instruments, model contracts and claims management for VMOs, it has not performed a system oversight role including assurance activities to check that LHDs are adhering to Ministry policies, procedures and expectations in practice.

Assurance activities are processes undertaken to provide confidence that controls are operating effectively, risks are being managed appropriately, and activities comply with legislative, policy and governance requirements. Assurance activities may include monitoring, data analysis, compliance reviews, management reporting, internal audit and independent oversight.

Assurance activities relating to VMO compliance and remuneration have been undertaken on a periodic or issue-driven basis rather than through a coordinated, planned, system-wide assurance program. For example, the Ministry's internal audit team recently undertook an internal audit examining VMO management which identified control gaps and instances of non-compliance requiring management attention.¹³ While these activities have provided insight into particular aspects of VMO engagement and remuneration, they have not been designed to provide holistic or ongoing assurance over governance, internal controls or compliance with legislative and policy requirements.

¹³ The Ministry's internal audit reviewed data from 1 June 2023 to 31 May 2024.

The Ministry has not set out a clear, risk-based plan for how it will check that controls are working properly across LHDs, including what should be reviewed and how this should be undertaken. As a result, current checking activities do not provide a complete or consistent picture of whether rules are being followed or controls are effective across the system.

Minimum assurance activities expected of LHDs (for example, internal reviews, data analytics, or compliance checks) have not been defined by the Ministry to provide confidence that VMO arrangements are operating as intended. Audit evidence indicates variability in how LHDs operationalise VMO policy requirements, including differences in documentation standards, approval processes, workforce planning capability, and oversight of contract variations and extensions. In some cases, LHD internal audit findings identifying vulnerabilities in claims checking and risks of overpayment had not been escalated to the Ministry.

Without clear assurance requirements and a coordinated, risk-based approach across LHDs, the Ministry cannot readily confirm that VMO arrangements are working as intended or meeting policy and legislative requirements in practice.

Ministry-initiated governance reforms are underway to improve oversight, compliance and risk management for VMO arrangements

In response to the findings of its recent internal audit on VMO arrangements, the Ministry has established a time-limited VMO Governance Committee with membership from across the Ministry. The Committee's purpose is to provide strategic oversight over the Ministry's response to the internal audit outcomes to ensure that findings are addressed effectively, risks are mitigated and governance practices are continuously improved across NSW Health.

Prior to the establishment of the Committee, the Executive Directors of Medical Services meeting (which includes representation from the Ministry and LHDs) has previously included coverage over VMO related matters and information sharing across the NSW Health system. However, the remit of the forum is much broader than VMO management and its agenda items are subject to change.

Work is underway to implement dashboard reporting to capture VMO policy compliance statistics. The Committee has also focused on the following control improvement areas:

- establishing and maintaining governance structures, oversight mechanisms and accountability
- improving visibility, reporting consistency and system-wide monitoring of VMO engagement and payments
- system configuration, control design and automation within VMoney
- strengthening checking processes, assurance activities and internal audit requirements
- addressing VMOs working across multiple roles or districts
- governance arrangements and clean-up of non-standard VMO engagements
- policy clarification, communication and guidance to LHDs
- targeting compliance and financial risks, cost drivers and payment classifications.

Appendix 1 – Response from entity

Response from NSW Health

NSW Health



Ref: H26/26688

Mr Bola Oyetunji
Auditor-General for New South Wales

NSW Health response to the final performance audit report – Oversight of Visiting Medical Officers

Dear Mr Oyetunji,

Thank you for the opportunity to respond to your Oversight of Visiting Medical Officers performance audit report.

Visiting Medical Officers are an important part of the NSW Health workforce. I welcome the focus that this audit has given to the complexities of their engagement model, and I accept the recommendations made. The findings of your audit are consistent with those made by recent reviews led by the Ministry of Health and will be used to inform ongoing progress in this area.

In recent years the Ministry of Health has sought to identify ways to strengthen the framework which governs the engagement of Visiting Medical Officers at a system wide level. Significant progress has been made to date, including:

- The establishment of a Visiting Medical Officer Governance Committee to oversee and coordinate reforms, including the design of a new governance framework and alternative payment solutions to replace the current payment system.
- The introduction of a statewide compliance dashboard to provide central oversight of claiming patterns, work hours and delayed claims.
- Enhanced data analytics and system controls within the claims system.
- New processes to identify clinicians who hold both Staff Specialist and VMO appointments, supporting the management of fatigue risks and potential conflicts of interest.
- Strengthened guidance to Local Health Districts and Specialty Networks.

The Ministry of Health has also reinforced expectations on claim checking, and is progressing further improvements, including better integration between claims, workforce and clinical data.

The findings of your audit will be considered within context of this broader work, and I appreciate the support offered by the Audit Office of NSW during this audit program.

Yours sincerely

A handwritten signature in black ink, appearing to read "Susan Pearce".

Susan Pearce AM
Secretary, NSW Health

1/5/26

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NSW Health Response to the Audit Recommendations

Recommendation	Responsibility	Agency Position	Agency Response
By April 2027 the NSW Ministry of Health should:			
<p>1. Strengthen system-wide governance and assurance of VMO engagement and remuneration by:</p> <ul style="list-style-type: none"> a) clearly defining roles and responsibilities for the Ministry and LHDs b) setting minimum and mandatory accountability, monitoring, assurance and reporting requirements c) providing clarity on discretionary and non-discretionary decision-making, including on the use of non-standard contractual arrangements and departures from policy d) identifying and escalating emerging risks and persistent non-compliance with minimum or mandatory requirements e) reporting to executive governance forums, sharing better practice across LHDs, and evaluating the effectiveness of policy implementation and remediation actions. 	Ministry of Health	Accept	The Ministry of Health is currently leading an enhancement program to strengthen the governance of Visiting Medical Officer engagement and oversight arrangements. The recommendations made by this audit report will be incorporated into the program of work to be implemented in partnership with Local Health Districts, Specialty Networks and other involved NSW Health organisations.
<p>2. Strengthen system-wide oversight of value for money considerations in VMO engagement and remuneration by:</p> <ul style="list-style-type: none"> a) having centralised workforce planning capability that considers the role of VMOs and alternative workforce models b) defining value for money decision criteria for LHDs when deciding on the engagement and ongoing use of VMOs c) improving data collection, analytics and reporting to enable statewide and district monitoring of cost drivers, utilisation and longer-term financial sustainability. 	Ministry of Health	Accept	

Recommendation	Responsibility	Agency Position	Agency Response
<p>3. Establish and communicate minimum internal control requirements for LHDs in relation to VMO engagement and remuneration by:</p> <ul style="list-style-type: none"> a) defining minimum mandatory control standards across the VMO contract lifecycle to ensure decisions are appropriately authorised, evidenced and subject to periodic review b) setting clear expectations for governance and oversight of higher-risk or non-standard arrangements c) requiring the implementation of effective IT system-enabled controls to support compliance with policy requirements and transparent monitoring of claims and payments. 	Ministry of Health	Accept	

Appendix 2 – NSW Health framework

Instrument type	Document title (as published)	Identifier	Purpose
Policy directive	Visiting Practitioner Appointments in the NSW Public Health System	PD2016_052	Sets out the processes public health organisations apply when appointing visiting practitioners (including VMOs)
Policy directive	Visiting Medical Officer (VMO) Claims Management	PD2024_032	Sets mandatory requirements for the submission, checking, approval and payment of VMO claims
Policy directive	Model Service Contracts –VMO and HMO ¹⁴	PD2014_008	Endorses approved model service contracts for engaging VMOs and HMOs
Policy directive	Non-Standard Remuneration or Conditions of Employment	PD2018_040	Advises that public health organisations are not permitted to provide staff employed in the NSW Health Service with over-award (nonstandard) remuneration or conditions of employment (including by the way of the settlement of claims or litigation) without written approval from the Health Secretary or authorised delegate.
Model contract	Model Sessional Service Contract – Visiting Medical Officer	—	Sets standard terms and conditions for engaging sessional VMOs, including service obligations and remuneration basis
Model contract	Model Fee-for-Service Service Contract – Visiting Medical Officer	—	Sets standard terms and conditions for engaging fee-for-service VMOs, including eligible services and payment conditions
Model contract	Model Fee-for-Service Contract – Rural Doctor Package Hospitals	—	Sets standard terms and conditions for engaging fee-for-service VMOs with specific inclusion of terms and payment conditions under the <i>Rural Doctors Settlement Package</i>
Information bulletin	Remuneration Rates for Sessional Visiting Medical Officers	IB2024_001	Communicates revised remuneration rates for sessional VMOs for services rendered on or after 1 July 2023
Information bulletin	Remuneration Rates for Fee-for-Service Visiting Medical Officers	IB2021_054	Communicates remuneration rates and claiming parameter changes for fee-for-service VMOs rendered on or after 1 July 2021
Information bulletin	Visiting Medical Officer – Australian Business Number and Goods and Services Tax Requirements	IB2026_010	Provides guidance on taxation implications for VMO payments by public health organisations within NSW Health

¹⁴ Honorary Medical Officers (HMOs)

Instrument type	Document title (as published)	Identifier	Purpose
Information bulletin	Rural Doctors' Settlement Package Clarifications Reference Guide	IB2025_043	Communicates the publication of the updated <i>Rural Doctors' Settlement Package Clarification Reference Guide</i> (Revised 2025).
Information bulletin	Rural Doctors' Settlement Package Hospitals Indexation of Fees – Visiting Medical Officers	IB2025_037	Communicates the schedule and indexation of RDSP fees effective from 1 August 2025
Information bulletin	Scale of Fees for Hospital and Other Health Services	IB2025_022	Communicates an update of the dees to be charged by NSW Health organisations for hospital accommodation and other health services, effective from 1 July 2025
Information bulletin	Visiting Medical Officers Welcome and Information Pack	IB2025_17	Communicates updated references and recommendations in the VMO Welcome and Information Pack
Information bulletin	Voluntary Assisted Dying (VAD) Visiting Medical Officer (VMO) VMoney payment process	IB2025_010	Communicates an interim solution for VMOs unable to claim VAD consultations for private patients
Information bulletin	Medical Speciality Coding in StaffLink	IB2016_019	Communicates process to code medical practitioners' positions in StaffLink.

Appendix 3 – About the audit

Audit objective and criteria

This audit assessed the efficiency and effectiveness of NSW Health’s oversight and assurance of arrangements to engage and accurately remunerate Visiting Medical Officers (VMOs).

To address the audit objective, the following audit criteria and sub criteria were examined:

1. Is the design of NSW Health’s policy framework effective in providing oversight and assurance over VMO engagement and payments?
 - a) The framework establishes clear objectives, with defined roles, responsibilities and rules governing VMO engagement, entitlements, documentation and approvals, and is communicated effectively to staff.
 - b) The framework prescribes effective internal controls and promotes transparency through defined accountability mechanisms.
 - c) The framework sets requirements for routine monitoring, reporting and assurance activities to ensure compliance, provides timely insights and enables corrective action.
 - d) The framework supports an efficient resourcing model and effective planning for ensuring alignment with workforce needs and value for money.

2. Has the implementation and operationalisation of NSW Health’s policy framework provided effective oversight of VMO engagement and payments across LHDs?
 - a) The framework has been formally rolled out and applied across all LHDs, with variations in implementation monitored and addressed.
 - b) Key internal controls and accountability mechanisms required by the framework operate effectively across LHDs, with control gaps and breaches identified and corrected in a timely manner.
 - c) Relevant data is actively monitored and reported to management and governance committees and supported by assurance activities that provide reliable insights into the effectiveness of engagement and remuneration processes.
 - d) NSW Health has mechanisms to capture lessons learned from implementation, compliance issues and disputes, with insights fed back into policy updates, standard operating procedures and workforce planning.

Audit scope, focus and exclusions

This audit focused on assessing the efficiency and effectiveness of NSW Health’s oversight and assurance of arrangements to engage and accurately remunerate VMOs from a design and operating effectiveness perspective. This included examining remuneration related matters, such as workforce planning, resourcing models and recruitment strategies at statewide and LHD levels. The audit focused on VMO activity between 2022–23 to 2024–25.

This audit also included an assessment of practice within a sample of 3 LHDs. The consulted LHDs included one metropolitan location and 2 regional locations. The consulted LHDs were not audited and remain confidential.

This audit did not assess the quality or effectiveness of clinical service delivery and is focused instead on the oversight and assurance of VMO engagement and remuneration arrangements.

The audit did not question the merits of government policy objectives.

Audit approach

Our procedures included:

1. Interviewing:
 - staff from NSW Ministry of Health (the Ministry) and HealthShare staff with key roles and responsibilities for VMO engagement, claims policy and processing
 - senior Ministry of Health staff involved with workforce policy settings and financial oversight
 - NSW Health assurance, performance and data analytics staff
 - a sample of LHD officers involved in VMO engagement, and claims processing and workforce management
 - HealthShare staff involved in VMO engagement and claims processing.
2. Examining:
 - VMO engagement and claims-related guidance and policy administered by NSW Health
 - localised supporting documentation and processes established in LHDs to promote compliance with NSW Health policy directives
 - documentation outlining governance arrangements, contractual matters and payment processes established to support VMO remuneration
 - documentation and data related to workforce planning and how value for money is determined
 - previous audit and assurance activity undertaken with coverage over VMOs
 - monitoring and reporting over VMO activity.
3. Analysing data, including:
 - relevant extracts and reporting related to VMO claims across the NSW district from the VMoney system. This may include, but not limited to, analysis over:
 - timeliness of claims submission
 - billing rates
 - billed hours
 - approvals and segregation of duties
 - delegation levels
 - performance monitoring and trends data across LHDs in NSW
 - any relevant analysis work performed by NSW Health.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements, and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by staff at the Ministry, the consulted LHDs, and HealthShare.

Audit cost

The estimated cost of the audit, including staff costs and overheads, is approximately \$310,000.

Appendix 4 – Performance auditing

What are performance audits?

Performance audits assess whether the activities of state or local government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. A performance audit can also consider particular issues that affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake audits is set out in the *Government Sector Audit Act 1983* for state government entities, and in the *Local Government Act 1993* for local government entities. This mandate includes audit of non-government sector entities where these entities have received money or other resources (whether directly or indirectly) from, or on behalf of, a government entity for a particular purpose (follow-the-dollar).

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, state and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of Parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and in consultation with parliamentarians, agency heads and key government stakeholders. Our 3 year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to Parliament, aligns with government priorities and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

During the fieldwork phase, audit teams will require access to books, records or any documentation deemed necessary in the conduct of the audit, including confidential information that is either Cabinet information within the meaning of the *Government Information (Public Access) Act 2009* or information that could be subject to a claim of privilege by the State or a public official in a court of law. Confidential information will not be disclosed, unless authorised by the Auditor-General.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising from the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input into developing practical recommendations on areas of improvement.

A final report is then provided to the accountable authority of the audited entity(ies), which will be invited to formally respond to the report. If the audit includes a follow-the-dollar component, the final report will also be provided to the governing body of the relevant entity. The report presented to the NSW Parliament includes any response from the accountable authority of the audited entity. The relevant Minister and the Treasurer are also provided with a copy of the final report for state government entities. For local government entities, the Secretary of the Department of Planning and Environment, the Minister for Local Government and other responsible Ministers will also be provided with a copy of the report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's Audit and Risk Committee/Audit Risk and Improvement Committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of NSW Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every 4 years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged to entities for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help Parliament hold government accountable for its use of public resources.

OUR VALUES

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)



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