New South Wales Auditor-General's Report
Financial Audit

Volume Ten 2011
Focusing on Health

audit office
OF NEW SOUTH WALES

The role of the Auditor-General

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

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

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

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

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

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

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Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Ten of my 2011 report.

Peter Achterstraat .

Peter Achterstraat
Auditor-General
14 December 2011

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Section One

Overview

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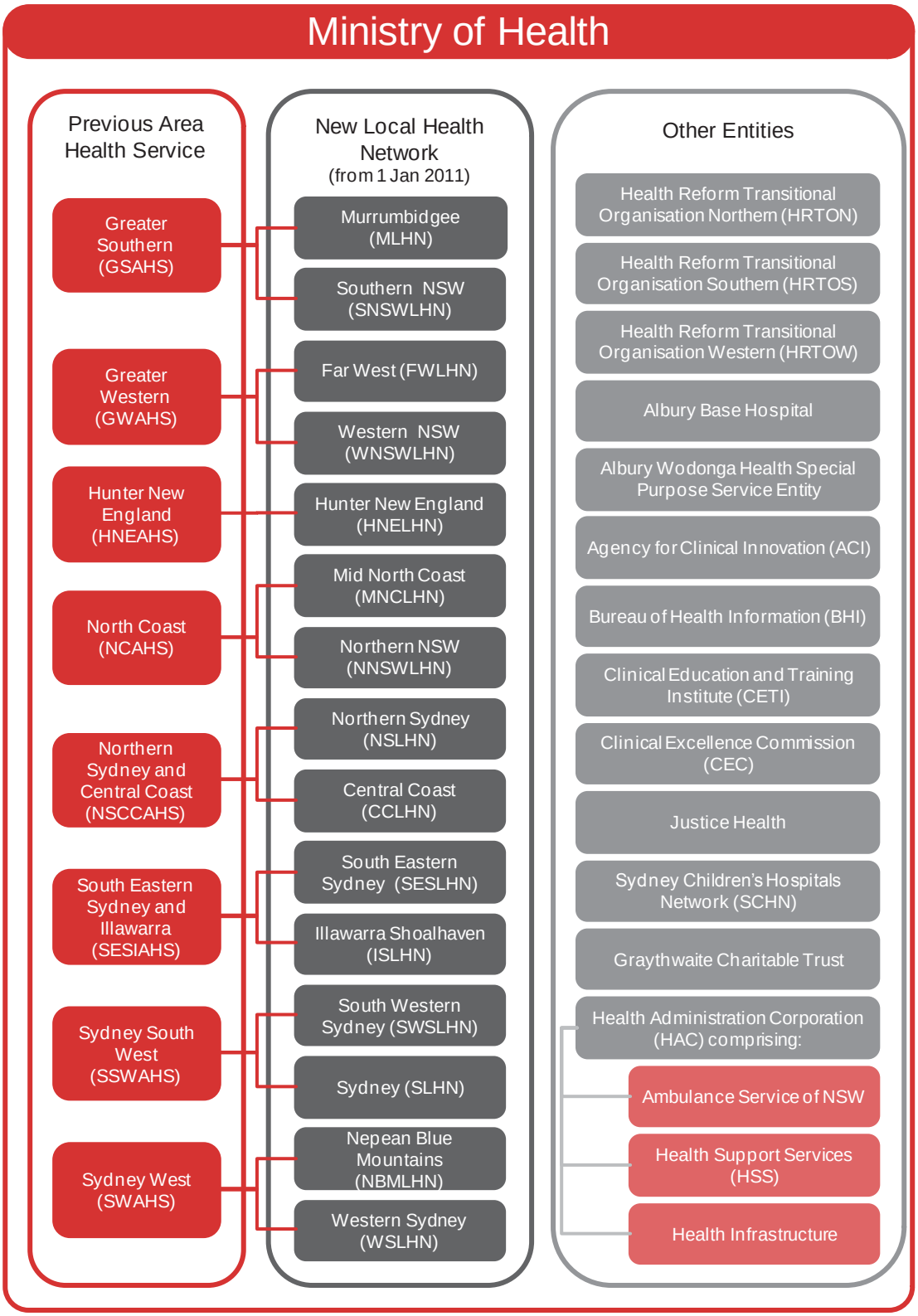
The Health Group and Audit Opinions

This commentary covers the NSW Department of Health (now the NSW Ministry of Health) and the entities it controls, which are shown in the diagram below.

Four audits remain incomplete



Except for the Sydney Children's Hospitals Network, the completed audits of the Department and its controlled entities' financial statements for the period/year ended 30 June 2011 resulted in unmodified opinions within the Independent Auditor's Reports. Controlled entities included the former area health services which were abolished on 31 December 2010. They were replaced by local health networks on 1 January 2011.

Local health networks commenced on 1 January 2011

The audit of the Sydney Children's Hospitals Network financial statements for the year ended 30 June 2011 resulted in a qualified audit opinion within the Independent Auditor's Report. The qualification related to the completeness of fundraising revenue and voluntary donations. As is common for entities that have donations and fundraising as sources of revenue, it is impractical for the Sydney Children's Hospitals Network to maintain an effective system of internal controls over fundraising revenue and voluntary donations it receives until their initial entry in the financial records. The audit opinion was similarly qualified in 2009–10.

At the time of preparing this report, the following audits of financial statements were still in progress:

- South Eastern Sydney Local Health Network
- Illawarra Shoalhaven Local Health Network
- Health Reform Transition Organisation Southern
- Health Reform Transition Organisation Western.

These audits are incomplete because of issues referred to later in this report, such as inadequate documentation to support the financial statements and unreconciled amounts due and owing to other health entities. I expect to complete these audits by 31 December 2011.

Unless otherwise stated, the following commentary relates to the consolidated entity. The Department is referred to by its new name, the NSW Ministry of Health (the Ministry) throughout this report. Information in the commentary includes financial data for those entities whose audits are incomplete where reliable data is available.

The NSW governance model is different from the Victorian and Queensland models

Key Issues

National Health Reform

In August 2011, the New South Wales Government entered into the National Health Reform Agreement (NHRA) with the Australian Government. The NHRA introduces new financial and governance arrangements for Australian public hospital services and new governance arrangements for primary health care and aged care. It supersedes the April 2010 National Health and Hospitals Network Agreement.

In response to the NHRA, the New South Wales Government established local health networks on 1 January 2011. They were subsequently renamed local health districts on 1 July 2011. The local health networks are referred to by their new name throughout this report.

The creation of local health districts represents a significant structural change, with fifteen local health districts replacing eight former area health services. There is also a significant change in governance. The fifteen local health districts have boards, whereas the previous area health services did not. These changes are aimed at devolving responsibility and accountability for health service delivery to local health districts.

The New South Wales Government also created two specialty networks, namely the Sydney Children's Hospitals Network and the Forensic Mental Health Network.

Under the *Health Services Act 1997,* the affairs of the local health districts are managed and controlled by their chief executives. This is different to how some other NSW statutory authorities are governed. As an example, the affairs of universities are managed and controlled by their governing council bodies, not their vice-chancellor.

This governance model is also different to the models adopted by the Queensland and Victorian health sectors. In these states, their respective legislation states the health entities are controlled by their governing bodies, not their chief executives.

The Director General appoints the local health district chief executive

Under the *Health Services Act 1997*, each local health district chief executive is appointed by the Director General of the Ministry on the recommendation of the board. This is different to how appointments are made in Queensland and Victorian health services. The Ministry advises this difference is due New South Wales' employment arrangements. In New South Wales, all health sector employees are employees of the Crown through the Director General of the Ministry.

While the NHRA states the board should appoint the chief executive of a local health district, with the approval of the minister or their delegate, the Ministry did inform the Australian Government of its governance arrangements in December 2010.

Under the NHRA, the Australian Government will increase its contribution to efficient growth funding for hospitals to 45 per cent in 2014–15, increasing to 50 per cent from 2017–18. This means from 2017–18, the Australian Government will fund half of every growth dollar required to meet increases in the efficient cost of public hospital services, including growth in demand.

Health Structural Changes

The Ministry will no longer micro-manage local health districts

In August 2011, the Director General completed a governance review of the health sector. The review focused on the functions, responsibilities, structure and relationships of each component in the health sector and their alignment with the government's policy directions, transparency, accountability and strengthened clinical engagement. The main changes arising from this review include:

- changed role and structure of the Ministry. Its relationship with local health districts will be more at arm's length and the Ministry will not micro-manage local health districts
- new performance management framework with the local health districts which sets out expectations
- clinical and support services located in the Health Reform Transitional Organisations will be redeployed to local health districts
- the four pillars – the Health Education and Training Institute, Bureau of Health Information, Clinical Excellence Commission and the Agency for Clinical Innovation – will have their roles strengthened. They will have a closer working relationship with local health districts and the Ministry
- Health Support Services, other than information technology, will become HealthShare NSW. It will be board governed, with customers representing the majority of its board
- information technology will move into eHealth NSW, a separate unit within the Health Administration Corporation.

The review also recommended a business case be developed to consolidate pathology services into one state-wide service called NSW Health Pathology. Implementation of these changes has commenced, with the Ministry establishing a governance transformation group to oversee the implementation.

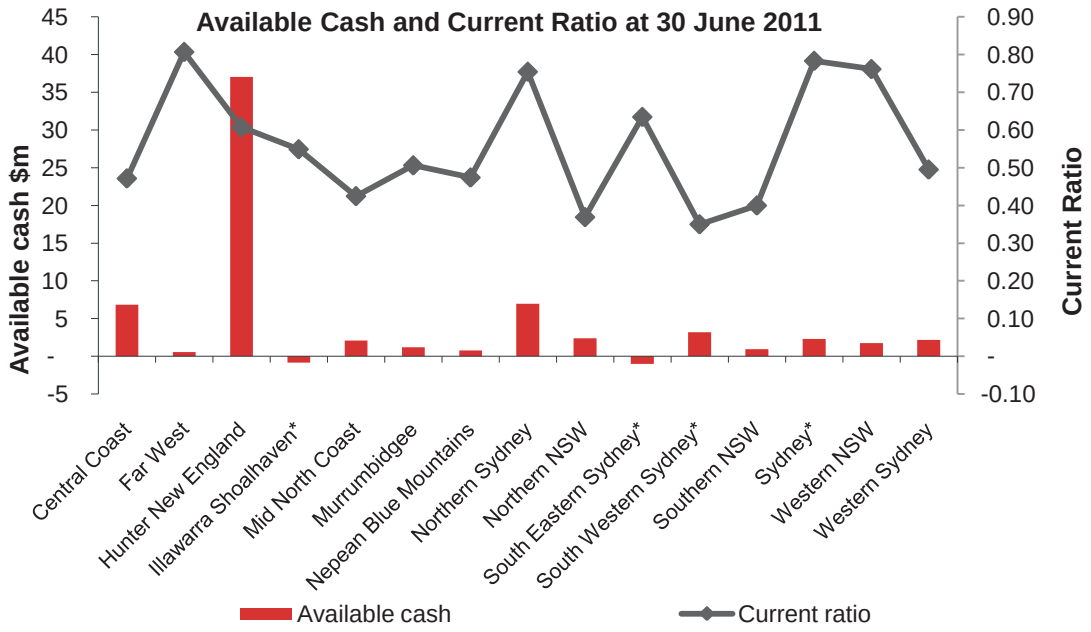
Financial Liquidity

At 30 June 2011, the combined working capital deficiency (being current liabilities less current assets) of all local health districts was $838 million. South Western Sydney Local Health District had the highest deficiency of $148 million, while Far West Local Health District had the lowest at $2.0 million. The Ministry issued a letter of financial support to all districts to satisfy the going concern assumption for financial reporting purposes.

Without the Ministry's letter of financial support, I would have included an emphasis of matter in the independent auditor's report regarding the appropriateness of the going concern assumption. I was concerned the local health districts may not be able to pay their debts as and when they fall due.

Without the Ministry's letter of financial support, my auditor's report would have drawn attention to the going concern of each district

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



Source: NSW Ministry of Health (unaudited).

* Based on unaudited financial statements as at 23 November 2011.

The current ratio of local health districts ranged from 0.35 to 0.81 at 30 June 2011

The graph above shows South Western Sydney Local Health District had the lowest current ratio of 0.35, whilst Far West Local Health District had the highest current ratio of 0.81. The current ratios include special purpose and trust funds. Had I excluded these funds, the ratios would have been lower. While I acknowledge the local health districts are budget dependent agencies and they receive weekly subsidy funding from the Ministry, a ratio of one or more is generally considered desirable to ensure an entity can meet its debts when they fall due.

The graph also shows available cash. I excluded special purpose and trust funds from the available cash analysis because local health districts can only use this money for restricted purposes.

At 30 June 2011, some local health districts did not have enough unrestricted cash to cover one day's operating activities. Hunter New England Local Health District had the most cash reserves with $37 million of unrestricted cash. Its cash reserve would cover ten day's operating activities.

While the local health districts' receive an agreed subsidy from the Ministry each week, the low level of cash means they need effective cash management procedures to ensure no interruption to services because of unpaid bills.

The Ministry gave the local health districts an extra $89.7 million in liquidity assistance

To assist the local health districts manage their financial position, and ensure timely payment of creditors, the Ministry gave them an extra $89.7 million during the six months to 30 June 2011. Western Sydney Local Health District received the most assistance of $27.8 million. Without this assistance, the districts would have found it difficult to pay creditors on time.

The local health districts must keep within their 2011–12 budget otherwise their financial position will deteriorate even further

All local health districts must operate within their approved 2011–12 budget otherwise their financial position will deteriorate even further and they will find it difficult to pay creditors on time. In the six months ended 30 June 2011, almost 50 per cent of local health districts exceeded their net cost of services budget.

All local health districts have developed an efficiency and improvement plan to help meet their 2011–12 budget. The plans contain a number of cost saving and revenue enhancement initiatives. In aggregate, the initiatives will result in anticipated savings of $365 million in 2011–12. Some of the initiatives include improving fleet use, reducing pathology costs by improving ordering practices and maximising revenue from private patients.

Accounts Payable

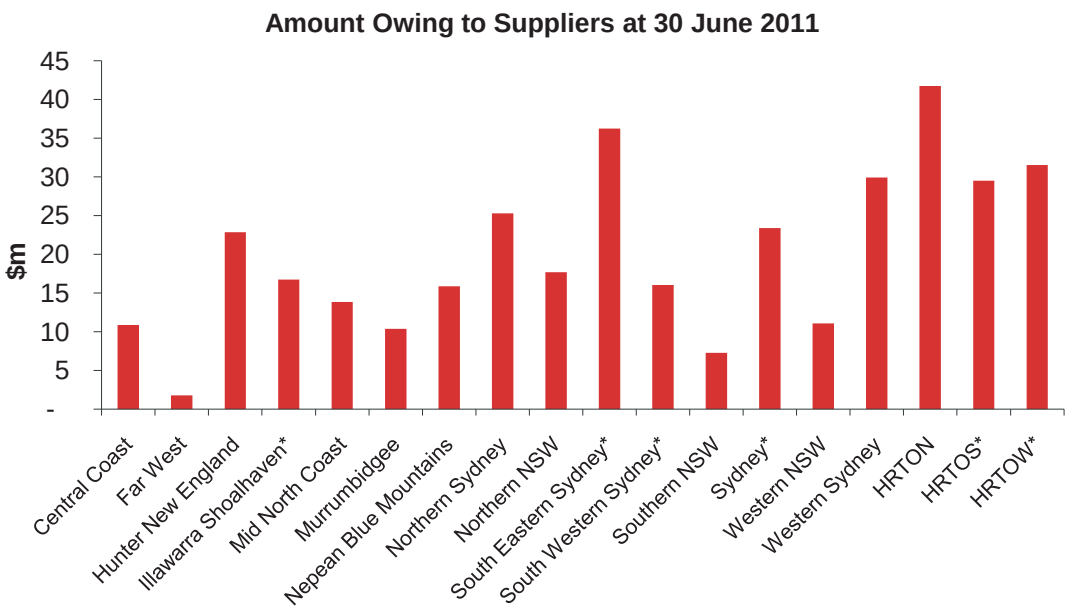
At 30 June 2011, the health sector's outstanding debts to suppliers increased by 15.1 per cent from the prior year to $699 million

Amounts Owing to Suppliers

Recommendation

The Ministry should review the benchmark target of paying suppliers within 45 days.

At 30 June 2011, the health sector owed suppliers $699 million ($606 million at 30 June 2010). This excludes amounts owed to other NSW health agencies. Of this amount, the Ministry advises $34.7 million ($28.7 million) relates to invoices older than 45 days, with the majority in dispute or on hold.



Source: NSW Ministry of Health (unaudited).

* Based on unaudited financial statements as at 23 November 2011.

The Ministry requires creditors to be paid within contract terms and it monitors performance against a benchmark target of 45 days for invoices ready for payment. The performance statistics are for general trade creditors and do not include liabilities for visiting medical officers or certain government agencies. The invoices ready to pay at 30 June 2011 and older than 45 days totalled $893,000 ($544,000). This makes up 0.1 per cent (0.1 per cent) of total creditors.

Only 0.1 per cent of invoices ready for payment are older than 45 days

In 2011, Treasury issued a policy directive requiring government agencies to pay all small business suppliers within 30 days of receiving a correctly rendered invoice. In light of the government policy to pay small suppliers on a timelier basis, the Ministry should revisit its benchmark target for all creditor payments, including those to large suppliers. It also means local health districts and the rest of the health sector must keep within budget to ensure they can pay small suppliers within 30 days. If they cannot pay on time, the sector may have to pay interest.

The Health Reform Transition Organisation Northern had the highest level of creditors at 30 June 2011, owing suppliers $41.7 million.

Too many invoices are disputed or on hold

Disputed or On Hold Invoices

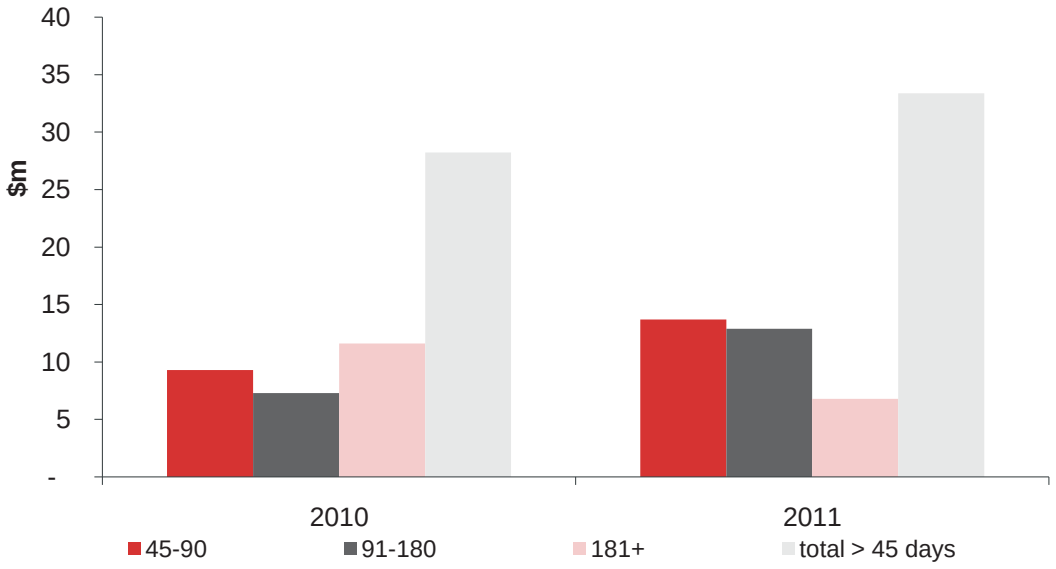
Recommendations

Health services should:

- dedicate appropriate resources to clear long outstanding disputed or on hold invoices by 31 March 2012
- continue monitoring their procurement practices to minimise disputed or on hold invoices.

As mentioned earlier, $33.4 million ($28.2 million) of invoices were disputed or on hold at 30 June 2011. The ageing of this liability is shown in the graph below.

Invoices Disputed or On Hold at 30 June



Note: Total column is comprised of the three ageing columns.

$6.8 million owed to suppliers at 30 June 2011 relates to goods or services purchased in 2010

Of the total disputed or on hold invoices, $6.8 million is more than six months old. The health services should dedicate appropriate resources to review and clear these invoices by 31 March 2012. Paying suppliers six months after the service or good was provided adversely affects the sector's reputation.

Payments are sometimes made without confirming approval

On hold invoices generally arise because: the invoice does not agree to the price or quantity receipted by health services; the health service did not raise a purchase order; or because the supplier had not quoted a purchase order on the invoice. The health services must continue monitoring the reasons for on hold invoices and take timely corrective action to minimise these in the future.

Sydney Local Health District had the highest amount of disputed and on hold invoices totalling $5.4 million at 30 June 2011.

Health Support Services and Customer Responsibilities

Recommendation

Clarification of responsibilities between Health Support Services and its customers is required

Health Support Services should obtain written confirmation from its customers acknowledging their responsibilities.

A key theme from my audits, as reported last year, is Health Support Service (HSS) and its customers do not always agree on who is responsible for key internal controls.

Last year, I recommended HSS and its customers agree their respective responsibilities for implementing effective internal controls. For too long, HSS and its customers have disagreed on certain responsibilities, exposing customers to financial loss. This results in key controls often not operating at both the health service and HSS. HSS should obtain written confirmation from its customers acknowledging their responsibilities.

A good example is the checking of approval signatures on invoices before invoices are paid. Situations have arisen where neither party believed it was responsible for confirming an invoice had been approved for payment by a delegated officer, resulting in unapproved invoices being paid. This is not occurring as often as it has in the past, however it does still occur.

Further information on this issue is included in the Health Administration Corporation comment later in this report.

New Patient Revenue System

Recommendations

For the new patient revenue system, the local health districts should:

- take corrective action to address patient receipting and reconciliation issues
- together with Health Support Services, perform a post implementation review of the system.

Local health districts have experienced issues with the new patient revenue system

In 2010–11, a number of local health districts implemented a new patient billing revenue system. While there were no apparent issues with invoicing patients, the local health districts experienced some receipting issues and were having difficulty reconciling outstanding patient debts with their general ledger. The local health districts should take corrective action to address these issues, including process improvements and a post implementation review of the system. The post implementation review will need to be performed with HSS.

A post implementation review should identify lessons learned, which the local health districts can apply to future projects. The findings may also benefit other districts yet to implement the system.

The new system was implemented as part of the Ministry's roll out of a standard system across the sector, designed to deliver a more advanced billing system and improved integration with other clinical systems.

Special Purpose and Trust Funds (Repeat Issue)

Recommendations

All local health districts should:

- finalise their review of all special purpose and trust funds to confirm the nature and intended use of each fund by 31 March 2012
- provide a report to the Ministry on the results of this review by 30 April 2012
- arrange appropriate approvals to move funds into the Public Contributions Trust Fund account, to assist in the delivery of health services, by 30 June 2012.

Not all local health districts have completed their review of special purpose and trust funds to confirm the nature and intended use

Special purpose and trust funds totalled $706 million, or 86 per cent of local health districts' cash balance at 30 June 2011

Since 2008, I have recommended the Ministry, in conjunction with the former area health services, review all special purpose and trust funds to confirm their nature and intended use, as this was not apparent for some funds. It appears not all local health districts had completed this review at 30 June 2011.

As a matter of urgency, all local health districts should finalise this review by 31 March 2012, report their findings to the Ministry by 30 April 2012 and take appropriate action to transfer funds whose purpose is not apparent to the Public Contributions Trust Fund by 30 June 2012.

At 30 June 2011, the local health districts held $706 million ($508 million at 30 June 2010) in special purpose and trust funds. State-wide, there are at least one thousand special purpose and trust fund accounts. Maintaining such accounts whose intended use is unknown is an administrative burden. There is also the opportunity cost of not releasing these funds to the Public Contributions Trust Fund to assist with delivering health services.

2011 Financial Reporting

Recommendations

While acknowledging the health restructure was a significant, one-off event:

- each health service should hold its own debrief session to capture lessons learnt and suggestions to improve next year's financial reporting preparation and audit processes
- the Ministry should remind all health services of the importance of performing regular and accurate reconciliations
- the health services should conduct well defined financial accounts early close procedures in 2011–12, targeting high risk areas.

The health restructure affected the timeliness and accuracy of financial reporting

The health restructure affected the timeliness and accuracy of financial reporting. The increased workload resulting from the restructure meant some local health districts did not meet the timetable for submitting financial statements and supporting work papers for audit. This delayed the audits. As previously mentioned, six audits were still incomplete at the date of preparing this report.

Some bank reconciliations were not performed for five months

Apart from not receiving financial statements and work papers on the agreed dates, the quality of information was sometimes poor. This was largely due to health services not performing timely or diligent reconciliations.

Health services cannot agree on how much they owe each other

As an example, the bank reconciliation was not performed for five months in some local health districts. This critical reconciliation should be performed on a monthly basis. The absence of regular reconciliations resulted in audit teams performing more work to satisfy themselves that the financial statements were not materially misstated.

Reconciliations are a critical component of an entity's internal control structure. They validate the integrity of the general ledger and the entity's financial position. The Ministry should remind all health services of the importance of performing regular reconciliations.

The Ministry held a group debrief session in November 2011 to reflect on this year's reporting cycle and how it may improve the process next year. I welcome this initiative to improve on this year's performance. However, each local health district should also hold its own debrief session to capture lessons learnt and suggestions to improve next year's financial reporting and audit processes.

To avoid a repeat of this year's issues, the Ministry, together with the health services, should start scoping early close procedures in 2011–12. If done properly, an early close will give health services the opportunity to resolve significant issues before 30 June 2012.

Intra Health Transactions (Repeat Issue)

Recommendation

The Ministry and health services should develop more effective processes for recording, reconciling and settling intra health transactions.

The Ministry and health services must establish better processes for recording, reconciling and settling intra health transactions as the current processes appear ineffective. Significant differences go unnoticed, or are known but not actioned on a timely basis. At 30 June 2011, there was a $55.9 million difference between amounts recognised as owing, and amounts owed, between the entities in the health group. The unreconciled intra health balances delayed my audits extensively. Similar issues were also noted during the 2008-09 and 2009-10 audits.

Inter entity transactions

Recommendation

Local health districts, with the assistance of Health Support Services, should review and clear long outstanding reconciling items by 31 March 2012.

Separate to the intra-health transactions matter referred above, there are significant system generated inter-entity transactions between health services which are long outstanding and need to be reviewed and cleared. Local health districts, with the assistance of HSS, should review and clear long outstanding reconciling items by 31 March 2012.

Contract staff

Recommendation

All local health districts should consider performing an internal audit on the hiring and use of contractors to confirm compliance with the Ministry's policies.

Last year, I recommended the Ministry establish a central system of monitoring the number and use of contractors. In response, the Ministry advised while it does not have a central system, it believes its existing controls are sufficient to ensure the organisation obtains value for money from its contractors. Should funding become available, it will reconsider the need for a centralised system.

Given the additional work created by the health restructure, together with the restrictions on recruiting staff, the use of contractors may have increased in recent times. The potential increased use in contractors increases the risk of:

- not obtaining value for money
- retaining contractors for an extended period of time which may lead to them becoming de facto employees
- excessive reliance on contractors.

All local health districts should consider performing an internal audit on the use of contractors to:

- confirm compliance with the Ministry's policies
- confirm contractors are not employed for extended periods of time
- consider the value for money aspect
- assess whether the local health districts would benefit by having a centralised register of contractors.

The Special Commission of Inquiry into Acute Care Services in NSW Public Hospitals (Garling Inquiry)

The Garling Inquiry was the most significant review of acute health services ever undertaken in New South Wales. The report was released in November 2008 and included 139 recommendations in areas such as emergency departments, surgery, doctors, nurses, workplace reform, communication, patient safety, funding and administration and management.

The New South Wales Government committed itself to implementing 137 of the 139 recommendations, setting up a three stage response supported by additional funding of $485 million over four years. The Ministry advises it has implemented all agreed recommendations.

The Independent Panel, appointed by the Minister to monitor progress in implementing the recommendations, released its fourth and final report on 25 November 2011. The Report acknowledges that a considerable amount of work has been undertaken at all levels in the health sector to provide better and safer care for patients and more productive workplaces for staff. Key achievements highlighted in the report include:

- the creation of three new clinical expert agencies, namely the Agency for Clinical Innovation, the Clinical Education and Training Institute and the Bureau of Health Information
- the introduction of operational initiatives that have been embedded in day-to-day practice such as Between the Flags, Essentials of Care, Take the Lead and improved hand hygiene and clinical handover
- a series of organisational reforms across the health system to empower local decision-making and provide greater clinician engagement.

Almost 28 per cent of plant and equipment in hospitals and health facilities have exceeded their accounting useful life

Fully Depreciated Plant and Equipment (Repeat Issue)

Recommendation

The Ministry, together with local health districts, should review the useful lives of all major asset classes to confirm they are reasonable.

As reported in previous years, the health services use a high proportion of fully depreciated assets. As shown in the table below, 27.9 per cent of all plant and equipment in hospitals and other facilities at 30 June 2011 exceed management's initial assessment of their useful lives.

At 30 June Plant and Equipment	2011*	2010	2009	2008
Fully depreciated plant and equipment as a percentage of total (%)	27.9	30.0	36.2	37.6

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

The Ministry and local health districts advise annual checks are performed to ensure old plant and equipment function properly and do not endanger patient or staff safety. However, the Ministry, together with the local health districts, should review the appropriateness of current useful lives to confirm they are reasonable. If asset lives do not match the expected usage of plant and equipment, operating costs will be inflated.

Performance Information

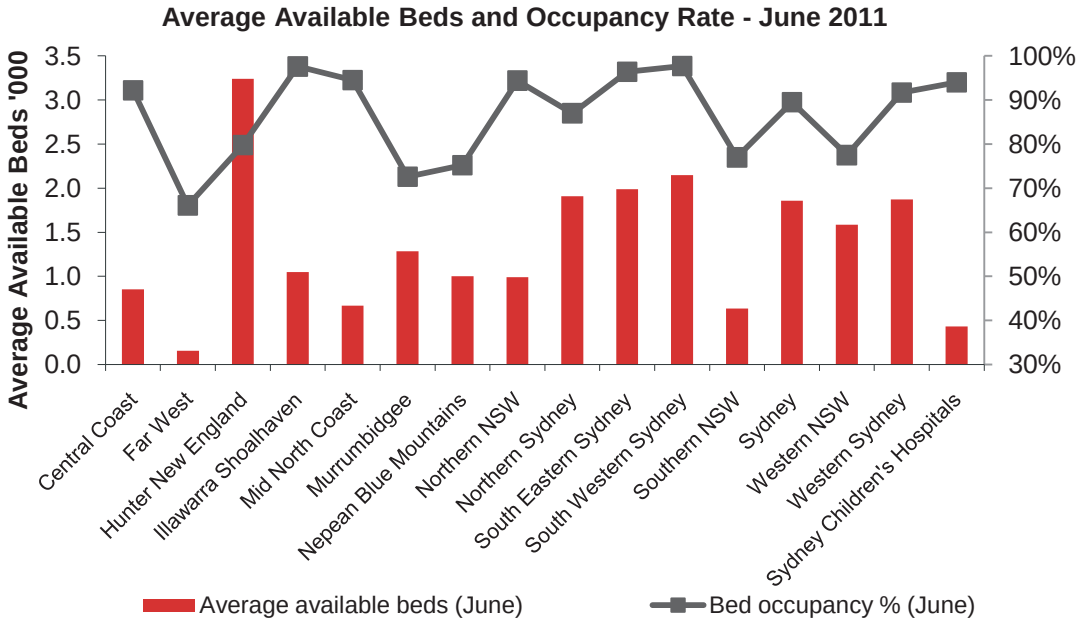
The Director General has entered into performance agreements with individual local health districts, which incorporate performance indicators, some of which have targets. The indicators are also measured and reported for benchmarking purposes. The Ministry holds monthly meetings with each local health district executive team to review performance against targets, strategies to achieve targets and progress towards benchmarks.

The indicators cover different aspects of local health district performance including:

- quality and safety of services
- access to services
- activity against agreed targets (including planned surgery)
- provision of mental health services
- progress of key state-wide strategic initiatives
- workforce development
- financial performance.

The Ministry provided the following information on the financial and operational performance of local health districts for the year ended 30 June 2011.

Bed Occupancy Rate and Average Available Beds



Source: NSW Ministry of Health (unaudited).

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

In June 2011, the bed occupancy rate ranged from a high of 97.7 per cent (South Western Sydney Local Health District) to a low of 66.1 per cent (Far West Local Health District). The metropolitan bed occupancy rate was significantly higher than most rural areas. The Australian Medical Association (NSW) argues that bed occupancy rates above 85 per cent lead to increasing wait times in emergency departments for patients needing beds and increasing cancellation of elective (planned) surgery.

State-wide, the average number of available beds in June 2011 was 22,482 beds (22,421 beds). The local health district with the most available beds was Hunter New England Local Health District, with 3,242 average available beds. Far West Local Health District had the least number of average available beds in June 2011, with just 155 beds. The state-wide average is shown in the table below.

NSW state average	2011	2010	2009	2008
Average available beds (June)	22,482	22,421	22,311	22,397
Bed occupancy (%) (June)	89.1	88.3	87.4	85.1

Source: NSW Ministry of Health (unaudited).

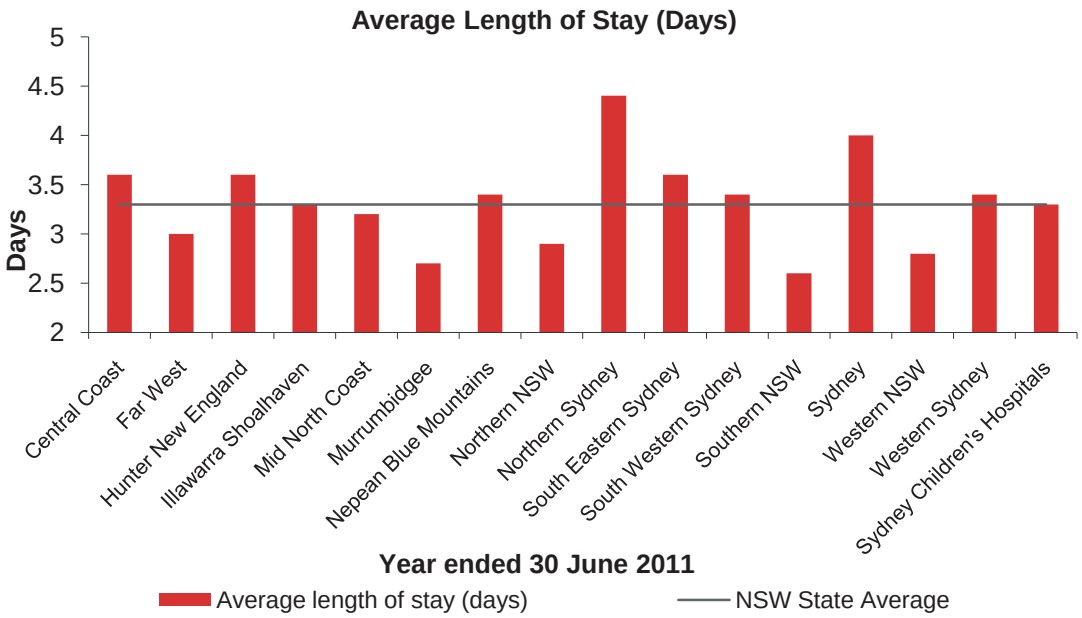
The South Western Sydney Local Health District recorded the highest bed occupancy rate of 97.7 per cent in June 2011

The average bed occupancy rate continues to increase. In June 2011, it was 89.1 per cent compared to 85.1 per cent three years ago

On average, patients are spending less time in hospital. The average length of stay reduced to 3.3 days in 2010-11. Three years ago it was 3.7 days

All local health districts treated patients presenting with an immediately life threatening clinical condition within two minutes

Average Length of Stay



Source: NSW Ministry of Health (unaudited). Line represents 2010–11 average for the State, which was 3.3 days.

Note: The data for each local health district includes the performance of the former area health service relevant to the district from 1 July to 31 December 2010.

In 2010–11, the state-wide average length of stay for acute separations was 3.3 days (3.6 days). Generally, metropolitan areas registered a slightly higher average length of stay than rural areas. The state-wide average length of stay excludes Justice Health.

Emergency Department Patients

Triage is a mechanism used to assess emergency department patients for urgency to be seen by a clinician. Appropriate triaging of patients ensures they are treated in a timely manner according to the clinical urgency of their condition. The Ministry sets triage targets that align with those recommended by the Australasian College of Emergency Medicine (ACEM).

Triage categories T1 and T2 relate to immediately or imminently life threatening clinical conditions. All local health districts met the T1 benchmark. The following table shows how the fifteen local health districts and the Sydney Children's Hospitals Network's performed for the year ended 30 June 2011.

Year ended 30 June 2011	Percentage of patients treated within clinically appropriate timeframes				
	T1	T2	T3	T4	T5
	Benchmark 100%	Benchmark 80%	Benchmark 75%	Benchmark 70%	Benchmark 70%
Central Coast	100	67	63	62	81
Far West	100	87	77	84	97
Hunter New England	100	82	74	76	90
Illawarra Shoalhaven	100	92	75	72	91
Mid North Coast	100	72	61	70	86
Murrumbidgee	100	82	73	71	87
Nepean Blue Mountains	100	80	68	72	87
Northern NSW	100	78	64	69	88
Northern Sydney	100	93	84	83	92
South Eastern Sydney	100	83	66	77	93
South Western Sydney	100	88	78	78	94
Southern NSW	100	58	60	72	90
Sydney	100	84	68	71	89
Western NSW	100	74	66	72	87
Western Sydney	100	82	62	62	80
Sydney Children's Hospitals Network	100	90	70	67	79
NSW State Average*	100	81	70	72	88

Source: NSW Ministry of Health (unaudited).

* NSW State average excludes Affiliated Health Organisations

Note: The data for each local health district includes the performance of the former area health service relevant to the district from 1 July to 31 December 2010.

Key:

- T1 Immediately life threatening – treatment required within two minutes – benchmark = 100 per cent.
- T2 Imminently life threatening – treatment required within 10 minutes – benchmark = 80 per cent.
- T3 Potentially life threatening – treatment required within 30 minutes – benchmark = 75 per cent.
- T4 Potentially serious – treatment required within one hour – benchmark = 70 per cent.
- T5 Less urgent – treatment required within two hours – benchmark = 70 per cent.

The table shows:

- all local health districts achieved the T1 benchmark target of 100 per cent
- five local health districts did not achieve the T2 benchmark target
- twelve local health districts did not achieve the T3 benchmark target
- four local health districts did not achieve the T4 benchmark target
- all local health districts achieved the T5 benchmark target.

Emergency admission performance has deteriorated. Only 66 per cent of emergency admissions were transferred to an inpatient bed within eight hours in 2010–11

Below is a summary of the state-wide emergency department performance over the last three years. It shows that performance has remained static, with the state meeting or exceeding the target in four of the five triage categories in 2011.

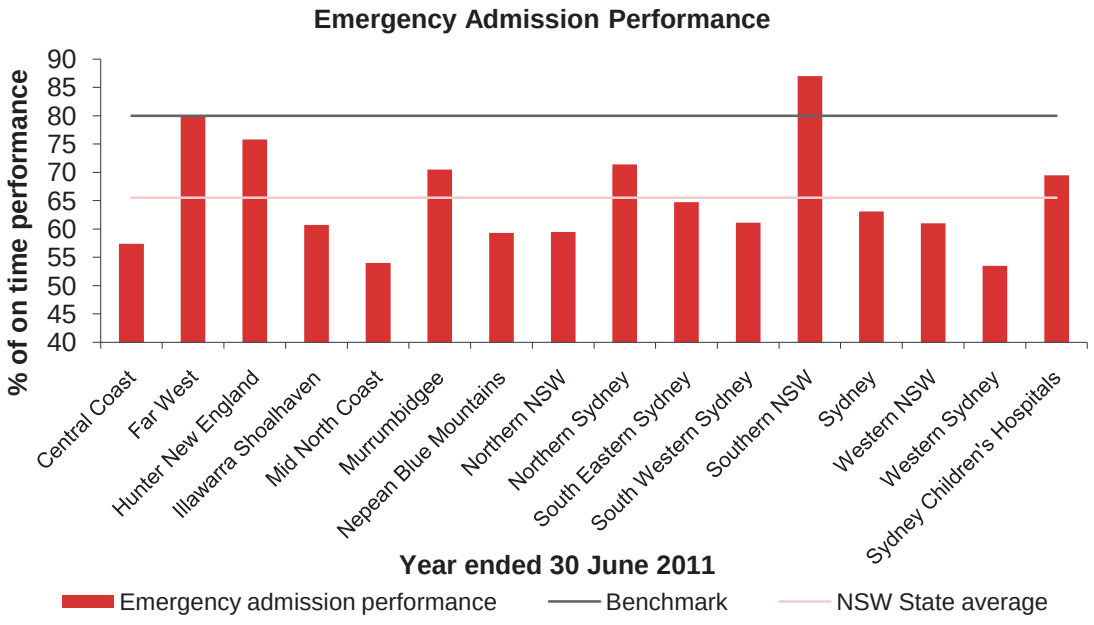
Year ended 30 June NSW State average*	Percentage of patients treated within clinically appropriate timeframes (%)		
	2011	2010	2009
T1	100	100	100
T2	81	81	81
T3	70	70	68
T4	72	73	73
T5	88	89	89

Source: NSW Ministry of Health (unaudited).

* NSW State average excludes Affiliated Health Organisations

Emergency Admission Performance

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



Source: NSW Ministry of Health (unaudited). Line represents benchmark performance.

Note: The data for each local health district includes the performance of the former area health service relevant to the district from 1 July to 31 December 2010.

The Southern NSW and Far West Local Health Districts were the only districts which met the 80 per cent target. The table below shows the state average for the past two years. The state's performance in 2010–11 deteriorated significantly.

Year ended 30 June NSW State average*	2011	2010
Emergency admission performance (%)	66	73

Source: NSW Ministry of Health (unaudited).

* NSW State average excludes Affiliated Health Organisations

Elective Surgery Waiting Times

Elective Surgery is defined as planned or scheduled, non-emergency surgical procedures generally performed in an operating theatre, by a surgeon, under some form of anaesthesia. The Ministry uses the term 'planned surgery' to describe this type of surgical activity.

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

- Category 1 – surgical procedure to occur within 30 days of booking for surgery. Condition has the potential to deteriorate quickly to the point that it may become an emergency
- Category 2 – surgical procedure to occur within 90 days of booking for surgery. Conditions that cause some pain, dysfunction or disability, but are not likely to deteriorate quickly or become an emergency
- Category 3 – surgical procedure to occur within 365 days of booking for surgery. Conditions that cause a lower degree of pain, dysfunction or disability, and are unlikely to deteriorate quickly or become an emergency.

In terms of performance, the Ministry tracks the median waiting times for each category of patients, the percentage of patients within each category who have received their treatment within the desirable timeframes, and the number of patients ready for care who have waited longer than the benchmark waiting time.

Over 90 per cent of people on the elective surgery waiting list were booked within clinically appropriate timeframes

Year ended 30 June 2011	Percentage of patients admitted for booked surgery within clinically appropriate timeframes		
	Category 1 (within 30 days)	Category 2 (within 90 days)	Category 3 (within 365 days)
Central Coast	98	93	93
Far West	100	82	100
Hunter New England	90	90	92
Illawarra Shoalhaven	87	85	94
Mid North Coast	85	79	84
Murrumbidgee	82	84	85
Nepean Blue Mountains	92	81	69
Northern NSW	88	88	93
Northern Sydney	97	95	98
South Eastern Sydney	91	92	92
South Western Sydney	90	88	93
Southern NSW	94	95	95
Sydney	98	97	98
Western NSW	98	88	94
Western Sydney	97	90	93
Sydney Children's Hospitals Network	95	86	86
NSW State Average	**93**	**90**	**92**

Source: NSW Ministry of Health (unaudited).

Note: The data for each local health district includes the performance of the former area health service relevant to the district from 1 July to 31 December 2010.

The number of people on the elective surgery waiting list increased from 66,817 at 30 June 2010 to 68,195 at 30 June 2011

The table shows that:

Category 1

- 93 per cent of patients in the most urgent category were admitted within the target of 30 days. In 2009–10 it was 92 per cent
- Far West Local Health District achieved 100 per cent compliance
- Murrumbidgee Local Health District achieved the lowest compliance of 82 per cent.

Category 2

- 90 per cent of patients in the semi-urgent category were admitted within the target of 90 days. In 2009–10 it was 84 per cent
- Sydney Local Health District achieved the highest compliance of 97 per cent
- Mid North Coast Local Health District achieved the lowest compliance of 79 per cent

Category 3

- 92 per cent of patients in the non-urgent category were admitted within the target of 365 days. In 2009–10 it was 89 per cent
- Far West Local Health District achieved the highest compliance of 100 per cent
- Nepean Blue Mountains Local Health District achieved the lowest compliance of 69 per cent.

The Ministry advised the number of patients on the surgical waiting list has increased from 66,817 at 30 June 2010 to 68,195 as at 30 June 2011. The surgical waiting list statistics are shown in the table below.

At 30 June	Number of patients on surgical waiting list		Number of overdue patients	
	2011	2010	2011	2010
Surgical Waiting List				
Category 1	2,089	1,983	6	2
Category 2	11,426	11,103	43	138
Category 3	54,680	53,731	96	1,057
Total	**68,195**	**66,817**	**145**	**1,197**

Source: NSW Ministry of Health (unaudited).

The table shows category three overdue patients decreased from 1,057 to 96 at 30 June 2011. The Ministry advises this was largely due to better planned surgery management across the state and a focused attention to clear the backlog at Western Sydney Local Health District.

Below is the state average for the last three years. It shows that in 2011, the state improved its performance in all three categories.

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

Source: NSW Ministry of Health (unaudited).

Last year I reported the former Sydney West Area Health Service engaged an external consultant to review its elective surgery waiting lists and whether it complied with waiting time and patient management policies. The review made ten recommendations, some of which were state-wide improvements.

The Ministry advises that most recommendations have been implemented. For further information, please refer to the Western Sydney Local Health District comment later in this report.

Interstate Comparisons

The following information, based on 2009–10 statistics, compares performance indicators for public acute hospitals for New South Wales with other jurisdictions. Each jurisdiction has different patient mix and accounting mechanisms. The data should be considered in this context.

Year ended 30 June		2010		2009	
		NSW*	National	NSW*	National
Average available beds per 1,000 population		2.7	2.6	2.7	2.5
Average length of stay (including day surgery) (days)		3.9	3.6	3.9	3.5
Emergency department waiting times by Triage category (percentage of patients treated within benchmark time)	T1	100	100	100	100
	T2	82	78	80	77
	T3	70	65	68	64
	T4	73	68	73	67
	T5	89	88	90	88

Source: Australian Institute of Health and Welfare (AIHW) – Australian Hospital Statistics 2009–10.

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

The Australian Institute of Health and Welfare (AIHW) believes the concept of an available bed is becoming less important, particularly in the light of increasing same day hospitalisations and the provision of hospital-in-the-home care. AIHW also believes different case mixes in hospitals affect the comparability of bed numbers.

New South Wales triage performance is equal to or better than the national average in all of the five categories.

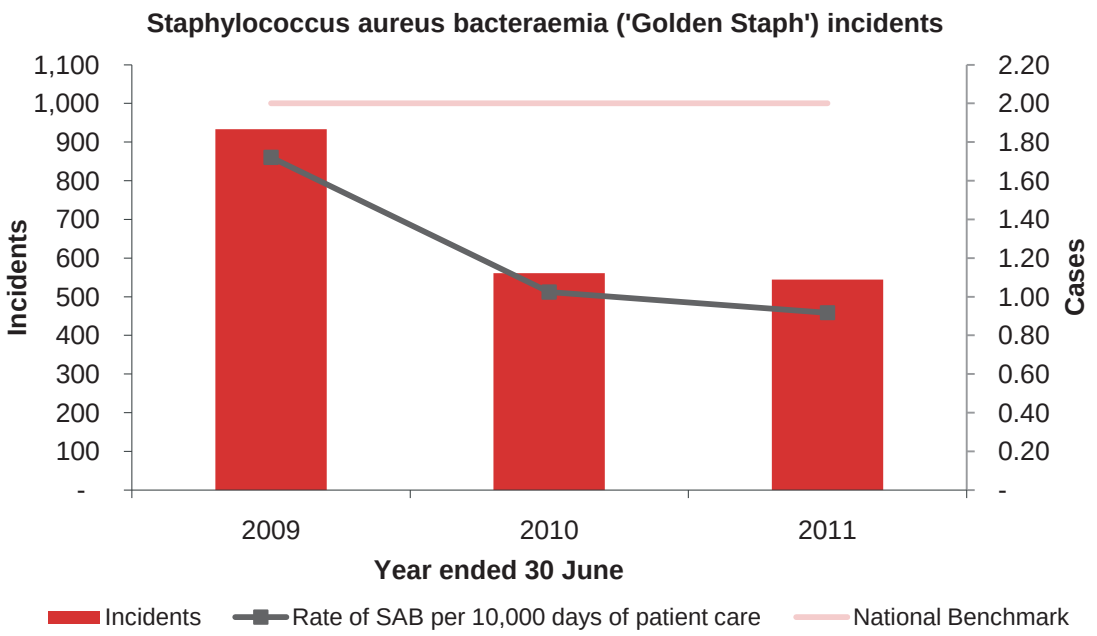
Healthcare Associated Infection

The Ministry requires all hospitals to publicly release data on Healthcare Associated Infection. One of the main indicators is the staphylococcus aureus bacteraemia infection (SAB), typically known as 'golden staph'. Golden staph is the most serious cause of community and healthcare associated infection. Golden staph is associated with substantial morbidity and mortality worldwide and is preventable through better infection prevention and control.

The incidence of golden staph is used as an outcome indicator of healthcare workers complying with hand hygiene policies. The benchmark, set by the Council of Australian Governments, is two golden staph cases per 10,000 bed days. As shown in the graph below, New South Wales hospitals have generally performed better than the national benchmark, with the 2011 rate being 0.92 (1.02).

The incidence of golden staph remains below the Council of Australian Governments benchmark

The Ministry is investing in a new asset management and maintenance system



Source: NSW Ministry of Health (unaudited). Line represents national benchmark for number of cases per 10,000 days of patient care.

The number of incidents has decreased from 572 incidents in 2009–10 to 558 in 2010–11. The Ministry advises that due to a definition change in January 2009, the number of incidents in 2008-09 is not directly comparable.

Below is a summary of the performances of the larger New South Wales hospitals. I included 35 principal referral and major metropolitan and non-metropolitan hospitals.

Year ended 30 June Incidents of golden staph at major hospitals	2011	2010	2009
Number of hospitals above national benchmark	1	3	13
Total cases recorded at selected hospitals	483	502	764

Source: NSW Ministry of Health (unaudited).

The table shows the number of hospitals exceeding the national benchmark has reduced significantly from four hospitals in 2009–10 to just one hospital in 2010–11. Westmead Hospital was the only hospital above the national benchmark in 2010–11. It accounted for 10.8 per cent (7.5 per cent) of all golden staph incidents.

Other Information

Health Asset Management and Maintenance System

The Ministry has a long-term project in place to update and standardise its asset and facility management reporting systems, and to comprehensively extend their application to all equipment assets. At present, various versions of asset management and maintenance systems exist across the health sector, predominantly designed and focussed on supporting the management of built assets, rather than equipment. They are also becoming obsolete.

The Ministry advises a new asset management and maintenance system will address environmental sustainability management issues which are important issues for the health sector. It is currently assessing tenders for a replacement system and expects to commence implementing a new system from mid 2012, with a completion date of December 2013.

Medical Equipment Asset Management Program

In 2009, the Ministry engaged a consulting firm to review its approach to equipment management. Resulting from this review, HSS established a business unit to manage centralised purchasing of medical equipment. Subsequently in late 2010, HSS developed a proposal to expand its medical equipment purchasing unit to incorporate a centralised, state-wide asset management system involving improved aggregated purchasing and whole of life cycle management, maintenance, and reporting of assets. The Ministry is awaiting the outcome from the asset management and maintenance system tender before deciding on the HSS proposal.

In addition to the HSS proposal, the Ministry called for tenders for a private sector service provider to improve the whole-of-life-cycle management of medical equipment as a pilot in two local health districts. Following discussions with shortlisted medical equipment service providers, the local health districts and clinician user groups, it was agreed the pilot project should not proceed until key issues were resolved.

Asset Stock Takes

In previous years, I reported very few former area health services completed full stock takes of plant and equipment. It is pleasing to note 13 of the 15 local health districts completed a stock take in 2011. This is a significant improvement.

Annual stock takes of plant and equipment act as an important control in safeguarding assets. Without annual stock takes, the risk of theft or misappropriation increases.

Long-Term Maintenance Benchmarking (Repeat Issue)

Recommendation

The Ministry should establish and monitor appropriate maintenance targets by local health districts by 30 June 2012.

Last year, I recommended the Ministry improve its asset maintenance so benchmark maintenance levels are met. The Ministry had previously advised the benchmark it was using was not appropriate, as it was for equipment only rather than buildings, infrastructure and equipment.

In 2010–11, the Ministry completed a maintenance benchmarking review with industry and Queensland Health. This review confirmed two per cent of asset replacement value is an appropriate maintenance target. The Ministry is still reviewing, together with the local health districts, the sector's maintenance investment and strategies to ensure appropriate maintenance levels are met. The Ministry should establish and monitor appropriate maintenance targets by local health districts by 30 June 2012.

The Ministry advises that state-wide maintenance expenditure, as a percentage of gross asset values, remained constant at 1.1 per cent for the past two years.

13 of the 15 local health districts completed an asset stock take

The health sector's maintenance spend remained constant

Information Technology Projects

The following table outlines major information technology projects in progress and which are in excess of $50.0 million.

Project Description	Original Budgeted Cost ($000)	Revised Budgeted Cost ($000)	Original Estimated Completion Year	Revised Completion Year
Electronic Medications management system	170,300	170,300	2020	2019
Community Health Outpatient system	104,793	100,703	2016	2015
Corporate System Stage 2a	107,716	99,333	2015	2015
Corporate System Stage 2b	77,000	77,000	2015	2018
Electronic medical record – rollout to clinical specialities	85,400	85,400	2018	2017
Medical Imaging Information System	61,645	63,143	2012	2013
Human Resources Information System (HRIS)	59,600	94,282	2011	2013

Source: NSW Ministry of Health (unaudited).

Due to scope changes, the Human Resources Information System is behind schedule and will cost $34.7 million more than the original budget

The Ministry advises the significant increase in the Human Resources Information System (HRIS) project budget is primarily due to scope changes and additional configuration and development issues arising from the health restructure. The configuration and development issues have also contributed to the delay in completing the project.

The delay in implementing the Medical Imaging Information System is largely due to poor vendor performance. The project was paused in early 2011, however the vendor issues were rectified and the system has been stabilised.

Capital Projects

Below is a list of capital projects (excluding IT projects) which have an estimated cost over $50.0 million.

Project Description	Estimated total Cost ($000)	Have there been significant delays to the project?	Is the project expected to be completed by set timeframe?	Is the project expected to cost more than originally budgeted?
Auburn Health Services redevelopment	129,659	No	Yes	No
Council of Australian Governments initiatives	359,985	Yes	Yes	No
Liverpool Hospital redevelopment	397,000	Yes	Yes	Yes
Local initiatives	280,000	No	Yes	No
Nepean Hospital redevelopment Stage 3	83,502	No	Yes	Yes
Nepean Hospital redevelopment Stage 3a	50,700	No	Yes	No
Orange/Bloomfield redevelopment Public Private Partnership	162,091	Yes	Yes	No
Orange base hospital cyclical maintenance	55,429	No	Yes	No
Orange/Bloomfield redevelopment retained works	74,062	Yes	Yes	Yes
Patient and Clinical System Ambulance	115,000	No	Yes	No
Royal North Shore hospital community health services	158,637	No	Yes	Yes
Royal North Shore hospital research and education building	100,179	No	Yes	No
Royal North Shore hospital Public Private Partnership	721,672	No	Yes	No
Royal North Shore hospital clinical services building	91,800	Yes	Yes	Yes
Royal North Shore hospital cyclical maintenance	62,377	No	Yes	No
Shared corporate services	56,560	Yes	No	No
State-wide planning and asset maintenance	53,971	No	Yes	No
Wagga Wagga hospital redevelopment	90,000	No	Yes	No
Wollongong hospital elective surgery	83,149	Yes	Yes	Yes

Source: NSW Ministry of Health (unaudited).

The main reason for six of the 19 projects costing more than the original budget is scope changes. The only project which has encountered a significant delay is the shared corporate service project. This project was delayed because of the governance review.

Most capital projects over $50 million are running on time and within budget

The health sector spent $595 million on Visiting Medical Officers, 9.3 per cent more than last year

Employee related expenses range from 49.5 per cent to 61.8 per cent of total costs

Payments to Visiting Medical Officers and Medical Staff

The following table shows a comparison of payments to Visiting Medical Officers (VMOs) and medical staff for the last four years across the health sector.

Year ended 30 June Category	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Medical staff*	1,461,210	1,337,962	1,245,073	1,067,381
VMOs	595,300	544,548	523,634	455,710

* Payments to Medical Staff include: base salary, overtime, penalties, sick and other leave, annual leave and long service leave.

VMO costs comprise a substantial part of the overall medical costs and they continue to increase significantly.

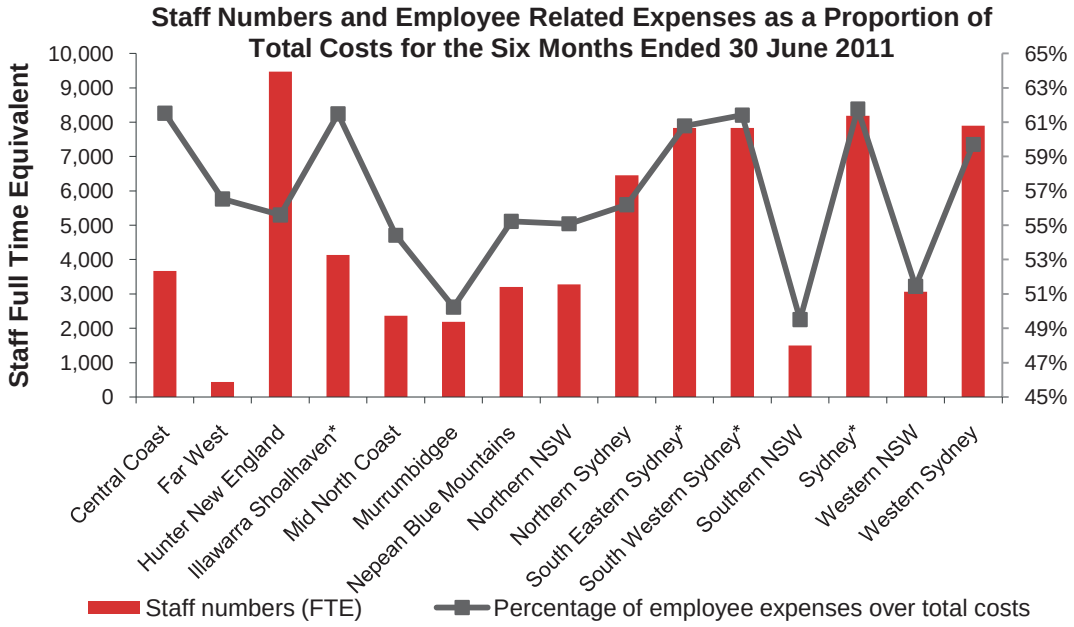
VMOs are medical staff working as independent contractors for an average of ten hours per week in the public health system to supplement staff specialists and other medical staff employed directly by health services. At other times they work in private practice.

For further information on VMOs, refer to my Performance Audit Report titled 'Visiting Medical Officers and Staff Specialists' published in December 2011.

Human Resources

Employee statistics

The graph below shows the number of full-time equivalent employees at each local health district at 30 June 2011. It also shows the percentage of employee related expenses compared to total expenses.



Source: NSW Ministry of Health (unaudited).

* The percentages are based on unaudited financial statements at 23 November 2011.

At 30 June 2011, Hunter New England Local Health District had the most full-time equivalent staff (9,471) while Far West Local Health District had the least (437). At 30 June 2011, 98,558 (95,895) full-time equivalent staff were employed in the health sector. Clinical staff represented 72.6 per cent of total staff at 30 June 2011.

In terms of employee related expenses as a percentage of total costs, Sydney Local Health District recorded the highest percentage of 61.8 per cent and Southern NSW Local Health District had the lowest percentage at 49.5 per cent. Rural local health districts have a lower percentage than metropolitan districts because they have a higher proportion of visiting medical officers as part of their workforce. The state-wide average for the year was 57.9 per cent (56.1 per cent).

Workforce Ageing

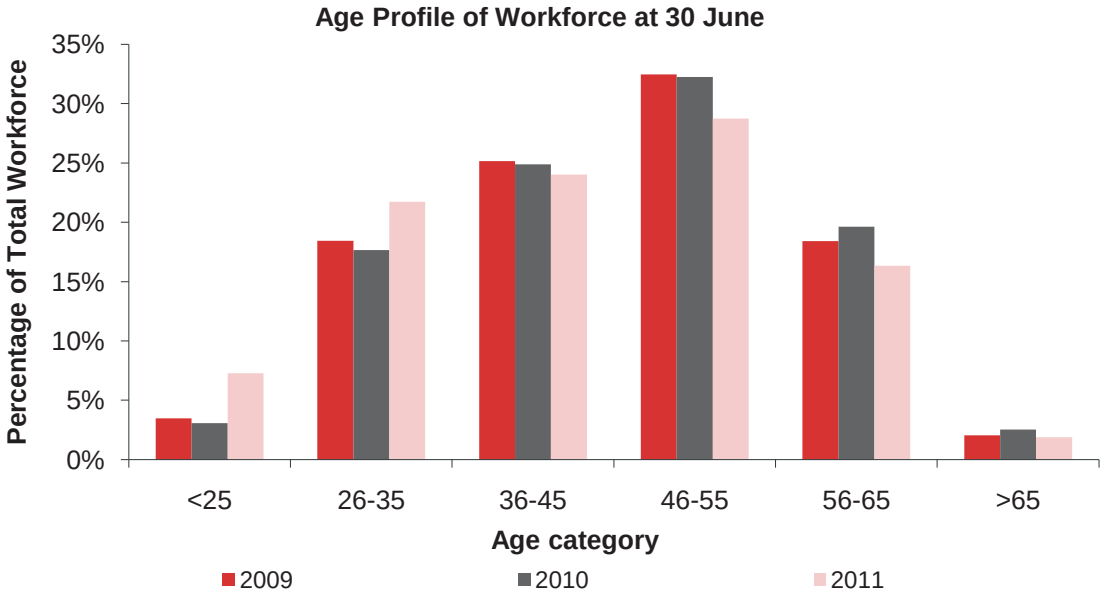
18.2 per cent of the health sector's workforce is 56 years of age or older

Last year, I recommended the Ministry develop and implement strategies to address and manage its ageing workforce. The Ministry advises a taskforce has since been established to identify key issues, including ageing, for the health workforce.

The taskforce has released a discussion paper seeking feedback on strategies to ensure the sector has the workforce it needs to deliver health services. The taskforce will use this feedback to develop the 'Health Professionals Workforce Plan 2012-2025'. It expects to release this plan in 2012.

The health sector is facing challenges from the potential loss of thousands of staff over the next few years, as indicated by the following statistics:

- 18.2 per cent (22.1 per cent 2009–10) of staff are aged 56 years and over
- 47.0 per cent (54.4 per cent 2009–10) of staff are aged 46 years and over.



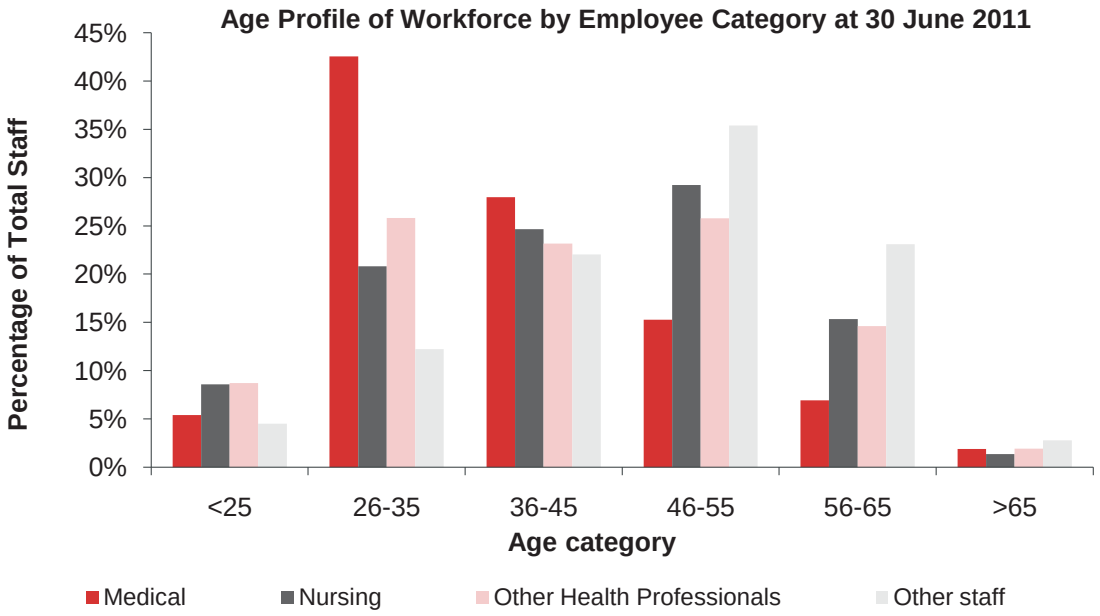
Source: NSW Ministry of Health (unaudited).

Some local health districts advised they have strategies in place to address the risks arising from an ageing workforce, as well as strategies to develop, attract and retain staff in general.

The graph below shows the workforce ageing by employee group. At 30 June 2011, over 40 per cent of nurses and other health professional employees were 46 years or age or older. This reinforces the need for strategies to ensure an adequate supply of staff.

One employee earned $333,000 in overtime during the year

Two per cent of all health employees worked more than 500 hours overtime during the year



Source: NSW Ministry of Health (unaudited).

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

Annual Leave Balances

Using the benchmark of two years accrued entitlements, 17,214 employees in the health sector had excessive leave at 30 June 2011. For some employees, two years of accrued entitlements is equal to eight weeks. For other staff, such as those on rosters, it can be as high as 12 weeks.

Health services need to continue working on reducing excessive annual leave entitlements. Liabilities for excessive annual leave generally increase over time as salary rates increase, which impacts the health services' cash flows. The health and welfare of staff can also be adversely affected if they do not take sufficient leave.

Overtime Payments

Overtime payments in 2010–11 amounted to $327 million ($341 million in 2009-10). This represented 4.4 per cent (4.8 per cent) of total base salary expense for the year. On average, employees received $5,369 ($5,909) in overtime payments and 41.7 per cent (61.8 per cent) received a payment for working overtime. The highest amount paid to a single employee in 2010-11 was $333,073 ($348,686).

The table below provides some statistics on employees who worked more than 500 overtime hours during the year.

Year ended 30 June 2011	Overtime paid ($)	Number of employees who worked more than 500 hours overtime	Average per employee ($)
Health Support Services	1,544,163	43	35,911
Central Coast	1,877,701	33	56,900
Far West	485,988	7	69,427
Hunter New England	5,312,965	98	54,214
Illawarra Shoalhaven	3,858,827	67	57,594
Mid North Coast	1,353,897	24	56,412
Murrumbidgee	1,818,264	31	58,654
Nepean Blue Mountains	3,972,914	63	63,062
Northern New South Wales	2,102,335	34	61,833
Northern Sydney	6,194,705	110	56,316
South Eastern Sydney	6,951,369	130	53,472
Southern NSW	7,780,272	144	54,030
South Western Sydney	1,493,586	20	74,679
Sydney	8,031,419	130	61,780
Western New South Wales	2,625,186	41	64,029
Western Sydney	7,934,226	129	61,506
Sydney Children's Hospitals Network	1,105,174	19	58,167
Health Reform Transitional Organisation Northern	1,550,822	31	50,027
Health Reform Transitional Organisation Southern	805,528	16	50,346
Health Reform Transitional Organisation Western	2,849,330	55	51,806
Total	**69,648,670**	**1,225**	**56,856**

Source: NSW Ministry of Health (unaudited).

Note: The overtime reported for each local health district and health reform transitional organisation includes overtime worked in the former area health service relevant to the district from 1 July to 31 December 2010.

It should be noted the statistics reported above include call back hours. A 'call back' occurs when an on call medical staff member is asked to come to work. The staff member may come back to work for only an hour, but per the award, is paid a minimum of four hours.

I will publish a more detailed examination of overtime in health services in a performance audit report to be tabled in the first half of 2012.

Financial Performance

Eight health service entities exceeded their budget

Seven of the fifteen local health districts and one of the three health reform transitional organisations reported a net cost of services which exceeded their allocated budget. The over-runs ranged from $3.9 million for South Eastern Sydney Local Health District to $20.0 million for South Western Sydney Local Health District. The unfavourable result for South Western Sydney Local Health District was due to higher than budgeted employee expenses. The actual to budget net cost of services results are detailed below.

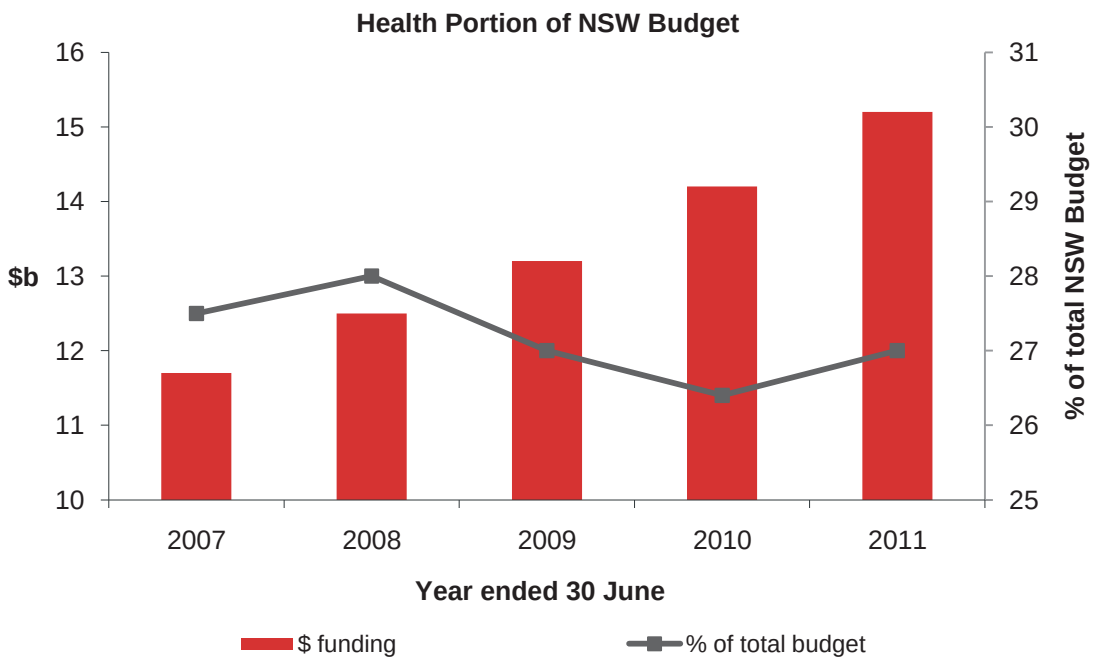
Six months ended 30 June	Budget* 2011 $m	Actual* 2011 $m	(Over)/Under Budget $m
Central Coast	258.6	257.0	1.6
Far West	38.2	35.0	3.2
Hunter New England	751.1	742.7	8.4
Illawarra Shoalhaven**	288.2	284.4	3.8
Mid North Coast	189.6	187.4	2.2
Murrumbidgee	172.1	182.4	(10.3)
Nepean Blue Mountains	263.7	259.2	4.5
Northern NSW	261.7	260.6	1.1
Northern Sydney	475.2	493.5	(18.3)
South Eastern Sydney**	541.1	545.0	(3.9)
Southern NSW	122.5	133.9	(11.4)
South Western Sydney**	562.8	582.8	(20.0)
Sydney**	556.5	543.3	13.2
Western NSW	287.5	298.4	(10.9)
Western Sydney	595.6	601.4	(6.3)
Health Reform Transitional Organisation Northern	18.2	(0.5)	18.7
Health Reform Transitional Organisation Southern**	73.1	77.3	(4.2)
Health Reform Transitional Organisation Western**	(11.0)	(12.7)	1.7

* Includes special purpose and trust funds and special projects.

** These figures are based on the latest unaudited financial statements as at 23 November 2011.

New South Wales Health Expenditure

The health sector's expenditure has increased steadily over the past five years from $11.7 billion in 2006–07 to $15.2 billion in 2010–11. As a percentage of the total State's expenditure, health expenditure decreased from 27.5 per cent in 2006–07 to 27 per cent in 2010–11.



Public Health Sector Activities

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

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

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

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

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

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

Section Two

Agencies with Individual Comments

Minister for Health

Central Coast Local Health Network

Audit Opinion

The audits of Central Coast Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Northern Sydney and Central Coast Area Health Service totalled $445 million. The Network was subsequently renamed Central Coast Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 3,664 full time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 141,628 acute bed days and its net cost of services was $257 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related	180,053	--
Personnel services	--	180,053
Visiting medical officers	12,730	12,730
Other expenses	99,911	99,911
Total Expenses	**292,694**	**292,694**
Patient fee revenue	21,667	21,667
Other revenue	14,052	21,723
Total Revenue	**35,719**	**43,390**
Net Cost of Services	**256,975**	**249,304**
Government contributions	247,277	239,606
Deficit	**9,698**	**9,698**
Other comprehensive income	187	187
Total Comprehensive Expense	**9,511**	**9,511**

Employee related expenses represented 61.5 per cent of the District's total costs.

Other expenses included medical, surgical, drug and special service departments' expenses of $44.3 million.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	41,860	41,860
Non-current assets	482,481	482,481
Total Assets	**524,341**	**524,341**
Current liabilities	88,781	88,781
Non-current liabilities	139	139
Total Liabilities	**88,920**	**88,920**
Net Assets	**435,421**	**435,421**

Current assets include $17.2 million cash and $9.3 million in intra-health receivables. Of the $17.2 million cash, $10.3 million was special purpose, research grants and in private practice funds, which the District can only use for restricted purposes. Non-current assets include land and buildings valued at $455 million.

Current liabilities include $10.9 million owed to external creditors, $7.8 million accrued salaries and payroll costs and $16.5 million owed to other health entities.

Entity Activities

Central Coast Local Health District services approximately 318,000 people in New South Wales. The District consists of the following hospitals:

- Gosford Hospital
- Long Jetty Hospital
- Woy Woy Hospital
- Wyong Hospital.

For more information on Central Coast Local Health District, refer to www.health.nsw.gov.au/cclhd.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidate entity.

Entity Name	Website
Central Coast Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Department of Health

The Ministry's restructure will reduce its workforce by about 200 positions

Audit Opinion

The audit of the Department of Health's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Except for the Sydney Children's Hospitals Network, the completed audits of the Department of Health's controlled entities' financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports. My qualified audit opinion of the Sydney Children's Hospitals Network financial statements related to the completeness of fundraising revenue and voluntary donations. The audit opinion for 2009-10 was similarly qualified.

Further information on the audit results, including incomplete audits, can be found in the Health Overview in this report.

Operational Snapshot

The Department of Health was renamed the Ministry of Health on 5 October 2011. At 30 June 2011, it employed 634 full time equivalent staff to support the executive and statutory roles of the Minister for Health. The Ministry also monitors the performance of the NSW public health system and the consolidated net cost of providing services was $13.2 billion ($12.4 billion in 2009–10). The Department is referred to by its new name throughout this report.

Key Issues

Corporate Governance

In August 2011, the Director General completed a governance review of the health sector. The review focused on the functions, responsibilities, structure and relationships of each component in the health sector and the alignment with the government's policy directions, transparency, accountability and strengthened clinical engagement. The review changed the Ministry's role and structure so that it:

- no longer micro-manages local health districts
- becomes the system manager/regulator and purchasing services from local health districts
- is focused on funding and performance
- focuses on future capacity and workforce needs
- stimulates system wide initiatives that improve quality and efficiency
- ensures clinicians are actively engaged in service planning, management and formulating budget priorities.

The Ministry expects to implement a new governance structure by 31 December 2011, reducing its workforce by about 200 positions.

Financial Information

Comment on certain aspects of the consolidated entity's financial and operating performance is also included in the Health Overview section earlier in this report.

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Employee related	9,432,979	8,885,670	132,009	124,834
Grants and subsidies	1,032,160	939,307	12,381,251	11,909,030
Other expenses	4,958,895	4,655,814	679,543	460,895
Operating Expenses	**15,424,034**	**14,480,791**	**13,192,803**	**12,494,759**
Operating Revenue	**2,300,857**	**2,180,374**	**152,507**	**175,736**
Other losses	76,292	54,051	279	1,351
Net Cost of Services	**13,199,469**	**12,354,468**	**13,040,575**	**12,320,374**
Government contributions	13,362,735	12,311,294	13,055,751	12,168,895
Surplus/(Deficit)	**163,266**	**(43,174)**	**15,176**	**(151,479)**
Other Comprehensive Income				
Net increase in Asset Revaluation Reserves	63,004	280,948	--	21,498
Total Other Comprehensive Income	**63,004**	**280,948**	**--**	**21,498**
Total Comprehensive Income/(Expense)	**226,270**	**237,774**	**15,176**	**(129,981)**

The increase in employee related expenses is mainly due to award rate increases and the government's initiative to increase front line staff, such as nurses. The increase in other expenses was due to increased activity and rising costs of the health system.

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current assets	2,012,660	1,587,902	342,672	250,531
Non-current assets	10,673,690	10,347,042	134,936	194,178
Total Assets	**12,686,350**	**11,934,944**	**477,608**	**444,709**
Current liabilities	2,582,131	3,760,695	224,504	201,536
Non-current liabilities	569,728	494,886	64,232	69,477
Total Liabilities	**3,151,859**	**4,255,581**	**288,736**	**271,013**
Net Assets	**9,534,491**	**7,679,363**	**188,872**	**173,696**

The increase in current assets was largely due to a higher level of cash held at 30 June 2011. The Ministry advised this is largely attributable to timing of payments to suppliers and other creditors plus an increase in restricted funds.

The increase in non-current assets was largely the result of additions during the year, as well as reassessment of the fair value of land, buildings and infrastructure systems.

The significant decrease in current liabilities was largely due to the Crown Entity assuming the health sector's $1.6 billion long service leave liability from 31 December 2010.

The Crown Entity has assumed the health sector's $1.6 billion long service leave liability

The increase in non-current liabilities was a result of new public private partnerships at Orange Hospital and Royal North Shore Hospital.

The Ministry's consolidated net cost of services and net assets on a service group basis is shown below:

Abridged Service Group Information

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget $'000	2011 Actual $'000	2010 Actual $'000	2011 Actual $'000	2010 Actual $'000
Acute inpatient services	6,211,657	6,151,438	5,553,350	4,987,844	3,916,863
Outpatient services	1,155,610	1,250,156	1,292,616	1,150,984	964,793
Rehabilitation and extended care services	1,006,762	980,352	910,512	609,053	626,323
Primary and community based services	1,075,536	1,044,311	1,056,199	501,054	449,421
Aboriginal health services	90,063	83,715	66,193	20,076	10,682
Emergency services	1,521,548	1,492,287	1,341,402	899,265	625,177
Mental health services	1,181,784	1,235,058	1,139,551	844,379	658,288
Population health services	485,968	467,360	526,781	121,827	137,245
Teaching and research	471,223	494,792	467,864	400,009	290,571
Total All Programs	**13,200,151**	**13,199,469**	**12,354,468**	**9,543,491**	**7,679,363**

The budget figures are per the 2010–11 Budget Papers and do not include additional supplementations approved throughout the year. The Ministry provided the following explanations for variances between budgeted and actual net cost of services for the service groups:

- Outpatient services exceeded budget primarily due to changes in health care delivery. More services are now delivered as outpatient rather than inpatient
- Mental health services increased from prior year and exceeded budget largely due to an increase of mental health services provided as part of planned action and as a response to community needs
- Teaching and Research exceeded budget primarily due to the establishment of the Clinical Education and Training Institute and the Agency for Clinical Innovation.

Controlled Entities

Controlled entities of the Ministry are listed in the Health Overview.

Ministry Activities

For further information on the Ministry, refer to www.health.nsw.gov.au.

Far West Local Health Network

Audit Opinion

The audits of Far West Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Greater Western Area Health Service totalled $75.0 million. The Network was subsequently renamed the Far West Local Health District (the District) and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 437 full-time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 13,224 acute bed days and its net cost of services was $35.0 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	22,364	--
Personnel expenses	--	22,364
Other expenses	17,196	17,196
Total Expenses	**39,560**	**39,560**
Patient fee revenue	2,540	2,540
Other revenue	2,057	3,174
Total Revenue	**4,597**	**5,714**
Net Cost of Services	**34,963**	**33,846**
Government contributions	38,493	37,376
Surplus	**3,530**	**3,530**
Other comprehensive income	**--**	**--**
Total Comprehensive Income	**3,530**	**3,530**

Employee related expenses represented 56.5 per cent of the District's total expenses. Other expenses include $4.0 million for services such as pathology, information technology and corporate services from the Health Reform Transition Organisation Western. The District also spent $1.6 million on drugs, medical and surgical supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	8,443	8,443
Non-current assets	80,737	80,737
Total Assets	**89,180**	**89,180**
Current liabilities	10,464	10,464
Non-current liabilities	27	27
Total Liabilities	**10,491**	**10,491**
Net Assets	**78,689**	**78,689**

Current assets include $1.3 million cash and $6.8 million in receivables. Of the $1.3 million cash, $775,000 was in special purpose and trust funds, which the District can only use for restricted purposes.

Non-current assets include land and buildings valued at $76.8 million.

Current liabilities include $2.4 million owed to external creditors, $1.2 million accrued salaries and payroll costs and $939,000 owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 31,000 people in New South Wales through the following facilities:

- Balranald District Hospital
- Broken Hill Base Hospital
- Menindee Health Service
- Wentworth District Hospital
- Wilcannia Multi-Purpose Service.

For more information on the District, refer to www.fwlhd.health.nsw.gov.au.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Far West New South Wales Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Health Administration Corporation

Audit Opinion

The audits of the Health Administration Corporation (the Corporation) and its controlled entity's financial statements for the year ended 30 June 2011 resulted in unmodified opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Key Issues

Health Support Services and Customer Responsibilities (Repeat Issue)

The respective responsibilities of Health Support Services and its customers need to be clarified

Recommendations

Health Support Services (HSS) should:

- share the risk and control analysis report with its customers
- obtain written confirmation from its customers acknowledging their responsibilities.

Last year, I reported HSS (a division of the Corporation) and its customers, being all health services, do not always agree on their respective responsibilities for key internal controls and recommended these responsibilities be agreed in writing.

For too long, this has meant key controls are often not operating at either HSS or the health service, exposing the health service to potential financial loss. For example, situations have arisen where neither party believed it was responsible for confirming an invoice had been approved for payment by a delegated officer, resulting in unapproved invoices being paid. This is not occurring as often as it has in the past, largely due to greater use of electronic procurement and the introduction of invoice scanning technology, however it does still occur.

Payments are sometimes made without confirming approval

In response to my recommendation, HSS performed a risk and control analysis in December 2010, which involved preparing process maps, and identifying key controls and responsibilities. A workshop was held with some customers to get consensus on where responsibility for key controls lay and it was agreed:

- HSS should obtain formal endorsement from customers and the NSW Ministry of Health on the outcomes of the analysis and workshop
- customers should prepare process maps for local internal controls to be combined with process maps developed as part of the risk and control analysis.

Neither activity has occurred since the December 2010 workshop, and I am advised not all customers have seen the risk and control analysis report. HSS should share this report with all its customers immediately and obtain written confirmation from them acknowledging their respective responsibilities.

Internal Control Deficiencies Across the Health Sector (Repeat Issue)

Recommendation

HSS should share its internal audit reports with its customers.

HSS provides financial and payroll processing services to health services. My audit identified internal controls weaknesses in areas such as accounts payable and payroll at HSS service centres. The HSS internal auditor made similar observations, and while recent system improvements and greater use of electronic purchasing have reduced the risk of financial loss, some risk remains and further improvements to the internal control environment are required. Management is currently addressing my recommendations and those of internal audit.

While I acknowledge HSS distributes a letter from its internal auditor to its customers, summarising the results of internal audits, HSS should share the actual internal audit reports with them. This will help clarify responsibilities, give customers the opportunity to assess risks to their businesses and enable them to implement mitigating controls, where required.

Other public sector service entities share internal audit reports with their customers and I recommend HSS does the same.

Only four of 23 service agreements for 2011–12 have been finalised and signed

Finalisation of Master Services Agreements (Repeat Issue)

Recommendation

HSS should finalise all outstanding 2011-12 Master Services Agreements with its customers as a matter of urgency.

Delays at emergency departments are adversely affecting Ambulance Service response times

For the last four years, I have reported HSS had not finalised and signed service agreements with most of its customers. Signed service agreements are important because they give parties certainty over their rights, responsibilities, service levels and price.

HSS developed a new Master Services Agreement, which it recently issued to all customers for 2011–12. At the time of preparing this report, only four of its 23 customers had signed the agreements. HSS advises its remaining customers have agreed in principle with the draft agreements and it believes they will sign them by 31 December 2011.

Performance Information

HSS Key Performance Measures

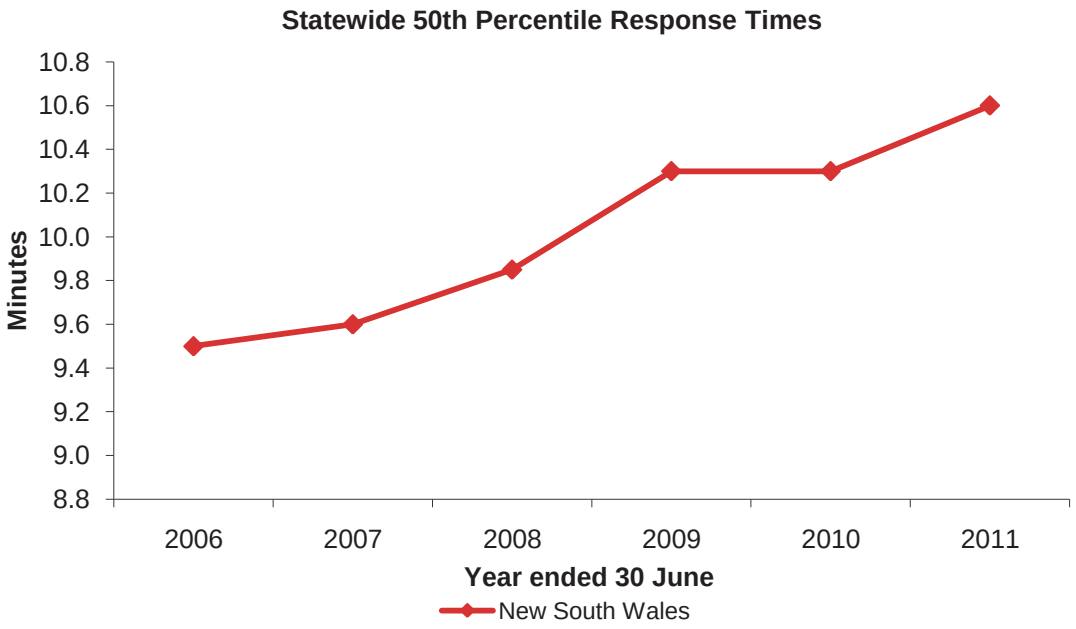
Last year, I recommended HSS improve its key performance indicators (KPIs). It has since developed additional KPIs, which measure its qualitative performance, and it reports its performance to customers on a monthly basis.

HSS has recently commenced a further review of its KPIs, with a view of refining them and ensuring they match the requirements set out in the Master Services Agreement. It is also developing an automated dashboard to provide it and its customers with up to date performance information, which it expects to release in early 2012.

Response Times

The ambulance emergency response time is the period from when a triple zero (000) potentially life threatening case is recorded to the time the first ambulance resource arrives at the scene. In Australia, the 50th percentile (median) response time is the key measure, allowing performance to be compared with other states.

The graph below provides an analysis on 50th percentile response times in New South Wales since 2005-06.

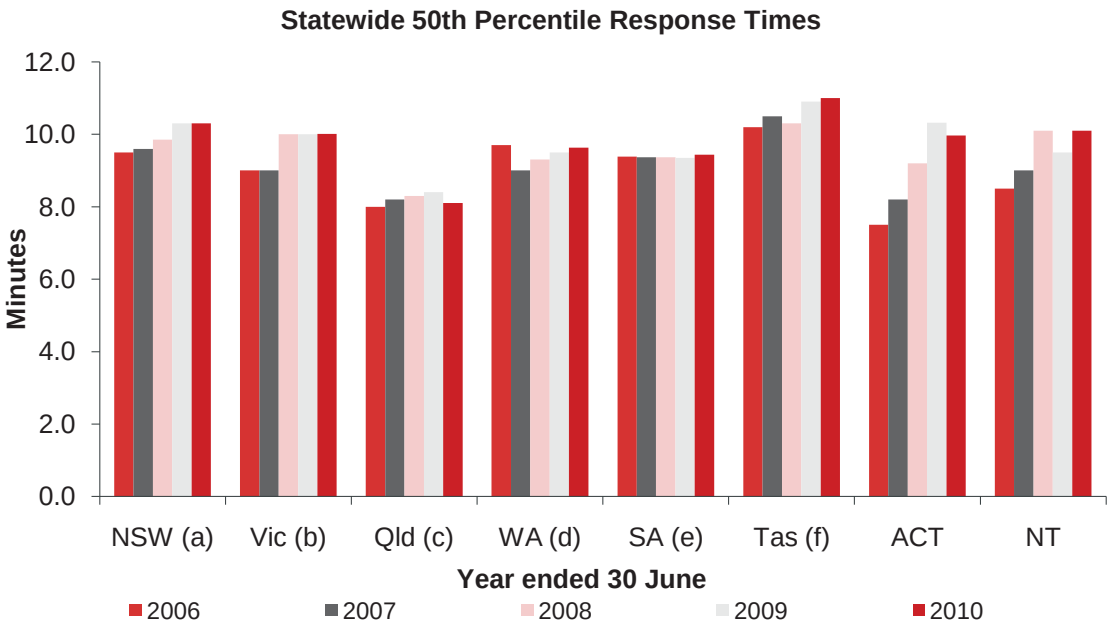


Source: Report on Government Services 2011, Volume 1: Emergency Management Table 9A.29 and the Ambulance Service of New South Wales Website.

The graph shows the 50th percentile response time in New South Wales continues to trend upwards. In 2010–11, this response time was 10.6 minutes (10.3 minutes in 2009-10) for the whole State and 10.3 minutes (10.1 minutes) for the Sydney metropolitan area. This means at least 50 per cent of potentially life-threatening cases were responded to within this range.

In 2010-11, ambulance officers spent an estimated 77,190 hours waiting for patients to transfer to hospital care

The graph below shows the performance of New South Wales compared with the other states.



Source: Report on Government Services 2011, Volume 1: Emergency Management Table 9A.29.

a Vic: The basis of response time reporting changed in 2007-08 and results are not directly comparable with previous years.

b Qld: Casualty room attendances are not included in response count and, therefore, are not reflected in response times data.

c WA: Ambulance first responder locations data are not available for 2007-08.

d Tas: The highest proportion of population is in small rural areas, relative to other jurisdictions, which increases average response times.

In 2009–10, the 50th percentile response time for potentially life-threatening cases across all states ranged from 8.1 minutes to 11 minutes, while they ranged from 8.1 minutes to 10.2 minutes for metropolitan areas in each state.

In New South Wales, the response times in 2009–10 were 10.3 minutes (10.3 minutes) for the whole State and 10.0 minutes (10.1 minutes) for the Sydney metropolitan area.

The Ambulance Service advises one reason for the increase in response times was longer 'off stretcher times', which limit the overall availability of ambulances to respond. Off stretcher time is the period between an ambulance arriving at a hospital emergency department and the transfer of the patient to hospital care.

In 2010-11, the Ambulance Service estimates its officers spent 77,190 hours (58,399 hours) waiting for patients to transfer to hospital care. This excludes the first 30 minutes of waiting time for each admission. The Ambulance Service estimates that this lost time equates to $6.0 million ($4.4 million).

Other factors which impact response times include increased traffic congestion in metropolitan areas and urban sprawl. The Ambulance Service advises that its station infrastructure has not increased or relocated to match the urban sprawl that has occurred in the last ten years. This means ambulances must travel longer distances which increases response times.

Ambulance Service Workforce Attrition

The workforce attrition rate for the Ambulance Service was 4.0 per cent in 2009–10, a decrease from 4.4 per cent in the prior year and below the Australian average rate of 4.1 per cent. A low attrition rate is desirable because the service has a highly skilled and professional workforce. The Ambulance Service should ensure it has appropriate plans and strategies in place to maintain this position.

At 30 June	2010		2009	
State	Total Operational Workforce FTE	Operational Workforce attrition %	Total Operational Workforce FTE	Operational Workforce attrition %
NSW	3,564	4.0	3,460	4.4
Vic	2,701	4.2	2,561	2.9
Qld	2,841	3.7	2,729	4.2
WA	619	6.1	614	7.2
SA	887	1.2	857	1.1
Tas	270	4.1	238	5.9
ACT	138	7.2	130	10.0
NT	119	18.5	122	5.7
Aust	11,139	4.1	10,711	4.0

Source: Report on Government Services 2011, Volume 1: State Emergency Management Table 9A.25.

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Employee related	823,611	723,111	--	--
Personnel services	--	--	823,611	723,111
Other expenses	749,833	579,773	749,833	579,773
Operating Expenses	**1,573,444**	**1,302,884**	**1,573,444**	**1,302,884**
Operating Revenue	**999,411**	**768,378**	**1,028,667**	**784,197**
Other losses	24,357	26,114	24,357	26,114
Net Cost of Services	**598,390**	**560,620**	**569,134**	**544,801**
Government contributions	662,495	579,842	633,239	564,023
Surplus	**64,105**	**19,222**	**64,105**	**19,222**
Other Comprehensive Income				
Net increase in asset revaluation reserve	18,818	3,003	18,818	3,003
Total Comprehensive Income	**82,923**	**22,225**	**82,923**	**22,225**

The increase in expenses, revenues and government contributions is attributed to the increase in activity at HSS.

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current assets	332,350	292,964	332,350	292,964
Non-current assets	547,791	474,799	547,791	474,799
Total Assets	**880,141**	**767,763**	**880,141**	**767,763**
Current liabilities	337,729	411,822	337,729	411,822
Non-current liabilities	1,177	18,893	1,177	18,893
Total Liabilities	**338,906**	**430,715**	**338,906**	**430,715**
Net Assets	**541,235**	**337,048**	**541,235**	**337,048**

The increase in current assets was partly due to monies owed by other health services increasing to $135 million ($124 million at 30 June 2010). The increase in non-current assets was largely due the Corporation spending $67.2 million on information technology related projects.

The decrease in current and non-current liabilities was due to the Crown Entity assuming the corporation's $151 million long service liability from 31 December 2010.

The following table provides a summary of financial information for 2010–11 by business unit. Internal transactions and balances between the business units have not been eliminated and therefore the figures do not agree with the abridged statements reported earlier.

Year ended 30 June	Health Support Services		Ambulance Service		Other Business Units*	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Expenses	918,258	665,999	683,454	654,149	11,554	9,329
Revenue	818,309	578,145	196,477	194,337	629	650
Net cost of services	99,949	87,854	486,977	459,812	10,907	8,679
Government contributions	171,932	130,676	478,982	434,336	11,580	10,000
Surplus/(deficit)	71,983	42,822	(7,995)	(25,476)	673	1,321
Assets	549,892	443,096	286,472	270,973	56,868	61,490
Liabilities	171,431	181,926	127,416	199,468	53,033	58,834
Net assets	378,461	261,170	159,056	71,505	3,835	2,656

* Other business units comprise Health Infrastructure and the Policy Technical Support Unit.

Corporation Activities

The Health Administration Corporation consists of business units established under the Public Health System Support Division in accordance with the provisions of the *Health Services Act 1997*. These units are:

- Health Support Services, which provides financial, payroll, linen, food, warehousing, information systems and other support services to the health sector
- Policy and Technical Support Unit, established on 1 July 2010, to provide support to the Statutory Health Corporations, the Agency for Clinical Innovation and Clinical Excellence Commission
- Ambulance Service of New South Wales, transferred to Health Administration Corporation on 17 March 2006 after the *Ambulance Service Act 1990* was repealed
- Health Infrastructure, established 1 July 2007, to undertake major capital projects in connection with public health organisations.

For more information on the Health Administration Corporation, refer to the NSW Ministry of Health website at www.health.nsw.gov.au.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Public Health System Support Division Special Purpose Service Entity	*

* This entity does not have a website.

Health Reform Transitional Organisation Northern

Audit Opinion

The audits of Health Reform Transitional Organisation Northern and its controlled entities' financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Health Reform Transitional Organisation Northern commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Organisation from the former Northern Sydney and Central Coast, Hunter New England and North Coast Area Health Services totalled $126 million.

The Organisation had 3,791 full time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, it earned revenue of $306 million and incurred costs of $305 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related	190,687	--
Personnel services	--	190,687
Visiting medical officers	4,897	4,897
Other expenses	109,494	109,494
Total Expenses	**305,078**	**305,078**
Corporate services revenue	129,308	129,308
Medical services revenue	93,196	93,196
Patient inflows from interstate	18,649	18,649
Infrastructure fees	38,397	38,397
Other revenue	26,050	39,025
Total Revenue	**305,600**	**318,575**
Surplus Before Government Contributions	**522**	**13,497**
Government contributions	22,150	9,175
Surplus	**22,672**	**22,672**
Other comprehensive income	--	--
Total Comprehensive Income	**22,672**	**22,672**

Employee related expenses represent 62.5 per cent of the Organisation's total costs.

Other expenses include medical, surgical, drug and special service departments expenses of $31.4 million and grants and subsidies of $10.1 million.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	206,615	206,615
Non-current assets	131,744	131,744
Total Assets	**338,359**	**338,359**
Current liabilities	186,800	186,800
Non-current liabilities	2,804	2,804
Total Liabilities	**189,604**	**189,604**
Net Assets	**148,755**	**148,755**

Current assets include $75.6 million cash, $108 million intra-health receivables and $7.2 million patient debtors. Of the $75.6 million cash, $38.5 million was special purpose, research grants and private practice funds, which the Organisation can only use for restricted purposes. Of the $7.2 million patient debtors, $5.5 million were older than 180 days.

Non-current assets include land and buildings and plant and equipment valued at $43.8 million and $86.6 million respectively.

Current liabilities include $41.8 million owed to external creditors, $27.6 million accrued salaries and payroll costs and $56.5 million owed to other health entities. Creditors included disputed invoices of $3.4 million.

Entity Activities

The Organisation is responsible for providing certain functions transferred to it from the following former Area Health Services:

- Northern Sydney and Central Coast
- Hunter New England
- North Coast.

The Organisation's function includes:

- corporate services
- medical imaging
- sterilising
- pathology
- mental health
- financial accounting and reporting.

Controlled Entities

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidate entity.

Entity Name	Website
Northern Sydney and Central Coast Area Health Service Special Purpose Service Entity	*
Hunter New England Area Health Service Special Purpose Service Entity	*
North Coast Area Health Service Special Purpose Service Entity	*

* This entity does not have a website.

Hunter New England Local Health Network

Audit Opinion

The audits of Hunter New England Local Health Network and its controlled entity's financial statements for six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Hunter New England Area Health Service totalled $848 million. The Network was subsequently renamed the Hunter New England Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 9,471 full time equivalent staff at 30 June 2011. In the six months period to 30 June 2011, the District provided 376,491 acute bed days and its net cost of health services was $743 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	473,658	--
Personnel expenses	--	473,658
Other expenses	378,831	378,831
Total Expenses	**852,489**	**852,489**
Patient fee revenue	51,351	51,351
Other revenue	58,455	84,249
Total Revenue	**109,806**	**135,600**
Net Cost of Services	**742,683**	**716,889**
Government contributions	759,307	733,513
Surplus	**16,624**	**16,624**
Other comprehensive income	**--**	**--**
Total Comprehensive Income	**16,624**	**16,624**

Employee related expenses represent 55.6 per cent of the District's total costs. Other expenses include $32.8 million for information technology and corporate services and $28.4 million for radiology and pathology services from the Health Reform Transition Organisation Northern. The District also spent $56.5 million on drugs, medical and surgical supplies and $40.1 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	164,504	164,504
Non-current assets	1,115,621	1,115,621
Total Assets	**1,280,125**	**1,280,125**
Current liabilities	270,973	270,973
Non-current liabilities	145,080	145,080
Total Liabilities	**416,053**	**416,053**
Net Assets	**864,072**	**864,072**

Current assets include $85.1 million cash and $70.0 million in receivables. Of the $85.1 million cash, $48.0 million was in special purpose and trust funds, which the District can only use for restricted purposes.

Non-current assets include land and buildings valued at $986 million.

Current liabilities include $66.9 million owed to external creditors, $23.8 million accrued salaries and payroll costs, and $39.6 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 880,000 people in New South Wales through the following facilities:

- Armidale Rural Referral Hospital
- Barraba Multi Purpose Service
- Belmont Hospital
- Bingara Multi Purpose Service
- Boggabri Multi Purpose Service
- Bulahdelah Community Hospital
- Calvary Mater Newcastle
- Cessnock District Hospital
- Denman Multi Purpose Service
- Dungog Community Hospital
- Glenn Innes District Hospital
- Gloucester Soldier's Memorial Hospital
- Gunnedah District Hospital
- Guyra Multi Purpose Service
- Inverell District Hospital
- John Hunter Children's Hospital
- John Hunter Hospital
- Kurri Kurri Hospital
- Maitland Hospital
- Manilla Health Service
- Merriwa Multi Purpose Service
- Moree District Hospital
- Muswellbrook Hospital
- Narrabri District Hospital
- Quirindi Community Hospital
- Royal Newcastle Centre
- Scott Memorial Hospital - Scone
- Singleton District Hospital
- Tamworth Rural Referral Hospital l
- Tenterfield Community Hospital
- Tingha Multi Purpose Service
- Tomaree Community Hospital
- Vegetable Creek Hospital
- Walcha Multipurpose Service
- Warialda Multi Purpose Service
- Wee Waa Community Hospital
- Werris Creek District Hospital
- Wingham Community Hospital
- Wilson Memorial Community Hospital.

For more information on the District, refer to http://www.hnehealth.nsw.gov.au.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Hunter New England Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Mid North Coast Local Health Network

Audit Opinion

The audits of Mid North Coast Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former North Coast Area Health Service totalled $224 million. The Network was subsequently renamed the Mid North Coast Local Health District and a board was appointed on 1 July 2011. The Network is referred to as its new name throughout this report.

The District had 2,368 full-time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 93,261 acute bed days and its net cost of services was $187 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	116,061	--
Personnel expenses	--	116,061
Other expenses	97,237	97,237
Total Expenses	**213,298**	**213,298**
Patient fee revenue	12,898	12,898
Other revenue	12,968	19,780
Total Revenue	**25,866**	**32,678**
Net Cost of Services	**187,432**	**180,620**
Government contributions	180,316	173,504
Deficit	**7,116**	**7,116**
Other comprehensive income	**--**	**--**
Total Comprehensive Expense	**7,116**	**7,116**

Employee related expenses represented 54.4 per cent of the District's total costs. Other expenses included $18.7 million for services such as pathology, radiation therapy, dental, health promotion, public health, aboriginal health, information technology and corporate services from the Health Reform Transition Organisation Northern. The District also spent $18.3 million on drugs, medical and surgical supplies and $4.6 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	24,789	24,789
Non-current assets	251,213	251,213
Total Assets	**276,002**	**276,002**
Current liabilities	58,374	58,374
Non-current liabilities	555	555
Total Liabilities	**58,929**	**58,929**
Net Assets	**217,073**	**217,073**

Current assets include $9.5 million cash and $14.6 million in receivables. Of the $9.5 million cash, $7.4 million was in special purpose and trust funds, which the District can only use for restricted purposes. Non-current assets include land and buildings valued at $229 million.

Current liabilities include $19.1 million owed to external creditors, $4.4 million accrued salaries and payroll costs and $8.7 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 214,000 people in New South Wales. The District consists of the follow hospital facilities:

- Bellingen River District Hospital
- Coffs Harbour Base Hospital
- Dorrigo Multi Purpose Service
- Kempsey District Hospital
- Macksville District Hospital
- Port Macquarie Base Hospital
- Wauchope District Memorial Hospital.

For more information on the District, refer to http://www.health.nsw.gov.au/mnclhd/index.asp.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Mid North Coast Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Murrumbidgee Local Health Network

The District has a number of disputed balances with Albury Wodonga Health

Audit Opinion

The audits of Murrumbidgee Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Murrumbidgee Local Health Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Greater Southern Area Health Service totalled $273 million. The Network was subsequently renamed the Murrumbidgee Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The Murrumbidgee Local Health District had 2,192 full-time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 88,812 acute bed days and its net cost of services was $182 million.

Key Issues

Payments to Albury Wodonga Health

Recommendation

The District should:

- investigate and resolve all disputed amounts immediately and improve the process for recording, reconciling and settling transactions with Albury Wodonga Health
- develop appropriate dispute resolution procedures with Albury Wodonga Health to ensure disputes are resolved on a timely basis.

Albury Wodonga Health, a Victorian Government agency, manages the provision of acute services at Albury Base Hospital. This arrangement commenced on 1 July 2009 following the signing of the Inter Governmental Agreement between the New South Wales and Victorian governments. Administration of this arrangement will shortly transfer from the Health Reform Transition Organisation Southern to the District.

At 30 June 2011, there were several disputed balances, some of which are more than 12 months old. The Health Reform Transition Organisation Southern also made a $550,000 overpayment in September 2011.

The District's finance department should investigate and resolve all disputed amounts immediately and improve the process for recording, reconciling and settling transactions with Albury Wodonga Health to avoid disputed amounts and overpayments. It should also develop appropriate dispute resolution procedures with Albury Wodonga Health to ensure disputes are resolved on a timely basis.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	108,410	--
Personnel expenses	--	108,410
Other expenses	107,431	107,431
Total Expenses	**215,841**	**215,841**
Patient fee revenue	22,748	22,748
Other revenue	10,716	16,405
Total Revenue	**33,464**	**39,153**
Net Cost of Services	**182,377**	**176,688**
Government contributions	183,997	178,308
Surplus	**1,620**	**1,620**
Other comprehensive income	**--**	**--**
Total Comprehensive Income	**1,620**	**1,620**

Employee related expenses represented 50.2 per cent of the District's total costs. Other expenses included $24.8 million for services such as pathology, information technology and corporate services from the Health Reform Transition Organisation Southern. The District also spent $11.4 million on drugs, medical and surgical supplies and $11.7 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	28,259	28,259
Non-current assets	266,059	266,059
Total Assets	**294,318**	**294,318**
Current liabilities	55,821	55,821
Non-current liabilities	--	--
Total Liabilities	**55,821**	**55,821**
Net Assets	**238,497**	**238,497**

Current assets include $6.0 million cash and $19.4 million in receivables. Of the $6.0 million cash, $4.8 million was in special purpose and trust funds, which the District can only use for restricted purposes. Non-current assets include land and buildings valued at $250 million.

Current liabilities include $15.8 million owed to external creditors, $6.3 million accrued salaries and payroll costs and $8.8 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 242,000 people in New South Wales. The District consists of the following hospitals:

- Barham Koondrook Soldiers' Memorial
- Batlow District Hospital
- Berrigan War Memorial Hospital
- Boorowa District Hospital
- Coolamon-Ganmain Hospital
- Cootamundra Hospital
- Corowa Hospital
- Culcairn Health Service
- Deniliquin District Hospital
- Finley Hospital
- Griffith Base Hospital
- Gundagai District Hospital
- Hay District Hospital
- Henty District Hospital
- Hillston District Hospital
- Holbrook District Hospital
- Jerilderie District Hospital
- Junee District Hospital
- Lake Cargelligo District Hospital
- Leeton District Hospital
- Lockhart & District Hospital
- Murrumburrah-Harden District Hospital
- Narrandera District Hospital
- Temora Hospital
- Tocumwal Hospital
- Tumbarumba Health Service
- Tumut Hospital
- Urana Health Service
- Wagga Wagga Base Hospital
- Wyalong Hospital
- Young District Hospital.

For more information on the District, refer to http://www.health.nsw.gov.au/mlhd.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Murrumbidgee Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Nepean Blue Mountains Local Health Network

Audit Opinion

The audits of Nepean Blue Mountains Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Sydney West Area Health Service totalled $388 million. The Network was subsequently renamed the Nepean Blue Mountains Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 3,246 full time equivalent staff at 30 June 2011. In the six months period to 30 June 2011, the District provided 114,039 acute bed days and its net cost of services was $259 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	157,679	--
Personnel expenses	--	157,679
Other expenses	127,849	127,849
Total Expenses	**285,528**	**285,528**
Patient fee revenue	11,064	11,064
Other revenue	15,217	22,721
Total Revenue	**26,281**	**33,785**
Net Cost of Services	**259,247**	**251,743**
Government contributions	272,916	265,412
Surplus	**13,669**	**13,669**
Other comprehensive income	**--**	**--**
Total Comprehensive Income	**13,669**	**13,669**

Employee related expenses represented 55.2 per cent of the District's total costs. Other expenses include $23.8 million for pathology, information technology and corporate services from the Health Reform Transition Organisation Western. The District also spent $21.5 million on drugs, medical and surgical supplies and $3.5 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	42,761	42,761
Non-current assets	460,695	460,695
Total Assets	**503,456**	**503,456**
Current liabilities	90,219	90,219
Non-current liabilities	10,993	10,993
Total Liabilities	**101,212**	**101,212**
Net Assets	**402,244**	**402,244**

Current assets include $25.2 million cash and $14.1 million in receivables. Of the $25.2 million cash, $24.4 million represents special purpose and trust funds, which the District can only use for restricted purposes.

Non-current assets include land and buildings valued at $431.3 million. The Nepean Hospital redevelopment comprises the majority of the capital works in progress balance of $70.2 million.

Current liabilities include $23.9 million owed to external creditors, $7.2 million accrued salaries and payroll costs and $12.2 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 346,000 people in New South Wales through the following facilities:

- Blue Mountains District ANZAC Memorial Hospital
- Hawkesbury District Health Service
- Lithgow Integrated Health Service
- Nepean Hospital
- Portland Tabulam Health Centre
- Springwood Hospital.

The District also incorporates and manages the operating activities of various community health services and is associated with affiliated health organisations.

For more information on the District, refer to http://www.health.nsw.gov.au/nbmlhd.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Nepean Blue Mountains Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Northern NSW Local Health Network

Audit Opinion

The audits of Northern NSW Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former North Coast Area Health Service totalled $322 million. The Network was subsequently renamed the Northern NSW Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 3,278 full time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 128,217 acute bed days and its net cost of services was $261 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	160,306	--
Personnel expenses	--	160,306
Other expenses	130,124	130,124
Total Expenses	**290,430**	**290,430**
Patient fee revenue	14,261	14,261
Other revenue	15,543	23,677
Total Revenue	**29,804**	**37,938**
Net Cost of Services	**260,626**	**252,492**
Government contributions	250,115	241,981
Deficit	**10,551**	**10,551**
Other comprehensive income	**--**	**--**
Total Comprehensive Expense	**10,551**	**10,551**

Employee related expenses represented 55.2 per cent of the District's total costs. Other expenses included $22.3 million for services such as pathology, information technology and corporate services from the Health Reform Transition Organisation Northern. The District also spent $21.2 million on drugs, medical and surgical supplies and $7.1 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	29,405	29,405
Non-current assets	362,223	362,223
Total Assets	**391,628**	**391,628**
Current liabilities	79,693	79,693
Non-current liabilities	705	705
Total Liabilities	**80,398**	**80,398**
Net Assets	**311,230**	**311,230**

Current assets include $7.4 million cash and $18.9 million in receivables. Of the $7.4 million cash, $5.0 million was special purpose and in trust funds, which the District can only use for restricted purposes. Non-current assets include land and buildings valued at $341 million.

Current liabilities include $23.7 million owed to external creditors, $6.0 million accrued salaries and payroll costs and $12.6 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 298,000 people in New South Wales. The District consists of the following hospitals:

- Ballina District Hospital
- Bonalbo Hospital
- Byron Bay District Hospital
- Casino and District Memorial Hospital
- Campbell Hospital, Coraki
- Grafton Base Hospital
- Kyogle Memorial Hospital
- Lismore Base Hospital
- Maclean District Hospital
- Mullumbimby & District War Memorial Hospital
- Murwillumbuh District Hospital
- Nimbin Multi-Purpose Service
- The Tweed Hospital
- Urbenville Health Service.

For more information on the District, refer to http://www.health.nsw.gov.au/nnswlhd/.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Northern NSW Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Northern Sydney Local Health Network

Audit Opinion

The audits of the Northern Sydney Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Northern Sydney and Central Coast Area Health Service totalled $862 million. The Network was subsequently renamed Northern Sydney Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 6,452 full time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 240,581 acute bed days and the net cost of providing these services was $493 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related	324,000	--
Personnel services	--	324,000
Visiting medical officers	17,963	17,963
Other expenses	235,303	235,303
Total Expenses	**577,266**	**577,266**
Patient fee revenue	42,606	42,606
Other revenue	41,175	56,863
Total Revenue	**83,781**	**99,469**
Net Cost of Services	**493,485**	**477,797**
Government contributions	458,484	442,796
Deficit	**35,001**	**35,001**
Other comprehensive income	--	--
Total Comprehensive Expense	**35,001**	**35,001**

Employee related expenses represent 56.1 per cent of the District's total costs. Other expenses include medical, surgical, drug and special service departments' expenses of $89.2 million and payments to affiliated organisations of $20.3 million.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	153,944	153,944
Non-current assets	958,087	958,087
Total Assets	**1,112,031**	**1,112,031**
Current liabilities	204,094	204,094
Non-current liabilities	81,190	81,190
Total Liabilities	**285,284**	**285,284**
Net Assets	**826,747**	**826,747**

Current assets include $73.1 million cash and $25.8 million in intra-health receivables. Of the $73.1 million cash, $66.1 million was in special purpose, research grants and private practice funds, which the District can only use for restricted purposes.

Non-current assets include land and buildings valued at $873 million.

Current liabilities include $25.3 million owed to external creditors, $13.9 million accrued salaries and payroll costs and $48.2 million owed to other health entities.

Non-current liabilities include borrowings of $49.6 million for acquisition of properties.

Entity Activities

Northern Sydney Local Health District services to approximately 840,000 people in New South Wales. The District consists of the following hospitals:

- Hornsby Ku-ring-gai Hospital
- Macquarie Hospital
- Manly Hospital
- Mona Vale Hospital
- Royal North Shore Hospital
- Ryde Hospital.

For more information on Northern Sydney Local Health District, refer to www.health.nsw.gov.au/nslhd.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Northern Sydney Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

South Western Sydney Local Health Network

The District needs to improve the timeliness and quality of its financial reporting

Audit Opinion

The audits of South Western Sydney Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011 in response to the national health reform. Net assets transferred to the Network from the former Sydney South West Area Health Service totalled $876 million. The Network was subsequently renamed the South Western Sydney Local Health District and a Board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The Network had 7,831 full-time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the Network provided 330,378 acute bed days and its net cost of services was $583 million.

Key Issues

Timeliness and Quality of Financial Statements and Supporting Work Papers

Recommendation

The Network should improve the timeliness and quality of financial statements and supporting work papers.

The restructure of the former South West Sydney Area Health Service was a significant, one-off event that stretched the Network's resources. As a result, the financial statement preparation process, which already needed improvement, was protracted. This significantly delayed the audit and increased its cost. The Network should examine lessons learned and take steps to significantly improve next year's financial reporting process.

Previous Years' Audit Issues Remain Unaddressed (Repeat Issue)

Recommendation

The Network should examine issues raised during previous audits of the former Area Health Service and consider recommendations to improve internal control procedures.

The former Sydney South West Area Health Service did not respond to issues I raised following my last two audits. Issues I identified during my 30 June 2011 audit were similar to the matters I raised previously and impacted the timeliness and quality of financial reporting.

Review of Special Purpose and Trust Funds

In 2009, I recommended a review of all special purpose and trust funds to confirm their intended purpose. In 2009–10, the Network partially reviewed these funds and consolidated some larger funds, which have a similar purpose. The District has advised that all major actions have now been undertaken and an ongoing review process will ensure Special Purpose and Trust Funds remain current.

Visiting Medical Officers Owed Large Amounts

The District has $12.9 million accrued expenses relating to Visiting Medical Officers (VMOs), who have not submitted claims for payment. One VMO has an estimated $799,000 owing for 12 months of work. The District follows up outstanding claims but is unable to force clinicians to submit claims.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	399,176	--
Personnel expenses	--	399,176
Other expenses	250,869	250,869
Total Expenses	**650,045**	**650,045**
Sales of goods and services	57,546	57,546
Other revenue	9,747	30,819
Total Revenue	**67,293**	**88,365**
Net Cost of Services	**582,752**	**561,680**
Government contributions	551,276	530,204
Deficit	**31,476**	**31,476**
Other comprehensive income	--	--
Total Comprehensive Expense	**31,476**	**31,476**

Employee related expenses represented 61.4 per cent of the District's total costs. Other expenses included $56.0 million for services such as pathology, information technology and corporate services from the Health Reform Transitional Organisation Western. The District also spent $32.6 million on medical and surgical supplies and $22.6 million on drug supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	79,720	79,720
Non-current assets	995,206	995,206
Total Assets	**1,074,926**	**1,074,926**
Current liabilities	227,822	227,822
Non-current liabilities	2,342	2,342
Total Liabilities	**230,164**	**230,164**
Net Assets	**844,762**	**844,762**

Current assets include $15.1 million cash, $30.7 million in receivables and $30.5 million in investments. Non-current assets include $993 million of property, plant and equipment.

Current liabilities include $37.9 million owed to external creditors, $20.6 million accrued salaries and $31.6 million owed to other health entities.

Entity Activities

The District incorporates and manages all the operating activities of the following hospitals:

- Bankstown Hospital
- Bowral Hospital
- Camden Hospital
- Campbelltown Hospital
- Fairfield Hospital
- Liverpool Hospital.

In addition, the following Affiliated Health Organisations are associated by special arrangements with the District:

- Braeside Hospital, Prairiewood
- Carrington Centennial Hospital
- Karitane
- NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors (STARTTS).

For more information on South Western Sydney Local Health District, refer to www.health.nsw.gov.au/swslhd.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
South Western Sydney Network Special Purpose Service Entity	*

* This entity does not have a website.

Southern NSW Local Health Network

Audit Opinion

The audits of Southern NSW Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Greater Southern Area Health Service totalled $155 million. The Network was subsequently renamed the Southern NSW Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 1,501 full-time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the District provided 65,609 acute bed days and its net cost of services was $134 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	74,519	--
Personnel expenses	--	74,519
Other expenses	76,004	76,004
Total Expenses	**150,523**	**150,523**
Patient fee revenue	10,156	10,156
Other revenue	6,512	10,241
Total Revenue	**16,668**	**20,397**
Net Cost of Services	**133,855**	**130,126**
Government contributions	131,670	127,941
Deficit	**2,185**	**2,185**
Other comprehensive income	**--**	**--**
Total Comprehensive Expense	**2,185**	**2,185**

Employee related expenses represented 49.5 per cent of the District's total costs. Other expenses included $15.7 million for services such as pathology, information technology and corporate services from the Health Reform Transition Organisation Southern. The District also spent $8.7 million on drugs, medical and surgical supplies and $6.9 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	14,495	14,495
Non-current assets	174,582	174,582
Total Assets	**189,077**	**189,077**
Current liabilities	36,251	36,251
Non-current liabilities	--	--
Total Liabilities	**36,251**	**36,251**
Net Assets	**152,826**	**152,826**

Current assets include $2.9 million cash and $11.1 million in receivables. Of the $2.9 million cash, $1.9 million was in special purpose and trust funds, which the District can only use for restricted purposes. Non-current assets include land and buildings valued at $161 million.

Current liabilities include $9.7 million owed to external creditors, $5.4 million accrued salaries and payroll costs and $6.1 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 203,000 people in New South Wales. The District consists of the following hospitals:

- Bateman's Bay District Hospital
- Bega District Hospital
- Bombala District Hospital
- Braidwood Multi Purpose Service
- Cooma Hospital & Health Service
- Crookwell District Hospital
- Delegate Multi Purpose Service
- Goulburn Base Hospital
- Moruya District Hospital
- Pambula District Hospital
- Queanbeyan District Hospital
- Yass District Hospital.

For more information the District, refer to http://www.health.nsw.gov.au/services/lhd/snsw/.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Southern NSW Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Sydney Local Health Network

The District needs to improve the timeliness and quality of its financial reporting

Audit Opinion

The audits of the Sydney Local Health Network and its controlled entities' financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011 in response to the national health reform. Net assets transferred to the Network from the former Sydney South West Area Health Service totalled $808 million. The Network was subsequently renamed the Sydney Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The Network had 8,188 full time equivalent staff at 30 June 2011. In the six month period to 30 June 2011, the Network provided 288,290 acute bed days and its net cost of services was $543 million.

Key Issues

Timeliness and quality of financial statements and supporting work papers

Recommendation

The District should improve the timeliness and the quality of its financial statements and supporting work papers.

The restructure of the former South West Sydney Area Health Service was a significant, one-off event that stretched the resources of the District. As a result, the financial statement preparation process, which already needed improvement, was protracted and the audit was significantly delayed and more expensive. The District should examine lessons learned and take steps to significantly improve next year's financial reporting process.

Previous Years' Audit Issues Remain Unaddressed (Repeat Issue)

Recommendation

The District should examine issues raised in the audits of the former Area Health Service and consider recommendations to improve internal control procedures.

The former Sydney South West Area Health Service did not respond to issues I raised following my last two audits. Issues I identified during my 30 June 2011 audit were similar to the matters I raised previously and impacted the timeliness and quality of financial reporting.

Review of Special Purpose and Trust Funds

In 2009, I recommended a review of all special purpose and trust funds to confirm their intended purpose. In 2009–10, the District partially reviewed these funds and consolidated some larger funds, which have a similar purpose. The District has advised that all major actions have now been undertaken and an ongoing review processes will ensure that Special Purpose and Trust Funds remain current.

Visiting Medical Officers Owed Large Amounts

The District has $5.5 million accrued expenses relating to Visiting Medical Officers (VMOs), who have not submitted claims for payment. One VMO is owed $733,000 for 36 months of work. The District follows up outstanding claims but is unable to force clinicians to submit claims.

Other Information

Sydney Cancer Centre at Royal Price Alfred Hospital – Lifehouse

The Lifehouse project was announced in 2008. Its primary function is to provide improved cancer services to the District under a Service Delivery Agreement. The Australian Government has provided capital funding of $160 million to support the project.

The NSW Government provided the land on which the new centre will be built.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	403,653	--
Personnel expenses	--	401,389
Other expenses	250,567	247,579
Total Expenses	**654,220**	**648,968**
Sales of goods and services	81,214	80,303
Other revenue	29,679	44,851
Total Revenue	**110,893**	**125,154**
Net Cost of Services	**543,327**	**523,814**
Government contributions	518,930	498,134
Deficit	**24,397**	**25,680**
Other comprehensive income	**--**	**--**
Total Comprehensive Expense	**24,397**	**25,680**

Employee related expenses represented 61.7 per cent of the District's total costs. Other expenses included $53.8 million for services such as pathology, information technology and corporate services from the Health Reform Transitional Organisation Western. The District also spent $37.7 million on medical and surgical supplies and $34.5 million on drug supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	173,811	155,337
Non-current assets	835,730	826,707
Total Assets	**1,009,541**	**982,044**
Current liabilities	221,918	220,879
Non-current liabilities	4,362	2,423
Total Liabilities	**226,280**	**223,302**
Net Assets	**783,261**	**758,742**

Current assets include $117 million in cash, $45.9 million in receivables and $2.7 million in investments. Non-current assets include $836 million of property, plant and equipment.

Current liabilities include $49.6 million owed to external creditors, $21.1 million accrued salaries and $13.6 million owed to other health entities.

Entity Activities

The District incorporates and manages all the operating activities of the following hospitals :

- Balmain Hospital
- Canterbury Hospital
- Concord Repatriation General Hospital (including Concord Centre for Mental Health)
- Department of Forensic Medicine
- Institute of Rheumatology and Orthopaedics
- Royal Prince Alfred Hospital
- Sydney Dental Hospital
- Thomas Walker Hospital
- ANZAC Health and Medical Research Foundation.

In addition, the following Affiliated Health Organisations are associated by special arrangements with the District:

- Central Sydney Scarba Services and South West Sydney Scarba Services
- Tresillian Family Care Centre at Belmore.

For more information on Sydney Local Health District, refer to www.health.nsw.gov.au/sydlhd.

Controlled Entities

ANZAC Health and Medical Research Foundation

Audit Opinion

The audit of the ANZAC Health and Medical Research Foundation's financial report for the year ended 30 June 2011 resulted in a qualified audit opinion within the Independent Auditor's Report.

The qualification related to the Foundation's inability to maintain an effective system of internal control over fundraising revenue and voluntary donations it receives until their initial entry in the financial records. Accordingly, I was unable to express an opinion on whether the Foundation has recorded all revenue received from voluntary contributions in its financial records. Last year's audit opinion was similarly qualified.

Unapproved Loan

Last year, I recommended the Foundation obtain approval for a loan it obtained in 2008–09. The Foundation has failed to do so. The loan has now been repaid and the District has advised that it will ensure ANZAC follows the appropriate procedures in the future.

During 2008-09, the Foundation entered into long-term leasing arrangements for additional facilities within the Bernie Banton Centre located on the Concord Hospital campus. The arrangements provide additional research facilities for the Foundation.

To secure the long-term lease, the Foundation contributed to the construction of the centre. This contribution was partly funded via a loan. The loan is interest free until 31 December 2011, and at 30 June 2011 the loan balance was $1.9 million. Under the *Public Authorities (Financial Arrangements) Act 1987*, New South Wales Government agencies require approval from the Treasurer to borrow funds. The Foundation did not obtain the Treasurer's approval.

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Sydney Local Health District Special Purpose Service Entity	*

* This entity does not have a website.

Western NSW Local Health Network

Audit Opinion

The audits of Western NSW Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Greater Western Area Health Service totalled $431 million. The Network was subsequently renamed the Western NSW Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 3,060 full time equivalent staff at 30 June 2011. In the six month period to 30 June 2011 the District provided 127,393 acute bed days and its net cost of services was $298 million.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	174,087	--
Personnel expenses	--	174,087
Other expenses	164,304	164,304
Total Expenses	**338,391**	**338,391**
Patient fee revenue	26,289	26,289
Other revenue	13,751	22,294
Total Revenue	**40,040**	**48,583**
Net Cost of Services	**298,351**	**289,808**
Government contributions	308,072	299,529
Surplus	**9,721**	**9,721**
Other comprehensive income	**--**	**--**
Total Comprehensive Income	**9,721**	**9,721**

Employee related expenses represented 51.4 per cent of the District's total costs. Other expenses include $48.7 million for services such as pathology, information technology and corporate services arising from the Health Reform Transition Organisation Western. The District also spent $18.9 million on drugs, medical and surgical supplies and $10.0 million on public private partnership operating expenses.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	69,744	69,744
Non-current assets	661,412	661,412
Total Assets	**731,156**	**731,156**
Current liabilities	91,589	91,589
Non-current liabilities	162,362	162,362
Total Liabilities	**253,951**	**253,951**
Net Assets	**477,205**	**477,205**

Current assets include $8.6 million in cash, $40.0 million in receivables and $19.0 million in non-current assets held for sale. Of the $8.6 million cash, $6.8 million is in special purpose and trust funds, which the District can only use for restricted purposes.

In April 2011, the Orange Hospital Public Private Project was completed at a cost of $245 million. Non-current assets include land and buildings valued at $602 million.

Current liabilities include $16.2 million owed to external creditors, $8.2 million accrued salaries and payroll costs and $24.2 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 269,000 people in New South Wales through the following facilities:

- Barradine Multi Purpose Service
- Bathurst Base Hospital
- Blayney District Hospital
- Bourke District Hospital
- Brewarrina Multi Purpose Service
- Canowindra Soldiers Memorial Hospital
- Cobar District Hospital
- Collarenebri Health Service
- Condobolin District Hospital
- Coolah Multi-Purpose Health Service
- Coonabarabran District Hospital
- Coonamble Health Service
- Cowra District Hospital
- Dubbo Base Hospital
- Dunedoo Health Service
- Eugowra Memorial Multi Purpose Service
- Forbes District Hospital
- Gilgandra Multi-Purpose Health Service
- Grenfell Multi-Purpose Service
- Gulargambone Multi-Purpose Service
- Lake Cargelligo District Hospital
- Lightning Ridge Multi-Purpose Service
- Molong Health Service
- Mudgee Health Service
- Narromine Hospital & Community Health
- Nyngan Multi-Purpose Service
- Oberon Health Service
- Orange Health Service
- Parkes District Hospital
- Peak Hill Health Service
- Rylstone District Hospital
- Tottenham Hospital
- Trangie Multi-Purpose Health Service
- Trundle Multi-Purpose Service
- Tullamore Health Service
- Walgett Health Service
- Warren Multi-Purpose Health Service
- Wellington Health Service.

For more information on the District, refer to http://www.health.nsw.gov.au/wnswlhd/.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Western New South Wales Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Western Sydney Local Health Network

Audit Opinion

The audits of Western Sydney Local Health Network and its controlled entity's financial statements for the six months ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

The Network commenced on 1 January 2011, primarily in response to the national health reform. Net assets transferred to the Network from the former Sydney West Area Health Service totalled $908 million. The Network was subsequently renamed the Western Sydney Local Health District and a board was appointed on 1 July 2011. The Network is referred to by its new name throughout this report.

The District had 7,899 full-time equivalent staff at 30 June 2011. In the six months period to 30 June 2011, the District provided 264,021 acute bed days and its net cost of services was $601 million.

Key Issues

Waiting List for Elective Surgery

Last year, I reported the waiting list and waiting list management practices for the former Sydney West Area Health Service were audited by an external consultant. The audit made ten recommendations and the Ministry of Health and the former Service had started implementing the recommendations.

The District advises at 30 June 2011:

- seven of the ten recommendations have been implemented and one is almost complete
- one recommendation was not accepted because Medicare Australia is not permitted (under its legislation and Australian privacy law) to provide patient information for the purpose stated
- work has started on the final recommendation to roll out an electronic Request for Admission (eRFA) service across the State. The Ministry of Health advises that a feasibility study has been completed and an eRFA has been rolled out to one health district.

The District also advises it discusses surgical wait list performance at monthly performance meetings with the Ministry of Health.

Financial Information

Abridged Statement of Comprehensive Income

Six months ended 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Employee related expenses	404,661	--
Personnel expenses	--	404,661
Other expenses	273,090	273,090
Total Expenses	**677,751**	**677,751**
Patient fee revenue	25,867	25,867
Other revenue	50,533	72,600
Total Revenue	**76,400**	**98,467**
Net Cost of Services	**601,351**	**579,284**
Government contributions	542,712	520,645
Deficit	**58,639**	**58,639**
Other comprehensive income	**--**	**--**
Total Comprehensive Expense	**58,639**	**58,639**

Employee related expenses represented 59.7 per cent of the District's total costs. Other expenses include $58.1 million for pathology, information technology and corporate services from the Health Reform Transition Organisation Western. The District also spent $60.3 million on drugs, medical and surgical supplies and $11.1 million on food supplies.

Abridged Statement of Financial Position

At 30 June	Consolidated 2011 $'000	Parent 2011 $'000
Current assets	104,256	104,256
Non-current assets	962,833	962,833
Total Assets	**1,067,089**	**1,067,089**
Current liabilities	210,560	210,560
Non-current liabilities	3,909	3,909
Total Liabilities	**214,469**	**214,469**
Net Assets	**852,620**	**852,620**

Current assets include $56.4 million cash and $39.0 million in receivables. Of the $56.4 million cash, $54.2 million represents cash in special purpose and trust funds, which the District can only use for restricted purposes.

Non-current assets include land and buildings valued at $878 million.

Current liabilities include $59.2 million owed to external creditors, $17.8 million accrued salaries and payroll costs and $16.4 million owed to other health entities.

Entity Activities

The District is responsible for providing health care services to approximately 833,000 people in New South Wales through the following hospitals:

- Westmead Hospital
- Mount Druitt Hospital
- Blacktown Hospital
- Auburn Hospital
- Cumberland Hospital.

The District also manages the operating activities of various community health services and is associated with the Lottie Stewart Hospital as an Affiliated Health Organisation.

For more information on the District, refer to http://www.health.nsw.gov.au/wslhd/.

Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Western Sydney Local Health Network Special Purpose Service Entity	*

* This entity does not have a website.

Appendix 1

Agencies not commented on in this Volume, by Minister

The following audits resulted in unmodified opinion within the Independent Auditor's Reports and did not identify any significant issues or risks.

Entity name	Website	Period/year ended
Minister for Education		
Illawarra Health and Medical Research Institute Limited	www.ohmri.uow.edu.au	30 June 2011
National Art School	www.nas.edu.au	31 December 2010
Minister for Health		
Bureau of Health Information Special Purpose Service Entity	*	30 June 2011
Clinical Excellence Commission Special Purpose Service Entity	*	30 June 2011
Health Care Complaints Commission	www.hccc.nsw.gov.au	30 June 2011
Justice Health Special Purpose Service Entity	*	30 June 2011
Office of the Health Care Complaints Commission	www.hccc.nsw.gov.au	30 June 2011
New South Wales Health Foundation	www.health.nsw.gov.au	30 June 2011
New South Wales Institute of Psychiatry	www.nswiop.nsw.edu.au	30 June 2011
The Sydney Children's Hospital Network Special Purpose Service Entity	*	30 June 2011
Minister for Medical Research		
Cancer Institute NSW	www.cancerinstitute.org.au	30 June 2011
Cancer Institute Division	www.cancerinstitute.org.au	30 June 2011

* This entity does not have a website.

Appendix 2

Financial Statements Not Received by Statutory Date (at 2 December 2011)

Entity Name	Period/ Year Ended	Financial Statement Due Date	Financial Statement Date Received
Arts Education Foundation Trust	30 June 11	11 August 11	20 October 11
Bush Fire Co-Ordinating Committee	30 June 11	11 August 11	18 August 11
Chiropractic Council of New South Wales	30 June 11	11 August 11	16 August 11
Dental Council of New South Wales	30 June 11	11 August 11	16 August 11
Department of Primary Industries	30 June 11	11 August 11	Not yet received
Medical Council of New South Wales	30 June 11	11 August 11	16 August 11
Mid North Coast Local Health Network Special Purpose Entity	30 June 11	11 August 11	16 August 11
Northern NSW Local Health Network Special Purpose Entity	30 June 11	11 August 11	16 August 11
NSW Vocational Education and Training Accreditation Board	30 June 11	11 August 11	28 October 11
Nursing and Midwifery Council of New South Wales	30 June 11	11 August 11	16 August 11
Optometry Council of New South Wales	30 June 11	11 August 11	16 August 11
Osteopathy Council of New South Wales	30 June 11	11 August 11	16 August 11
Pharmacy Council of New South Wales	30 June 11	11 August 11	16 August 11
Physiotherapy Council of New South Wales	30 June 11	11 August 11	16 August 11
Podiatry Council of New South Wales	30 June 11	11 August 11	16 August 11
Psychology Council of New South Wales	30 June 11	11 August 11	16 August 11
State Council of Rural Lands Protection Boards	31 December 08	12 February 09	Not yet received
State Council of Rural Lands Protection Boards Division	31 December 08	12 February 09	Not yet received
State Management Council of Livestock Health and Pest Authorities	30 June 10	11 August 10	Not yet received
State Management Council for Livestock Health and Pest Authorities Division	30 June 10	11 August 10	Not yet received
State Management Council of Livestock Health and Pest Authorities	30 June 11	11 August 11	Not yet received
State Management Council of Livestock Health and Pest Authorities Division	30 June 11	11 August 11	Not yet received
Sydney West Area Health Service Special Purpose Service Entity	30 June 11	11 August 11	16 November 11
Timber and Carbon Plantations Pty Ltd	30 June 11	11 August 11	22 August 11
Trainworks Limited	30 June 11	11 August 11	12 August 11
Uniprojects Pty Limited	30 June 11	11 August 11	26 October 11
Universities Admissions Centre (NSW & ACT) Pty Limited	30 June 11	11 August 11	30 August 11

Appendix 3

Financial Statements Received but Audit Incomplete at 2 December 2011

Chipping Norton Lake Authority

The audit will be completed when we receive the signed financial statements.

Health Reform Transitional Organisation Southern

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

Health Reform Transitional Organisation Western

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to problems obtaining support for certain balances. We anticipate that the audit will be completed shortly.

Hunter International Sports Centre Club

The audit for the year ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

Hunter Region Sporting Venues Authority

The audit for the year ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

Illawarra Shoalhaven Local Health Network

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

Illawarra Shoalhaven Local Health Network Special Purpose Entity

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

Lands Administration Ministerial Corporation

The audit for the year ended 30 June 2011 is incomplete. The financial statements contained a number of misstatements. We expect to complete this audit in 2012 when we receive the revised financial statements.

Ministry For Police and Emergency Services

The audit for the year ended 30 June 2011 has been delayed. The financial statements require adjustment due to errors. We anticipate that the audit will be completed shortly.

NSW Adult Migrant English Service

The audit for the year ended 30 June 2011 is incomplete. The audit has been delayed due to a number of significant accounting issues and client's staff availability. We anticipate that the audit will be completed shortly.

Office of the Hawkesbury-Nepean

The audit for the year ended 30 June 2011 is incomplete. There has been a delay due to a significant accounting matter. We anticipate that the audit will be completed shortly.

South Eastern Sydney Local Health Network

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

South Eastern Sydney Local Health Network Special Purpose Entity

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to reconciliation problems. We anticipate that the audit will be completed shortly.

Timber & Carbon Plantation Pty Ltd

The audit for the period ended 30 June 2011 is incomplete. The audit has been delayed due to recognition problems. We anticipate that the audit will be completed shortly.

Upper Parramatta River Catchment Trust

The audit for the year ended 30 June 2011 is incomplete. The financial statements submitted contained a number of misstatements and are being revised by the Trust. We expect to complete this audit in 2012 after the revisions are made to the financial statements.

Upper Parramatta River Catchment Trust Division

The audit for the year ended 30 June 2011 is incomplete. The financial statements submitted contained a number of misstatements and are being revised by the Trust. We expect to complete this audit in 2012 after the revisions are made to the financial statements.

Water Administration Ministerial Corporation

The audit for the year ended 30 June 2011 is incomplete. The audit has been delayed due to significant valuation matters. We anticipate that the audit will be completed shortly.

Appendix 4

Qualified Independent Auditor's Reports Issued

From 12 November 2010 to 2 December 2011 the Audit Office issued 27 qualified Independent Auditor's Reports (28 in the preceding period).

Organisation	Financial Statements Period Ended	Reason for Qualification
ANZAC Health and Medical Research Foundation - Trust Fund	30.06.2011	It is impractical for the Trust Fund to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Trust Fund has recorded all revenue received from voluntary contributions in its financial records.
Australian Technology Park Sydney Limited	30.06.2011	The Company incorrectly accounted for the right to use car spaces under a series of operating leases. As a result, the Company materially overstated its assets and liabilities.
Centennial Parklands Foundation	30.06.2011	It is impractical for the Foundation to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Foundation has recorded all revenue received from voluntary contributions in its financial records.
Charles Sturt University Foundation Trust	31.12.2010	It is impractical for the Trust to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Trust has recorded all revenue received from voluntary contributions in its financial records.
Coonamble Rural Lands Protection Board	31.12.2006 31.12.2007 31.12.2008	I am unable to obtain sufficient appropriate audit evidence to support material transactions in all areas of the Board's operations because of a major fraud and loss of personnel.
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	30.06.2010 30.06.2011	I am unable to obtain sufficient appropriate audit evidence to form an opinion of the value of land assets.
Crown Entity	30.06.2011	I am unable to obtain sufficient appropriate audit evidence to form an opinion on the value of the Crown Entity's investment in Snowy Hydro Limited.
Department of Trade and Investment, Regional Infrastructure and Services	30.06.2011	The Department incorrectly included in its financial statements transactions and balances of the Department of Primary Industries for the period 4 April 2011 to 30 June 2011.
Gosford Water Supply Authority	30.06.2010	Many of the Authority's investments are not widely traded and do not have market values that are independently quoted. I am unable to obtain sufficient appropriate evidence to support the fair value and recoverability of the Authority's investment portfolio.

Organisation	Financial Statements Period Ended	Reason for Qualification
NSW Self Insurance Corporation (SICorp)	30.06.2011	In accounting for its general insurance contracts, the Corporation applied the incorrect accounting standard. As a result, the Corporation materially understated its liabilities and failed to disclosure some required information about these insurance contracts.
Redfern-Waterloo Authority and controlled entities	30.06.2011	Australian Technology Park Sydney Limited, a controlled entity, incorrectly accounted for the right to use car spaces under a series of operating leases. The effect materially overstated assets and liabilities.
Sport Knowledge Australia Pty Limited	31.12.2009	I am unable to obtain sufficient appropriate audit evidence to form an opinion on the opening balances and therefore the results of operations and cash flows for the eighteen months ended 31 December 2009.
Sydney Water Corporation	30.06.2011	The Corporation incorrectly accounted for contractual arrangements concerning four water filtration plants. As a result, the Corporation materially understated its liabilities.
The Sydney Children's Hospitals Network	30.06.2011	It is impractical for the Network to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Network has recorded all revenue received from voluntary contributions in its financial records.
Total State Sector Accounts	30.06.2011	I am unable to form an opinion on the value of certain parcels of land and related infrastructure that may be controlled by the State.
UNE Foundation	31.12.2010	It is impractical for the Foundation to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Foundation has recorded all revenue received from voluntary contributions in its financial records.
University of Western Sydney Foundation Trust	31.12.2010	It is impractical for the Trust to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Trust has recorded all revenue received from voluntary contributions in its financial records.
University of New South Wales Foundation	31.12.2010	It is impractical for the Foundation to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Foundation has recorded all revenue received from voluntary contributions in its financial records.

Organisation	Financial Statements Period Ended	Reason for Qualification
UNSW Hong Kong Foundation Limited	31.12.2010	It is impractical for the Foundation to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Foundation has recorded all revenue received from voluntary contributions in its financial records.
UNSW & Study Abroad - Friends and US Alumni Inc.	31.12.2010	It is impractical for the Company to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Company has recorded all revenue received from voluntary contributions in its financial records.
UON Foundation Trust	31.12.2010	It is impractical for the Trust to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Trust has recorded all revenue received from voluntary contributions in its financial records.
Water Administration Ministerial Corporation	30.06.2010	I am unable to obtain sufficient appropriate audit evidence to form an opinion on the value of levee bank assets.
Waste Recycling and Processing Corporation	30.06.2010	The Corporation has not developed financial and non-financial comparators against which to assess the efficiency of their performance, as required by the *Waste Recycling and Processing Corporation Act 2001*. As such, I am unable to obtain sufficient appropriate audit evidence to form an opinion on whether the Corporation operated as efficiently as any comparable businesses for the year ended 30 June 2010.
Whitlam Institute within the University of Western Sydney Trust	31.12.2010	It is impractical for the Trust to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. I am therefore unable to express an opinion on whether the Trust has recorded all revenue from voluntary contributions in its financial records.

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audit office
OF NEW SOUTH WALES

Our vision

To make the people of New South Wales proud of the work we do.

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