New South Wales Auditor-General's Report

Financial Audit

Volume Ten 2013

Focusing on Health

audit office

OF NEW SOUTH WALES

The role of the Auditor-General

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

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

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

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

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

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

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Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Ten of my 2013 report.

Grant Hehir
Auditor-General
December 2013

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This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

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HealthShare NSW and health entities should finalise their 2014-2016 service agreements by no later than 31 January 2014.	16
NSW Health Pathology and local health districts/speciality networks should finalise their 2013-14 service agreements by no later than 31 December 2013.	16
The Ministry should conduct an 'activity based funding readiness' review before 1 July 2014.	19
The Ministry should develop a formal data quality assurance framework to improve the accuracy and reliability of data used to make activity based funding decisions. As a minimum the framework should include: • a mandatory internal audit of the costing and patient data included in the annual District and Network Return • mandatory annual clinical coding audits. The Ministry should consider including the minimum audit requirements in its service agreements with the local health districts and speciality networks.	20
In addition to its payment performance indicator, the Ministry of Health should develop a liquidity ratio definition and target for local heath districts, taking into account the nature of their operations and funding model.	22
Each health entity should set itself an 'invoices on hold' target and monitor its performance against this target at the end of each month.	27
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While the intra health reconciliation and confirmation process continues to improve, the Ministry and health entities should: • conduct the intra health reconciliation and confirmation process every quarter • extend the current process to include all intra health transactions. The Ministry should continue educating health entities in the use of correct ledger accounts to record different intra health transactions.	30
The Ministry should document its group consolidation procedures.	30
Each year, all health entities should identify the top one per cent of overtime earners (including call backs) and investigate whether excessive reliance on these employees represents value for money or compromises patient safety.	33
The Ministry of Health should investigate whether the payroll system can separately record overtime and call backs.	34

All health entities need to manage excessive annual leave balances more effectively in 2013-14. They should: • agree formal leave plans with employees to reduce their leave balances over an acceptable timeframe • monitor current and projected leave balances to the end of the financial year on a monthly basis.	37
Health entities should monitor employees who take no or very little leave in a rolling 12 month period.	38
The Ministry of Health should issue a State-wide directive reminding supervisors of their obligation to approve timesheets.	39
Each health entity should implement appropriate strategies and controls to ensure all timesheets are approved in a timely manner. This may include developing weekly exception reporting of unapproved timesheets and monitoring unapproved timesheet statistics by the executive team.	39
HealthShare NSW and health entities should continue reviewing the causes of salary overpayments and take appropriate corrective action to eliminate them.	40
The Ministry should provide more guidance and feedback to health entities to help them: • develop consistent, comprehensive asset maintenance plans • consistently identify and measure backlog maintenance.	47
By 30 June 2014, the Ministry should establish a State benchmark to help it and health entities assess the adequacy of the maintenance spend by health entities.	48
HealthShare NSW should conduct post implementation reviews of recently completed information technology projects.	52
The Ministry should establish a working group of finance and asset managers to review asset useful lives across the sector. The working group should report its findings to the Ministry by no later than 31 March 2014.	54
All local health districts should stocktake plant and equipment assets annually.	57

New South Wales Aboriginal Land Council

When changes to the Act occur, the Minister should identify and assess any risks from the changes and develop strategies to mitigate against them.	90
The Council should implement a process to oversee the removal of an auditor by a LALC to ensure it is fair and equitable and to maintain effective governance.	90

Section One

Overviews

Arts and Cultural Overview

Health Overview

Arts and Cultural Overview

The agencies discussed in this overview are shown below as well as a summary of each agency's objectives and major asset holdings.

Library Council of New South Wales **(State Library)** **General Government Sector**	To promote, provide and maintain library services and information services Major asset: collection assets valued at $2.1 billion
Art Gallery of New South Wales Trust **(Art Gallery)** **General Government Sector**	To develop and maintain works of art and to spread knowledge and appreciation of art Major asset: collection assets valued at $1.1 billion
Australian Museum Trust **(Australian Museum)** **General Government Sector**	To spread and increase knowledge about the cultural and natural environment Major asset: collection assets valued at $485 million
Trustees of the Museum of Applied Arts and Sciences **(Powerhouse Museum)** **General Government Sector**	To meet the needs and demands of the community in branches of the applied science and art and the development of industry Major asset: collection assets valued at $400 million
Sydney Opera House Trust **(Sydney Opera House)** **Public Trading Enterprise**	To administer, care, control, manage and maintain the Opera House Major asset: land and buildings valued at $2.0 billion

Unqualified audit opinions were issued on the above agencies' 30 June 2013 financial statements.

Separate commentary on the Sydney Opera House Trust appears elsewhere in this volume.

Key Issues

Compliance with Treasury's Early Close Procedures

During the year, NSW Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This Circular aimed to improve the quality and timeliness of agencies' annual financial statements. All of the agencies in this overview were required to perform early close procedures.

The arts and cultural bodies were broadly successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statement audits to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12).

The early close procedures also resulted in improvements to the quality of the financial statements as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12.

NSW Arts and Cultural Policy

The NSW Government is in the early stages of developing an arts and cultural policy to set the vision and 10-year strategy for the sector. A review of the arts funding program is also in progress to ensure investment in the sector is effective, efficient, equitable and sustainable.

Shared Services

The State Library, Art Gallery, Australian Museum and the Powerhouse Museum implemented SAP ByDesign in October 2013. The Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) is the lead agency responsible for delivering this major shared services project and for ongoing delivery of shared services.

The draft memorandum of understanding, including service level agreements between DTIRIS and the cultural bodies, is expected to be finalised in December 2013.

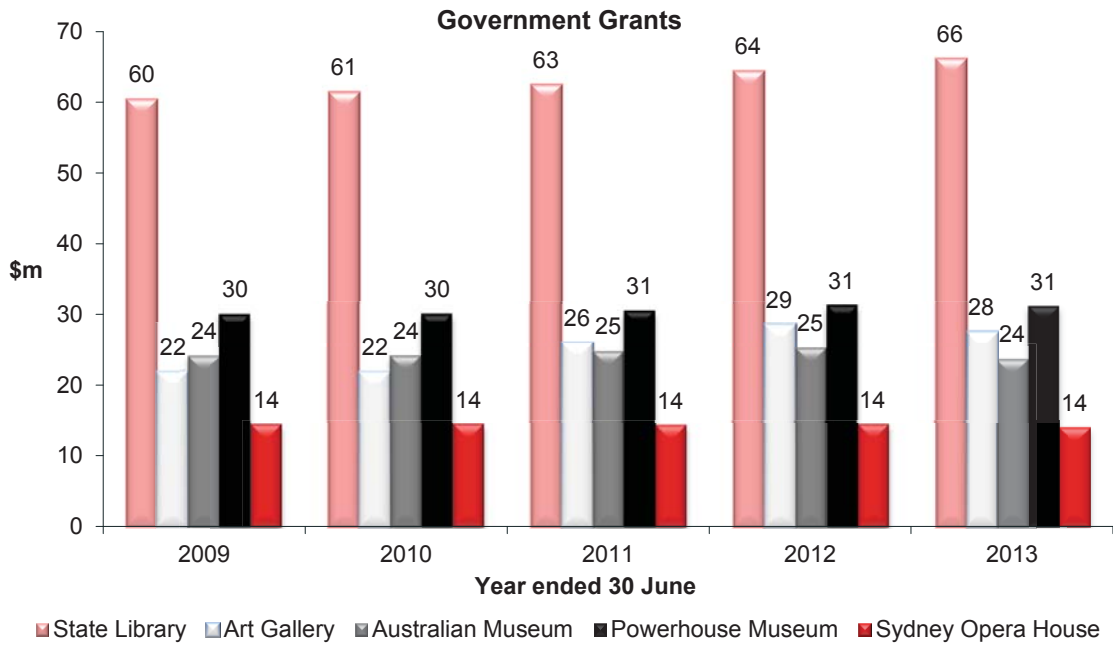
Sydney International Convention, Exhibition and Entertainment Precinct Project (SICEEP)

The Powerhouse Museum is geographically positioned to take advantage of the SICEEP. The $1.2 billion project is expected to deliver world class conference and entertainment venues with residential and hotel properties and a modern public domain. Infrastructure NSW is managing the project. The Powerhouse Museum plans to take an active part in SICEEP to ensure access is not restricted.

Performance Information

Revenue Streams

Recurrent government funding and commercial income for these agencies over the last five years were:



Source: Audited Financial Statements of State Library, Art Gallery, Australian Museum, Powerhouse Museum and the Sydney Opera House.

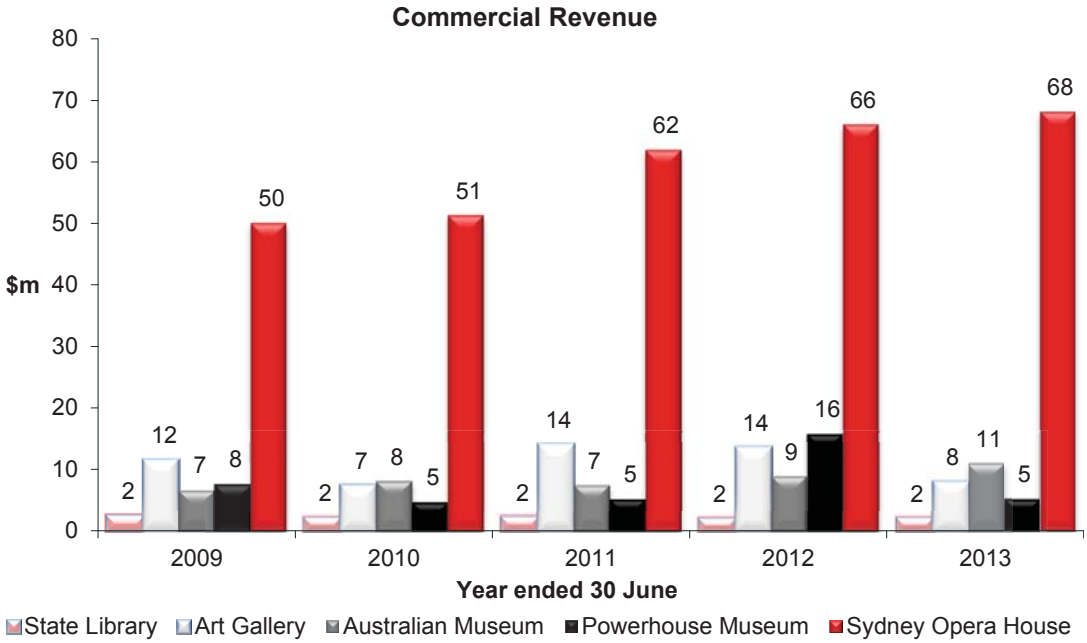
Recurrent government funding has remained almost constant, in nominal terms, over the last five years. The difference in the size of the grants between agencies is due to the different nature of each agency's activities and its ability to generate commercial revenue.

Most cultural bodies rely heavily on government grants to fund services

The State Library receives the most funding by way of government grants. Its business model limits its ability to earn commercial revenue so it relies on government grants to provide services to the public, which are mostly provided at no charge. One of its objectives, to support local libraries, is achieved through providing grants. In 2012-13, it spent $26.6 million ($26.5 million in 2011-12) to help fund local library services.

In comparison, the Sydney Opera House receives the least government funding. Its business model assumes it will earn most of its revenue from its business operations rather than government grants.

The NSW Government provided $162 million ($164 million) in recurrent funding to these agencies in 2012-13.



Source: Audited Financial Statements of Sydney Opera House, State Library, Art Gallery, Australian Museum, Powerhouse Museum.

The Sydney Opera House Trust earns most of its revenue from commercial operations

The Sydney Opera House has continued to grow its commercial revenue over time as expected in its business model. The commercial revenue earned by other cultural bodies depends on the success of their exhibitions.

The Australian Museum hosted 'Alexander the Great: 2000 years of Treasures' in 2012-13 pushing visitor numbers to their highest level since admission charges were introduced in the early 1990s.

Powerhouse Museum's revenue fell in 2012-13 after the success of the Harry Potter™ exhibition in the previous year which attracted record visitor numbers.

The Art Gallery's revenue fell in 2012-13 as current exhibitions were not as popular as Picasso or The First Emperor - China's Entombed Warriors held in the past two years.

Major exhibitions can be revenue sources for cultural bodies, but there is a risk of financial loss.

The agencies seek to maximise revenues from other sources, including sponsorships, donations and bequests. These are often one-off in nature so cannot be relied on for ongoing operational funding. The Art Gallery receives more than double the revenue from this source than any other cultural body mainly due to donations of artworks.

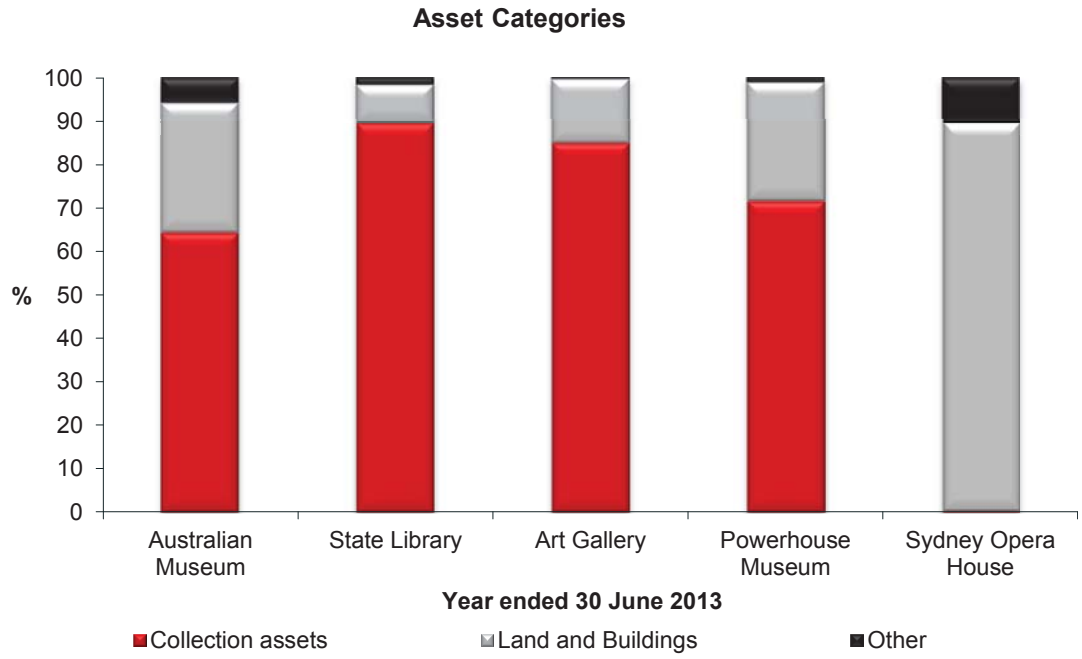
Assets

Cultural assets were 2.7 per cent (2.9 per cent) of Total State Sector assets at 30 June 2013. The composition of assets held by each agency varies in nature.

Only a small proportion of collection assets are on display at any time, making storage of the collections an ongoing issue for nearly all these agencies. Most items are in storage facilities, some of which are offsite and rented. The Powerhouse Museum opened its Castle Hill storage facility to the public in 2007 which also provides an additional revenue source.

The Powerhouse Museum, Australian Museum and Sydney Living Museums are jointly undertaking a project for a new shared storage and access facility at Castle Hill. The facility will provide storage capacity for at least ten years and eliminate recurrent rental costs of the Australia Museum and Sydney Living Museums from 2014-15. The 2013-14 State Budget allocated $46.0 million for this capital project.

The table below shows the composition of assets held by each agency at 30 June 2013.



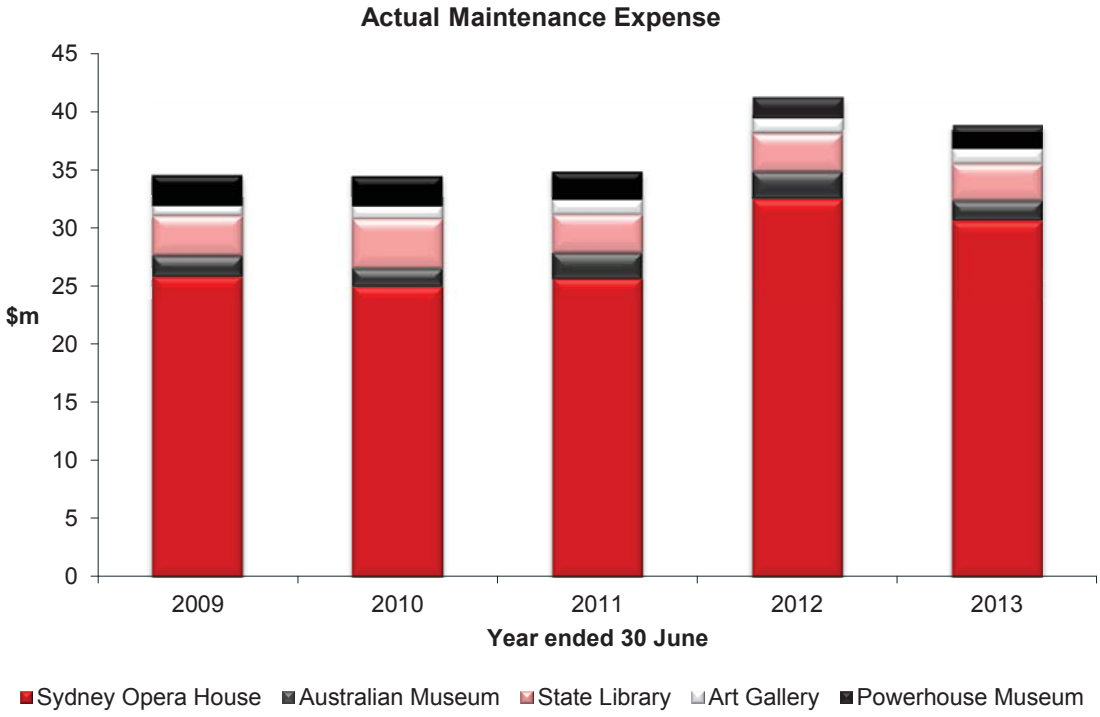
Source: Audited Financial Statements of Australian Museum, State Library, Art Gallery, Powerhouse Museum and the Sydney Opera House.

The collection assets and buildings are specialised in nature and require experts to estimate their values for financial reporting purposes.

The 2013-14 State Budget provides $65.0 million to the cultural bodies, including the Sydney Opera House, Powerhouse Museum and the State Library, for infrastructure upgrades. Also $24.5 million will be provided in 2014-15 to advance major projects of the Sydney Opera House and Art Gallery to the next stage.

Asset Maintenance

The cultural bodies own heritage listed and iconic buildings. The maintenance expenditure by agencies over the past five years was:



Source: Audited Financial Statements of Sydney Opera House, State Library, Art Gallery, Australian Museum, Powerhouse Museum.

The cultural, heritage and architectural importance of Sydney Opera House is protected by its inclusion, in 2007, on the World Heritage List. Maintaining the building and forecourt is an ongoing day-to-day project resulting in higher costs than for other cultural bodies.

Looking after cultural, heritage and other buildings is a major funding commitment for these agencies. Special skills are needed to maintain their aesthetics, but allow them to work as modern accommodation. Collection assets also need to be preserved and restored. Maintenance expenditure is second only to employee costs in size. Maintenance expenses are met through a combination of government grants and commercial revenue.

Other Information

State Library Digitisation Project

The State Library started digitising records in 2008. Visitors can now access over one million electronic catalogue records, approximately 99 per cent of the project's target, previously only accessible by visiting the library.

Stage Machinery at the Sydney Opera House

The stage machinery has been operating since 1973. Previous reports to Parliament have recommended critical problems with stage machinery at the Sydney Opera House be addressed. To date mechanical failure has been addressed through maintenance and short-term fixes. There is an ongoing risk to business operations and workplace health and safety.

The Sydney Opera House Trust has developed a business case seeking $70.8 million in funding from the NSW Government to replace the obsolete stage machinery. Business disruptions expected during the project are expected to cost between $10.0 million and $25.0 million.

Financial Information

	State Library		Art Gallery		Australian Museum	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Statement of Comprehensive Income (abridged)						
Year ended 30 June						
Employee related expenses	30,799	31,522	23,947	24,147	24,837	25,732
Depreciation and amortisation	17,056	17,122	4,974	5,389	4,470	4,409
All other expenses excluding losses	42,935	41,032	18,104	23,306	13,831	13,287
Total expenses	**90,790**	**89,676**	**47,025**	**52,842**	**43,138**	**43,428**
Government contributions	89,991	82,759	30,768	31,554	26,992	30,561
All other revenue	12,521	13,158	32,864	35,829	14,954	12,784
Total revenue	**102,512**	**95,917**	**63,632**	**67,383**	**41,946**	**43,345**
Gains/(losses)	--	--	--	21	(46,643)	(84)
Net result – surplus/(deficit)	**11,722**	**6,241**	**16,607**	**14,562**	**(47,835)**	**(167)**
Other comprehensive income/(expense) – asset revaluations	--	--	669	249,888	(319,112)	--
Total comprehensive income/(expense)	**11,722**	**6,241**	**17,276**	**264,450**	**(366,947)**	**(167)**
Statement of Financial Position (abridged)						
At 30 June						
Current assets	15,737	13,644	21,866	21,400	10,579	13,215
Non-current assets	2,414,996	2,400,453	1,339,511	1,323,095	755,480	1,120,589
Total assets	**2,430,733**	**2,414,097**	**1,361,377**	**1,344,495**	**766,059**	**1,133,804**
Current liabilities	13,728	8,861	6,029	6,413	4,631	5,457
Non-current liabilities	47	--	21	31	443	415
Total liabilities	**13,775**	**8,861**	**6,050**	**6,444**	**5,074**	**5,872**
Net assets	**2,416,958**	**2,405,236**	**1,355,327**	**1,338,051**	**760,985**	**1,127,932**

Source: Audited financial statements.

	State Library		Art Gallery		Australian Museum	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators						
Visitor numbers ('000's)	790	*893	1,162	1,445	438	336
Website visits (million)	4.2	3.4	2.7	2.5	3.9	3.5
Financial Indicators						
Investment returns (%)	10.3	6.9	10.1	3.4	5.3	6.3
Donations and sponsorships ('000's)	7,154	9,021	21,357	20,983	3,545	3,227

* State Library estimate

Source: Donations and sponsorships from audited financial statements. Visitor numbers, website visits and investment returns from State Library, Art Gallery and Australian Museum (unaudited).

	Powerhouse Museum		Sydney Opera House	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Statement of Comprehensive Income (abridged)				
Year ended 30 June				
Employee related expenses	28,929	30,747	41,110	47,018
Depreciation and amortisation	5,401	5,076	12,682	13,715
All other expenses excluding losses	10,960	24,116	73,617	76,723
Total expenses	**45,290**	**59,939**	**127,409**	**137,456**
Government contributions	36,157	37,588	134,880	98,684
All other revenue	9,179	23,498	81,077	78,976
Total revenue	**45,336**	**61,086**	**215,957**	**177,660**
Losses	(12)	(561)	(41)	(3,115)
Net result – surplus	**34**	**586**	**88,507**	**37,089**
Other comprehensive income – asset revaluations	--	--	--	65,413
Other comprehensive income/(expense) – all other movements	--	--	386	(57)
Total comprehensive income	**34**	**586**	**88,893**	**102,445**
Statement of Financial Position (abridged)				
At 30 June				
Current assets	6,743	7,443	117,635	80,326
Non-current assets	561,076	561,372	2,263,861	2,213,959
Total assets	**567,819**	**568,815**	**2,381,496**	**2,294,285**
Current liabilities	5,988	7,012	36,880	38,454
Non-current liabilities	45	51	2,202	2,310
Total liabilities	**6,033**	**7,063**	**39,082**	**40,764**
Net assets	**561,786**	**561,752**	**2,342,414**	**2,253,521**

Source: Audited financial statements.

	Powerhouse Museum		Sydney Opera House	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators				
Visitor numbers ('000's)	580	918	1,692	1,673
Website visits (million)	1.2	na	6.5	4.5
Financial Indicators				
Investment earnings (%)	10.7	3.6	4.4	6.1
Donations and sponsorships ('000's)	2,641	7,189	8,205	8,471

na Not available

Source: Donations and sponsorships from audited financial statements. Visitor numbers, website visits and investment returns from Powerhouse Museum and Sydney Opera House (unaudited).

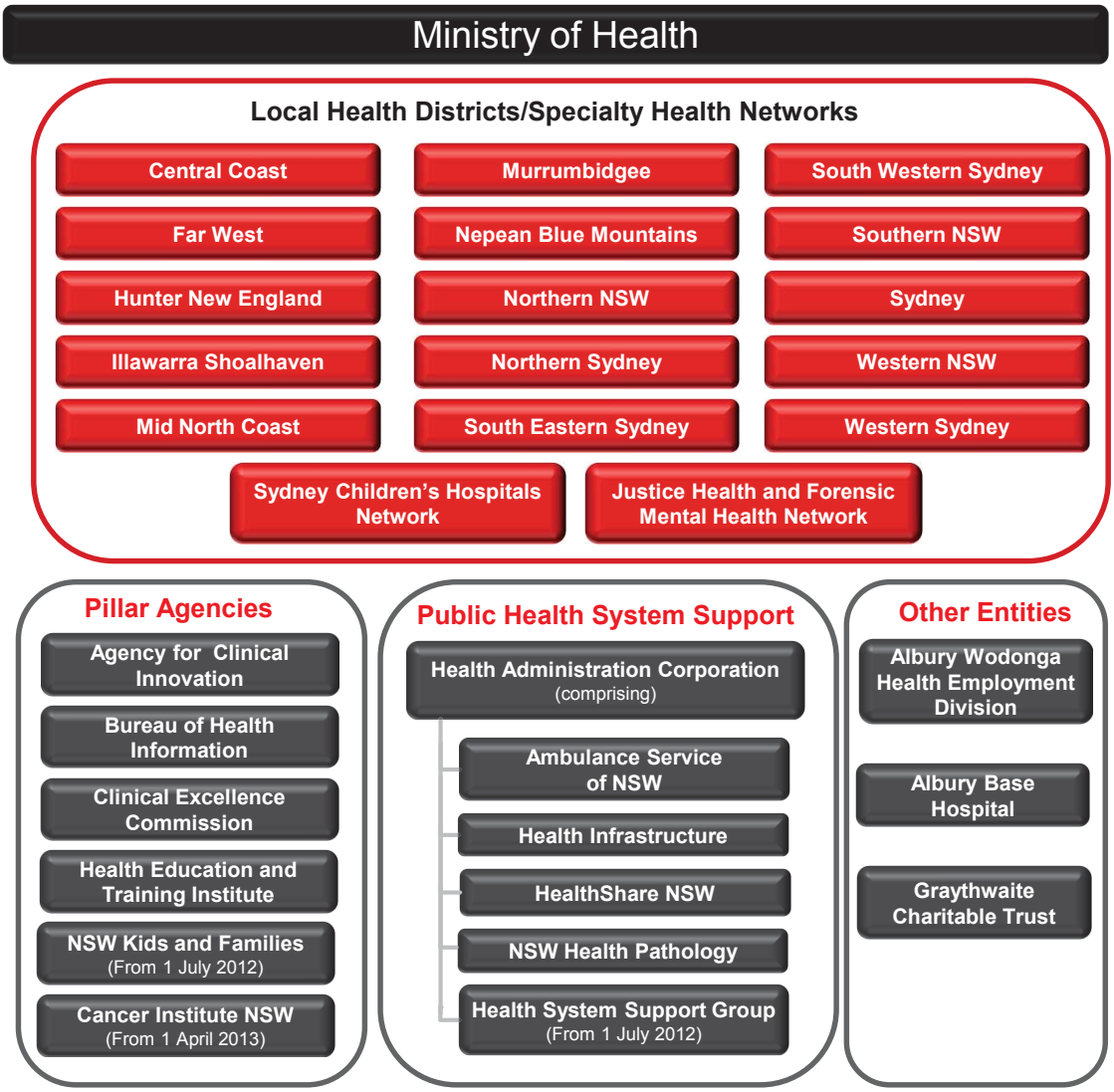
Health Overview

Introduction

The NSW Health Group and Audit Opinions

Except for the Sydney Children's Hospitals Network, unqualified audit opinions were issued on the Ministry of Health's and its controlled entities' 30 June 2013 financial statements. The Sydney Children's Hospitals Network's audit opinion included a modification relating to the previous year's donations. In 2011-12 and in previous years, it was not possible to form an opinion on whether the Sydney Children's Hospitals Network had recorded all fundraising revenue and voluntary donations. This is common for entities that have donations and fundraising as major sources of revenue. This modification was removed for 2012-13 because the Sydney Children's Hospitals Network demonstrated it had effective controls over the recording of its fundraising revenue and donations.

The Ministry of Health and its controlled entities are shown in the diagram below. The consolidated group is also referred to as 'NSW Health'.



Governance

Service Agreements with HealthShare NSW

Recommendation

HealthShare NSW and health entities should finalise their 2014-2016 service agreements by no later than 31 January 2014.

Less than half of the 2014-16 service agreements between HealthShare NSW and its customers have been signed

Apart from some smaller health entities, all 2012-13 service agreements between HealthShare NSW and its customers (health entities) were signed before 30 June 2013. While this is an improvement on previous years, some of the agreements were not signed until quite late in the financial year.

At the time of preparing this report, just nine of the 25 health entities had finalised and signed their service agreements covering the three years from 2013-14 to 2015-16. HealthShare NSW and the remaining 16 health entities should work towards agreeing and finalising the 2013-14 to 2015-16 service agreements by no later than 31 January 2014.

The service agreements outline roles, responsibilities, obligations, pricing structures and performance standards. A signed service agreement is an important governance document, as it provides clarity and confirms both parties have read, understood and agreed to the terms.

Service Level Agreements with NSW Health Pathology

Recommendation

NSW Health Pathology and local health districts/speciality networks should finalise their 2013-14 service agreements by no later than 31 December 2013.

Five service level agreements with NSW Health Pathology for 2012-13 were never signed

Despite repeated effort by NSW Health Pathology, not all local health districts/speciality networks agreed to and signed their 2012-13 service level agreement with NSW Health Pathology. All parties should work together to have the 2013-14 agreements signed before 31 December 2013. Where significant differences exist, they should be escalated to the Ministry for advice.

In future years, the parties should work together to have the agreements signed before the beginning of each financial year to ensure clarity over roles, responsibilities, services to be provided, service standards and pricing.

HealthShare NSW – Improving Customer Relations

Following the appointment of the HealthShare NSW Board in August 2012, HealthShare NSW commenced a number of initiatives to improve its transparency, accountability and customer service. Many of the initiatives form part of its 'Customer 1st Transformation Project'.

One of the initiatives under the project is a customer survey to get feedback on its current performance and customer satisfaction. The survey is expected to be completed in February 2014. Some years have passed since a survey was last performed.

Another initiative is the establishment of a customer advisory council, comprising customer and HealthShare NSW representatives. It explores customer related issues and identifies opportunities for customer service improvements.

A further initiative linked to improving transparency and customer service is the review of HealthShare NSW's current pricing model. Work has started on developing an activity based pricing model. HealthShare NSW advises such a pricing model is consistent with the private sector and results in better alignment between cost and demand for services and greater transparency in defining the cost of each service while promoting efficiency. It aims to shadow its current pricing model with this new pricing model in 2014-15 before implementing it in 2015-16.

Sharing Internal Audit Findings

HealthShare NSW is committed to sharing internal audit findings across NSW Health

Last year's report to Parliament recommended HealthShare NSW and its customers review and update the April 2009 directive on sharing key internal audit findings within NSW Health. The sector has responded to this recommendation by developing a formal policy for communicating key internal control issues with each other. The HealthShare NSW Board approved the policy in August 2013.

The sharing of key control issues is important for ensuring the overall internal control environment in the health sector is properly designed and operating effectively. It gives each entity an opportunity to proactively mitigate against risks arising from process or control gaps which internal audit have identified. It is also a cost effective way to promote process improvement.

The policy also goes beyond sharing internal audit findings. It promotes the sharing of internal audit plans and collaborative audits between HealthShare NSW and its customers, which will improve the effectiveness of internal audit work across the sector.

Updating Key Governance Policies

Last year's report to parliament recommended the Ministry update its Governance Compendium as it was last updated in December 2005, before the significant health restructure took place in 2011. The Ministry has now updated and communicated its revised Governance Compendium to the health sector.

The Ministry has started a long-term project to review its policy directives

The report also recommended the Ministry update other key corporate governance policy directives. The Ministry has started a long-term project to review all its policy directives, not just its corporate governance directives. The first phase of the review identified 384 policy directives, or 57.9 per cent of all policy directives, are past their scheduled review date. Many of the 384 policy directives were written in 2005 and should have been reviewed in 2010.

The Ministry has asked all policy directive authors to rescind those directives no longer required and to review the remaining directives. It aims to complete the review by 31 December 2014.

While not due for review, the Ministry has started reviewing its policy directive on internal audit and enterprise risk management. It hopes to issue revised policy directives by May 2014. A recent enterprise risk management review across NSW Health (refer below) will inform the review of both directives.

Enterprise Risk Management in NSW Health

At the beginning of 2013, the Ministry engaged an independent audit firm to review whether the health sector had implemented effective risk management practices, in accordance with its policy directive and better practice. Overall, the review concluded the sector had reasonably mature enterprise risk management practices.

A recent review concluded the health sector has mature risk management practices

The review did make 16 key recommendations which the Ministry supports in principle. It has developed a draft work plan to implement the recommendations over the next 12 months. The Ministry has captured the recommendations under six broad focus areas, namely:

- updating its current policy directive on enterprise risk management
- sharing of better enterprise risk management practices across the health sector
- developing enterprise risk management education and training resources
- developing partnerships within NSW Health
- linking enterprise risk management with the Ministry's performance management framework
- incorporating enterprise risk management reporting into more general reporting tools.

NSW Health Structural Changes

Apart from establishing a separate eHealth division, NSW Health has implemented all the structural changes from the Director General's August 2011 governance review. Among the governance changes, the Ministry transferred a number of its functions to the pillar entities, such as the Agency for Clinical Innovation, and consolidated pathology services into NSW Health Pathology, a separate division of the Health Administration Corporation.

The Ministry advises a blueprint for eHealth, which will set out its governance and key directions, will be released shortly by the Minister for Health. The Director General's governance review identified a need for a whole-of-health approach to eHealth, so it could achieve safe, efficient and innovative models of patient care.

The Director General's August 2011 governance review focused on the functions, responsibilities, structure and relationships of each component in the health sector, and how they aligned with the government's policy directions on transparency, accountability and greater clinical engagement.

Activity Based Funding

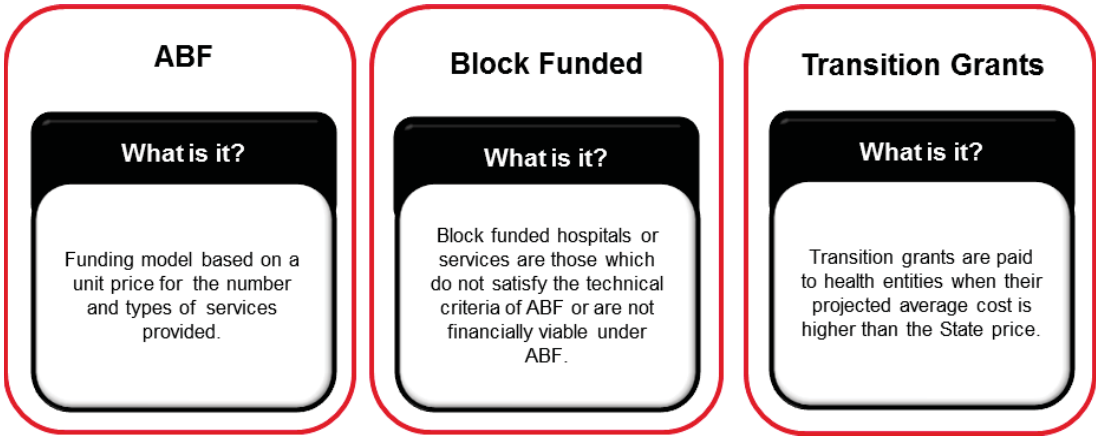
National Health Reform - New Funding Model

Recommendation

The Ministry should conduct an 'activity based funding readiness' review before 1 July 2014.

Activity based funding was used to allocate over 70 per cent of the 2013-14 health budget

Under the national health reform, which started on 1 July 2012, 81 facilities across NSW Health are now funded using the activity based funding (ABF) model. This funding model applies to: acute; emergency; non-admitted; sub-acute; non-acute; and admitted mental health services. ABF was used to allocate 72.5 per cent of NSW Health's 2013-14 expense budget to health entities (58.6 per cent in 2012-13). The different types of funding by the Ministry to local health districts and specialty networks are shown in the diagram below.



Health entities are now largely funded via ABF. The Ministry continues to provide block funding for services that do not meet the ABF criteria, such as small rural hospitals or teaching and research activities. Some health entities also receive transition grants (see below) to cover the difference between their projected average cost and the State ABF price.

Given the fundamental change in the funding model, the Ministry should conduct a formal ABF readiness review before 1 July 2014. A readiness review in early-mid 2014 would confirm the Ministry and health entities have effective systems and processes in place to support ABF. It would also identify any specific areas that need immediate attention before the Australian Government's growth funding commences on 1 July 2014.

The Ministry commissioned a similar review at the beginning of 2012, which looked at data quality and timeliness, monitoring and reporting, budget alignment, clinical engagement, planning and risk assessment. The 2012 survey found some health entities were not as well prepared as others, resulting in a number of recommendations. The survey results helped the health entities and the Ministry focus attention on critical areas during the ABF transition period.

The national health reform's activity based funding model promotes greater transparency

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

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

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

Data Quality and Assurance

Recommendations

The Ministry should develop a formal data quality assurance framework to improve the accuracy and reliability of data used to make activity based funding decisions. As a minimum the framework should include:

- a mandatory internal audit of the costing and patient data included in the annual District and Network Return
- mandatory annual clinical coding audits.

The Ministry should consider including the minimum audit requirements in its service agreements with the local health districts and speciality networks.

More needs to be done to improve the quality of costing and patient activity data underlying the activity based funding model

In 2012-13, the Ministry encouraged health entities to arrange an internal audit of their costing and patient activity data, as well as implement a three year internal audit program to improve the quality and reliability of their data. Very few health entities responded to this request. Recognising the importance of accurate and complete data for making ABF decisions, the Ministry should develop a formal data quality assurance framework which, over time, will improve the quality of costing and patient activity data. The framework should include mandatory internal audits. The Ministry should consider including these requirements in the service agreements with health entities.

Apart from improving the accuracy of data, internal audits such as clinical coding audits help local management identify the underlying causes for errors and take corrective action to prevent them recurring in the future. For example, one local health district commissioned several clinical coding audits during 2012-13 and found a high rate of coding errors throughout the district. In some cases, this was as high as 33 per cent. The auditor found poor documentation prepared by clinicians was the main reason for the high error rate. The local health district has since taken corrective action to address this. Coding errors can result in a health entity foregoing funding to which it is entitled under ABF.

Transition Grants

In 2013-14, the Ministry is funding activity based services using the State price of $4,671 per weighted activity ($4,471 per weighted activity in 2011-12). Based on this price and the projected average cost, 11 of the health entities (nine health entities) will receive combined transition grants of $168 million ($238 million) for acute and emergency department services. In addition, following the introduction of ABF for other services like admitted mental health, 14 of the health entities will also receive combined transition grants of $173 million in 2013-14.

All health entities except South Western Sydney are providing services at a cost exceeding the State price and require transition grants

The need to provide transition grants essentially means health entities are currently providing services at a cost greater than the State price. Transition grants to health entities were:

Health entities	Transition grant (acute and emergency services)	Transition grant - other services	Total transition grants	Total transition grant (acute and emergency services only)
Year ended 30 June	2013-14 $m	2013-14 $m	2013-14 $m	2012-13 $m
Central Coast	--	19.0	19.0	--
Far West	7.7	12.1	19.8	--
Hunter New England	--	9.3	9.3	--
Illawarra Shoalhaven	6.4	13.5	19.9	34.7
Mid North Coast	--	4.7	4.7	11.1
Murrumbidgee	10.9	2.6	13.5	17.6
Nepean Blue Mountains	13.6	15.2	28.8	31.8
Northern NSW	3.1	12.4	15.5	10.7
Northern Sydney	3.4	25.9	29.3	--
South Eastern Sydney	37.1	18.2	55.3	18.1
South Western Sydney	--	--	--	--
Southern NSW	10.8	10.3	21.1	7.0
Sydney	--	17.6	17.6	--
Sydney Children's Hospitals Network	20.9	--	20.9	22.8
Western NSW	13.5	7.8	21.3	--
Western Sydney	40.1	4.0	44.1	83.7
Total	**167.5**	**172.6**	**340.1**	**237.5**

Source: NSW Ministry of Health (unaudited).

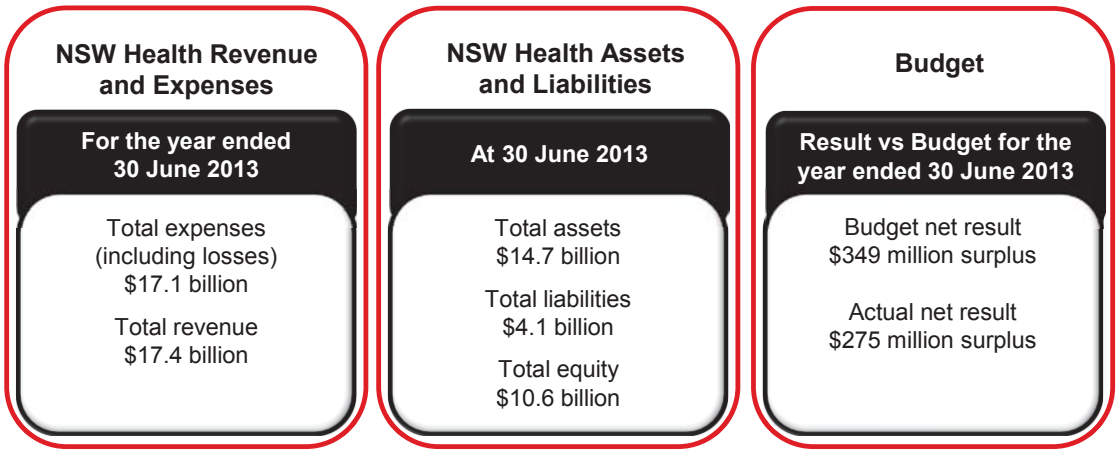
Each health entity, except South Western Sydney Local Health District, will receive a transition grant in 2013-14. All health entities continuously review the accuracy and completeness of their costing and patient activity data, and their clinical practices, to reduce variances from the State price.

While total transition grants for acute and emergency across health entities decreased by $70.0 million to $168 million in 2013-14, the following local health districts will receive much higher transition grants in 2013-14:

- South Eastern Sydney Local Health District - increased from $18.1 million to $37.1 million
- Western NSW Local Health District – increased from nil to $13.5 million
- Far West Local Health District – increased from nil to $7.7 million.

The transition grant calculations are influenced by the quality of costing and patient activity data. As local health districts and the Sydney Children's Hospitals Network continue to review and improve their data accuracy, and therefore more accurately reflect the cost of providing each service, this can result in transition grants increasing or decreasing from year to year.

Finances



Financial Liquidity Strength

Recommendation

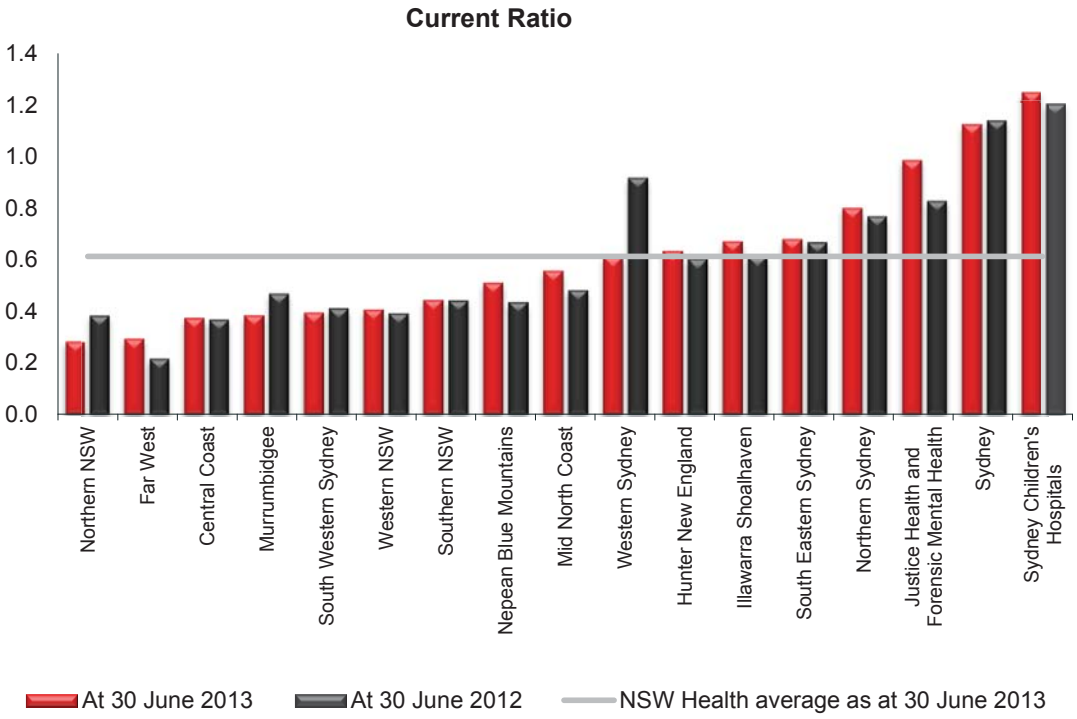
In addition to its payment performance indicator, the Ministry of Health should develop a liquidity ratio definition and target for local heath districts, taking into account the nature of their operations and funding model.

The liquidity of health entities ranged from a current ratio of 0.28 to 1.25 at 30 June 2013

At 30 June 2013, only the Sydney Children's Hospitals Network and Sydney Local Health District had a current ratio (current assets divided by current liabilities) exceeding one. At the other extreme, Northern NSW and Far West local health districts had a current ratio of less than 0.3. This means for every dollar of current liabilities these entities only had 30 cents of current assets.

Given the liquidity disparity across the health entities and the importance of paying suppliers in a timely manner, last year's report to Parliament recommended the Ministry develop an appropriate liquidity definition and a target for each health entity. The Ministry advises it considered this recommendation, but felt its current performance measure of paying creditors within 45 days remains the best measure of liquidity. However, this measure is narrow and does not provide useful information on a local health district's financial sustainability and ability to meet all its debts. To help local health district boards and other financial statement users asses the sustainability of a local health district, the Ministry should develop a liquidity ratio definition and target, taking into account the nature of their operations and funding model.

The current ratio is an indicator of an entity's solvency, and therefore its ability to pay its debts as and when they fall due. While health entities are not funded to maintain a current ratio of one or more, the graph below shows their liquidity varies significantly from 0.28 to 1.25 (0.22 to 1.2 at 30 June 2012).



Source: Audited financial statements.

Five local health districts had lower current ratios at 30 June 2013 compared to 30 June 2012. The average current ratio across NSW Health at 30 June 2013 was 0.61, with combined current liabilities of all local health districts and specialty health networks exceeding current assets by $788 million ($764 million).

Meeting Budget Remains a Challenge

If additional cash assistance from the Ministry is excluded, ten of the 15 local health districts did not meet their budgeted operating result

In 2012-13, five local health districts had unfavourable budget results (nine local health districts in 2011-12). Another five only met their budgeted operating result because the Ministry provided additional cash assistance (see below).

The main reasons for the budget overruns were higher than projected inpatient activity, higher than budgeted visiting medical officer expenses and increased bad debt write offs.

For the second consecutive year, Western Sydney Local Health District had the largest unfavourable operating result due to higher than projected inpatient and emergency activity. Sydney Local Health District performed best against budget, recording a $49.9 million favourable operating result largely due to a $24.0 million gain on selling the Queen Mary Building.

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

Year ended 30 June 2013	Budgeted operating surplus/(deficit) $m	Actual operating surplus/(deficit) $m	Favourable/ (unfavourable) budget variance $m
Western Sydney*	(46.9)	(57.7)	(10.8)
Northern NSW	3.0	(1.7)	(4.7)
Central Coast	17.1	14.5	(2.6)
South Western Sydney	(17.5)	(19.9)	(2.4)
Southern NSW*	19.0	17.6	(1.4)
Far West	5.2	5.6	0.4
Hunter New England	27.8	29.9	2.1
Murrumbidgee*	26.9	29.0	2.1
Mid North Coast	24.8	28.8	4.0
Illawarra Shoalhaven	39.9	44.2	4.3
Justice Health and Forensic Mental Health	--	5.5	5.5
Western NSW*	(6.6)	(0.9)	5.7
Northern Sydney*	5.8	11.7	5.9
Nepean Blue Mountains*	23.7	33.5	9.8
Sydney Children's Hospitals Network	2.2	17.3	15.1
South Eastern Sydney*	(7.9)	15.6	23.5
Sydney*	(19.1)	30.8	49.9

* Health entity received additional cash assistance in 2012-13. Refer to commentary below.

Source: Audited financial statements.

Eight local health districts received a total of $133 million in cash assistance to pay their bills on time

Who received additional cash assistance?

In 2012-13, eight local health districts received a total of $133 million in additional cash assistance ($73.4 million in 2011-12) from the Ministry. The extra cash helped them manage their financial positions and ensure timely supplier payments.

Additional cash assistance

Local Health District	2013 ($m)	Result against budget excluding additional cash assistance
Northern Sydney	42.0	UNFAVOURABLE
South Eastern Sydney	37.6	UNFAVOURABLE
Western NSW	21.4	UNFAVOURABLE
Western Sydney	12.8	UNFAVOURABLE*
Nepean Blue Mountains	10.1	UNFAVOURABLE
Murrumbidgee	4.4	UNFAVOURABLE
Sydney	2.6	FAVOURABLE
Southern NSW	1.7	UNFAVOURABLE*
Total	**132.6**	

* Operating result was unfavourable to budget even after cash assistance.

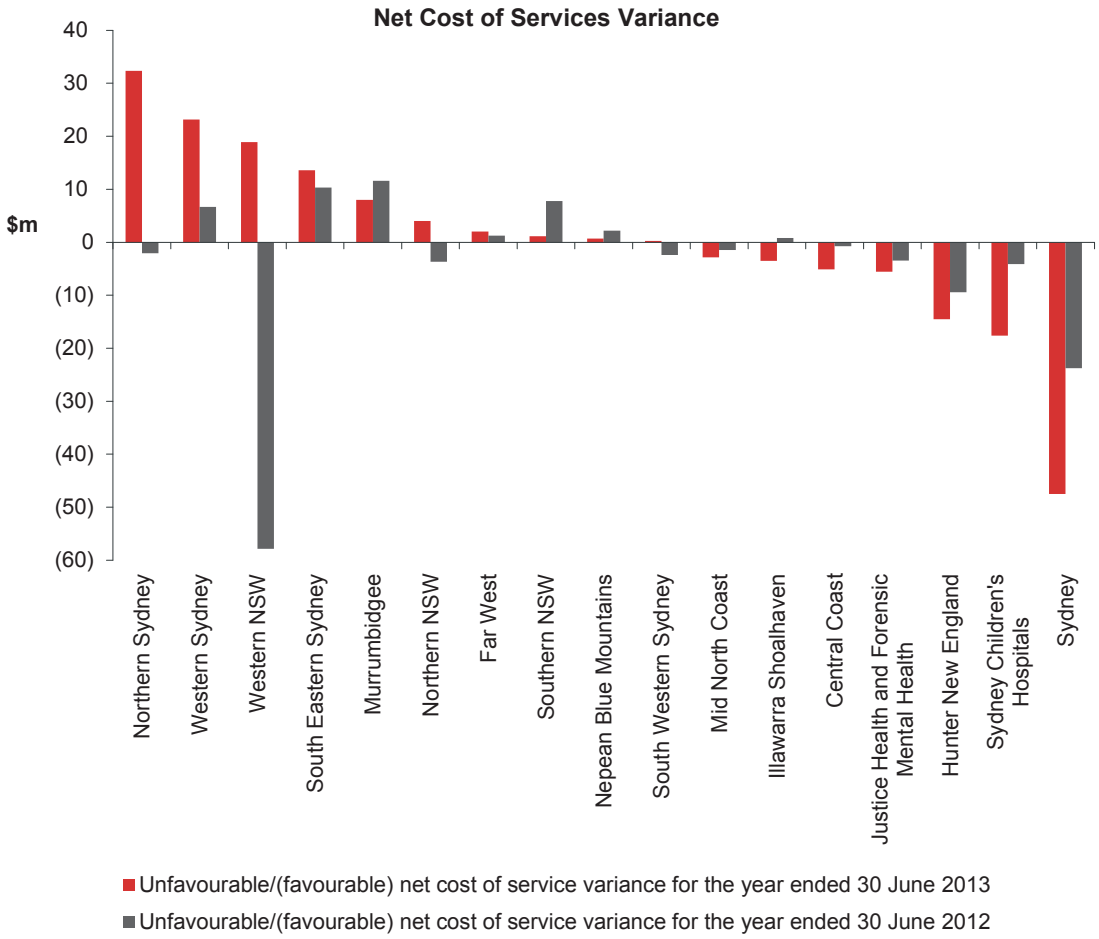
Source: Ministry of Health (unaudited).

Had the Ministry not provided this cash assistance, five of the eight local health districts above would have reported an unfavourable budget result because their budget was not adjusted for the extra cash assistance. For example, Northern Sydney and South Eastern Sydney Local Health Districts would have reported unfavourable budget variances of $36.1 million and $14.1 million respectively.

Net Cost of Services Performance

In 2012-13, only seven local health districts/specialty networks met their net cost of services revised budgets. The five local health districts that had the largest net cost of services overrun in 2012-13 were Northern Sydney ($32.4 million), Western Sydney ($23.2 million), Western NSW ($18.9 million), South Eastern Sydney ($13.6 million) and Murrumbidgee ($8.0 million).

Five local health districts each exceeded their 2012-13 net cost of services budget by more than $8.0 million



Source: Ministry of Health (unaudited).

Sydney, Mid North Coast, Central Coast and Hunter New England Local Health Districts met their net cost of services budgets in 2012-13 and 2011-12, as did the Sydney Children's Hospitals Network and Justice Health and Forensic Mental Health Network. The gain from disposing of the Queen Mary Building contributed to Sydney Local Health District's $47.5 million favourable net cost of services result. The large favourable variance for Western NSW Local Health District in 2011-12 was largely due to the reversal of asset revaluation losses expensed in previous years.

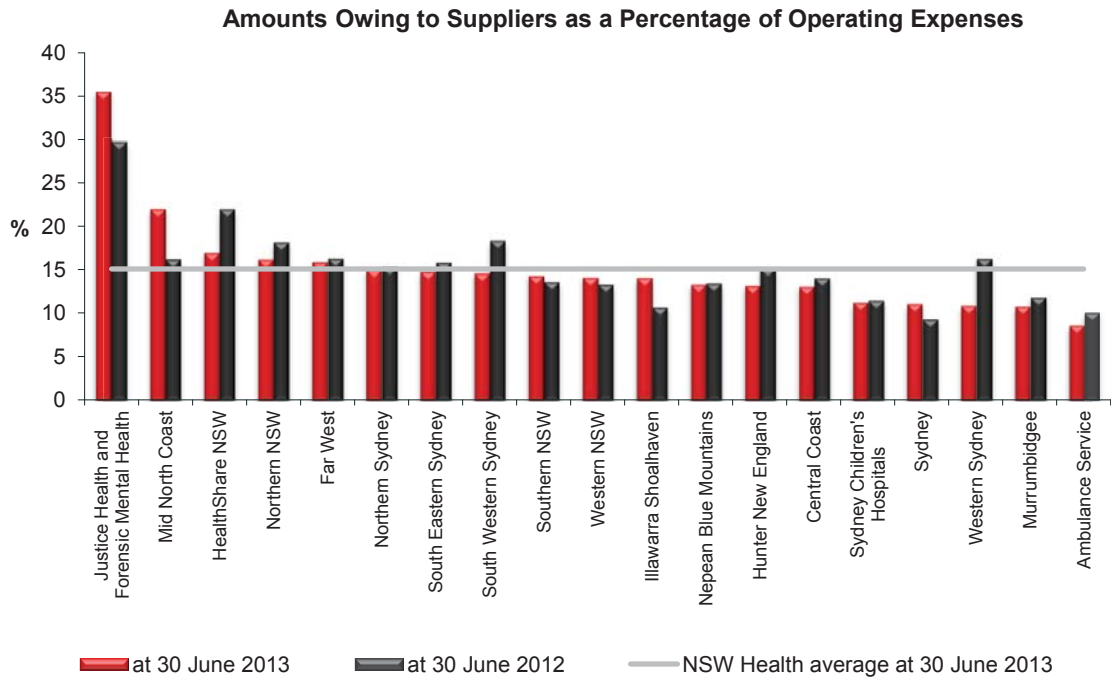
The Ministry uses performance against net cost of services budget as the key measure of financial performance. Net cost of services is based on total expenses less revenue, excluding government contributions.

Amounts Owing to Suppliers

At 30 June 2013, NSW Health owed suppliers $818 million, representing about 62 days of supplies

At 30 June 2013, NSW Health owed its suppliers $818 million ($702 million at 30 June 2012). Based on its annual operating expenditure of $4.8 billion, this represents about 62 days (55 days) of supplies.

Amounts owing to suppliers by each health entity, including visiting medical officers and general accruals, as a percentage of operating expenses are shown below.



Source: Audited financial statements.

The Ministry requires health entities to pay creditors within contract terms. It monitors performance against a benchmark target of 45 days for invoices 'ready for payment'. At 30 June 2013, just $1.0 million ($2.4 million) of ready for payment invoices were older than 45 days. An invoice is classified as 'ready for payment' once it has been properly approved by a delegated officer. Approval includes the matching of amounts and quantities to the purchase order and quantity receipted in the system. This might be some time after receiving the initial invoice from the supplier.

NSW Government policy encourages supplier payment within 30 days of receiving a correctly rendered invoice, however:

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

Invoices on Hold

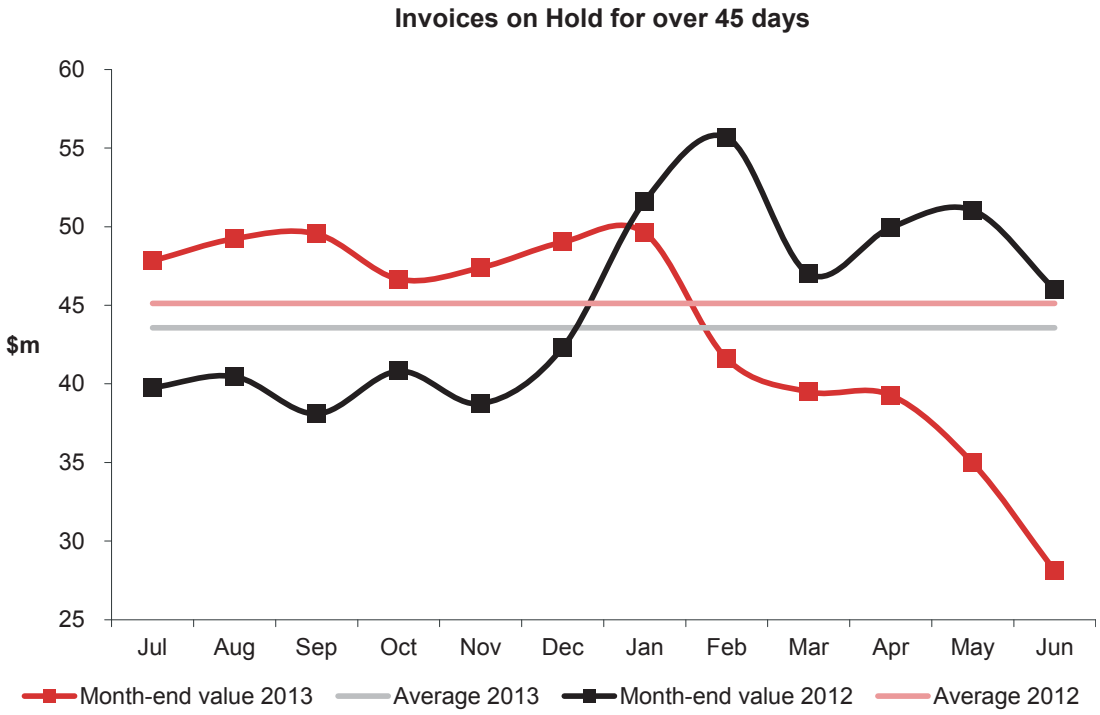
Recommendation

Each health entity should set itself an 'invoices on hold' target and monitor its performance against this target at the end of each month.

At 30 June 2013, invoices on hold had fallen to $28.1 million

Last year's report to Parliament recommended that health entities dedicate sufficient resourcing to clearing long outstanding invoices on hold and improve their procurement and receipting practices to minimise invoices going on hold. All health entities have made a concerted effort to reduce invoices on hold, resulting in just $28.1 million in invoices on hold at 30 June 2013 ($46.0 million at 30 June 2012).

While invoices on hold are trending downwards, given the importance of paying suppliers on time, health entities should set an 'invoices on hold' target and monitor performance against this target on a monthly basis.



Source: NSW Ministry of Health (unaudited).

The average value of invoices on hold during the year was $43.5 millon ($45.1 million in 2011-12). Invoices on hold reached a high of $49.6 million at 31 January 2013 (a high of $55.7 million at 28 February 2012). Compared to the corresponding period in the previous year and the 2013 average, invoices on hold were significantly lower between April - June 2013.

The value of invoices on hold for six or more months was $10.2 million at 30 June 2013

Of the total invoices on hold at 30 June 2013, $10.2 million ($15.4 million) was more than six months old. Health entities should continue to reduce invoices on hold, as paying suppliers six months after they provide goods or services adversely affects a health entity's reputation and may cause suppliers to stop supplying the entity.

The health entities with the highest invoices on hold balances at 30 June 2013 were Sydney Local Health District with $5.2 million ($11.1 million), Western Sydney Local Health District with $4.1 million ($6.4 million) and South Western Sydney Local Health District with $3.6 million ($6.1 million).

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

- introducing invoice scanning technology, which allows electronic approval and release of invoices on hold
- targeted training, particularly around using the invoice scanning technology
- regular monitoring of invoices on hold by senior finance staff
- monthly performance meetings between health entities and HealthShare NSW to continuously identify improvement opportunities.

The most common reasons for invoices on hold are: awaiting approval; the invoice does not agree with price or quantity receipted by health entities; the health entity did not raise a purchase order; and the supplier has not quoted the correct purchase order number on the invoice.

Procurement Practices Need To Improve

Recommendation

All health entities need to improve compliance with the Ministry of Health's purchase order target.

Last year's report to Parliament recommended the Ministry set purchase order targets for each health entity. The Ministry has responded by setting a target of 100 per cent for specific goods and services. None of the health entities met this target.

One in five payments were made without raising a purchase order

In 2012-13, 79.6 per cent of invoices were processed with a purchase order (83.2 per cent in 2011-12). The Ministry and HealthShare NSW are investigating the drop in use of purchase orders, but believe the implementation of a new pharmacy system could be a contributing factor.

	Purchase order usage for specific goods and services across NSW Health				
Year ended 30 June	**Target %**	**2013 %**	**2012 %**	**2011 %**	**TREND**
Percentage of invoices processed with a purchase order	100	79.6	83.2	89.1	**DETERIORATED**

Source: NSW Ministry of Health (unaudited).

In 2012-13, health entities raised fewer purchase orders (as a percentage of all payments) compared to 2011-12 and 2010-11. All health entities need to identify which areas are not using purchase orders and understand why this is occuring if they are to improve performance against the Ministry's target of 100 per cent. Using purchase orders promotes better financial management, reduces invoices on hold and helps with timelier supplier payments.

Special Purpose Accounts

Recommendations (partial repeat issue)

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

All health entities should arrange appropriate approvals to move funds from special purpose accounts to the Public Contributions Trust Fund by 31 March 2014.

Each health entity now has a more comprehensive understanding of their special purpose accounts and better documentation

Since 2008, reports to Parliament recommended health entities review special purpose accounts to confirm their nature and intended use. All health entities have now completed this review.

The review has resulted in health entities understanding what each account represents, which accounts have remained dormant and which funds should move to the Public Contributions Trust Fund. Some health entities have already transferred funds to the Public Contributions Trust Fund so they can now be used for unrestricted purposes. In other cases this has yet to occur.

The review identified some accounts whose purpose is unclear and others that can no longer be used for the original intended purpose. The Ministry should issue guidance to health entities on how to deal with such accounts without breaching legislation or donor imposed conditions. This should promote consistency in dealing with these accounts across the health sector.

Once the Ministry issues its guidance, all health entities should arrange appropriate approvals to move funds from special purpose accounts to the Public Contributions Trust Fund by 31 March 2014.

The value of special purpose accounts and what they can be used for is shown in the table below.

At 30 June Condition on contributions	2013 $'000	2012 $'000
Purchase of assets	215,056	124,476
Health promotion, education and research	595,262	557,823
Other	159,464	179,218
Total	**969,782**	**861,517**

Source: Audited financial statements.

Health entities are getting better at recording and agreeing transactions between themselves

Intra-health Balances

Recommendations

While the intra health reconciliation and confirmation process continues to improve, the Ministry and health entities should:

- conduct the intra health reconciliation and confirmation process every quarter
- extend the current process to include all intra health transactions.

The Ministry should continue educating health entities in the use of correct ledger accounts to record different intra health transactions.

For some years, health entities have found it difficult to properly record, reconcile and agree balances they owed each other at any point in time. In response to concerns raised in previous reports to Parliament, the Ministry and health entities made a concerted effort this year to improve the recording, reconciliation and confirmation of intra health balances with fewer differences as a result.

Through better processes, clearer instructions and more focus on addressing this long standing issue, the Ministry and health entities agreed most balances at 30 June 2013. The net amount that could not be agreed was just $12.1 million. This compares favourably with the difference of $28.0 million at 30 June 2012 and $41.1 million at 30 June 2011.

Intra-health differences				
At 30 June	**2013 ($m)**	**2012 ($m)**	**2011 ($m)**	**TREND**
Differences in amounts owed and owing across NSW Health	12.1	28.0	41.1	**IMPROVING**

More regular reconciliation of intra health balances will provide further improvements, as will educating finance staff to correctly record transactions in the general ledger.

Group Consolidation

Recommendation (repeat issue)

The Ministry should document its group consolidation procedures.

Last year's report to Parliament recommended the Ministry review and improve its group consolidation procedures and documentation. This process is complex and has resulted in significant errors in the past. While the Ministry significantly improved its group consolidation process this year and made it easier to reconcile figures back to individual health entities' financial statements, it has yet to formally document this process.

The Ministry would benefit from documenting this complicated process as part of its 2013-14 early close process. This will help retain corporate knowledge, promote consistency from year to year and help the finance team complete the annual consolidation process.

Early Close Procedures

NSW Health completed the 31 March early close process with more diligence than last year

Compared to the previous year, the Ministry and health entities completed this year's 31 March early close process with more diligence, resulting in timelier and more accurate financial reporting at year-end.

All but one health entity provided 31 March 2013 early close financial statements and supporting reconciliations for audit on time. As mentioned previously, all health entities were proactive in confirming and reconciling intra health balances.

Improved Timeliness of Financial Reporting

For the first time in many years, the Ministry's and health entities' financial statements were signed off and audited within the statutory deadline, confirming the success of the early close process. The Independent Auditor's Report on the Ministry's financial statements was issued on 20 September 2013, which compares favourably to the previous year when it was issued on 30 October 2012. Other health entities had their financial statements signed and audited, on average, 24 days earlier than last year.

Fewer Misstatements Identified

There were significantly fewer misstatements in 2012 13

The early close process improved the quality of the financial statements, as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12. The number and dollar value of misstatements across NSW Health in 2012-13 and 2011-12 is shown below.

Year ended 30 June	2013	2013	2012	2012
Number of misstatements	**Corrected**	**Uncorrected**	**Corrected**	**Uncorrected**
Less than $50,000	1	23	5	14
$50,000-$249,999	2	23	7	47
$250,000-$999,999	1	36	11	53
$1,000,000-$4,999,999	6	35	36	56
Greater than $5,000,000	6	10	18	22
Total number of misstatements	**16**	**127**	**77**	**192**

Source: Audit Office Client Service Reports.

The number of misstatements fell from 269 in 2011-12 to 143 in 2012-13, 47 per cent. The table above also shows that 16 misstatements, 11.2 per cent of all misstatements (40 misstatements or 14.9 per cent in 2011-12), were greater than $5.0 million.

General Ledger Reconciliations

General ledger reconciliations improved across NSW Health

Last year's report to Parliament recommended all health entities reconcile key general ledger accounts on a monthly basis. Apart from one local health district, all health entities improved monthly reconciliation procedures.

The frequency of reconciliations improved as did the identification and clearance of reconciling items. However, the audit process identified:

- one local health district did not reconcile its bank account for some months
- instances where the purchase order receipt account had numerous old uncleared transactions, some dating back to 2010
- instances where the reconciliation of the creditors manual account needed improving
- instances where reconciliations were purely a transaction listing.

These observations were reported to health entities.

General ledger reconciliations are important to maintain the integrity of the general ledger and validate the financial performance and position of the organisation. Failure to prepare and review general ledger reconciliations increases the risk of management not detecting inaccurate, incomplete or invalid transactions, which could result in material misstatement.

Accounting Manuals to be Updated

Last year's report to Parliament recommended the Ministry update its Accounts and Audit Determination for Public Health Organisations and its Accounting Manual by 30 June 2013. In November 2013, the Ministry drafted a statement of intent to engage a consultant to update the determination and manual by 30 June 2014.

These documents were last completely updated in 2005 and 1995 respectively. While some requirements and principles remain unchanged, or have been addressed by subsequent policy advice, inconsistencies exist between what happens in practice and what the determination and manual require. The inconsistencies create confusion and divergent practices.

People

Overtime Payments (including call backs)

Recommendation (repeat issue)

Each year, all health entities should identify the top one per cent of overtime earners (including call backs) and investigate whether excessive reliance on these employees represents value for money or compromises patient safety.

Last year's report to Parliament recommended all health entities identify their top one per cent of overtime earners (including call backs) and investigate whether excessive reliance on these employees represents value for money or compromises patient safety. Unfortunately, only half the health entities completed this review during the year. The Central Coast Local Health District did perform the review and it helped that entity reduce overtime and call back payments by 3.8 per cent compared to the previous year.

Not all health entities reviewed their top one per cent of overtime earners during the year. One that did, reduced overtime payments by 3.8 per cent

The Western NSW Local Health District also performed the review, which resulted in one employee, who consistently earned more than $300,000 a year in overtime (including call backs) over the last three years, having this reduced to just $68,000 in 2012-13. This was achieved by the district changing its rostering practices and the employee's job position.

Given the significant cost of overtime and the potential adverse outcomes of staff working excessive hours, all health entities should annually review at least the top one per cent overtime earners to help identify smarter and possibly cheaper rostering and other operational practices.

The Big Overtime Earners

Recommendation

The Ministry of Health should investigate whether the payroll system can separately record overtime and call backs.

For the last two years, six employees have consistently earned more than $150,000 in overtime and call backs

The table below shows six employees consistently claimed, and were paid, more than $150,000 in overtime (including call backs) in 2012-13 and 2011-12. It also shows the highest overtime earner, a career medical officer, earned more than $675,000 in overtime and call backs over the past three years.

Year ended 30 June	2013		2012	2011
Position	Annual base salary $	Overtime/call back paid $	Overtime/call back paid $	Overtime/call back paid $
Career Medical Officer Grade 2	147,603	219,545	224,334	234,367
Career Medical Officer Senior	185,578	197,486	162,882	200,272
Career Medical Officer Transit Grade 2	160,590	170,609	184,355	115,938
Career Medical Officer Senior	185,578	158,818	214,449	90,621
Senior Registrar	121,180	158,166	160,148	163,808
Career Medical Officer Grade 2	160,590	156,963	169,071	198,760

Source: NSW Ministry of Health (unaudited).

Because of limitations in the NSW Health payroll system, the amount paid for overtime and call backs cannot be split to determine what proportion relates to the employee being at work for a full shift as opposed to coming in for a short period because they were on call. The Ministry should investigate whether the payroll system can be re-configured to separately record these components. This information would help health managers better understand their rostering practices and whether they are effectively using their available workforce.

A call back occurs when a staff member is on call and is asked to come to work. The staff member may only come back to work for an hour, but under the award, is paid a minimum of four hours.

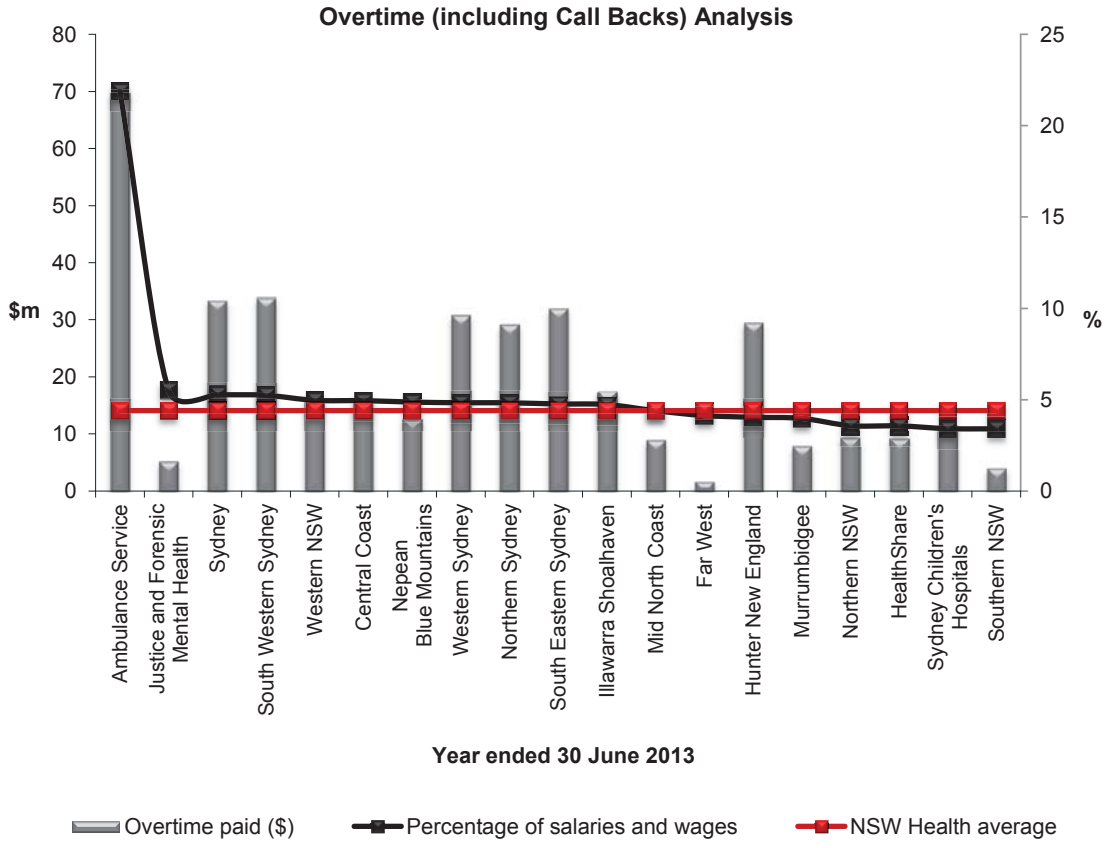
Overtime (including call backs) Analysis

	Overtime (including call backs)		
Year ended 30 June	2013	2012	MOVEMENT
Total overtime payments (including call backs) ($m)	370	390	DECREASED
Percentage of salaries and wages expense	4.5	5.0	DECREASED

Source: NSW Ministry of Health (unaudited).

The percentage of salaries and wages spent on overtime reduced to 4.5 per cent

Overtime payments (including call backs) in 2012-13 totalled $370 million ($390 million in 2011-12) or 4.5 per cent (5.0 per cent) of the salaries and wages expense for the year. The graph below shows overtime (including call backs) by health entity.



Source: NSW Ministry of Health (unaudited).

In 2012-13, overtime (including call backs) for the Ambulance Service represented 21.9 per cent of its salaries and wages expense (22.8 per cent in 2011-12). While the Ambulance Service's overtime (including call backs) is significantly higher than other health entities, due to the nature of its operations, it is reducing as a percentage of its salaries and wages expense. Because of its high overtime, the Ambulance Service proactively reviews the highest 20 overtime earners each year (in terms of hours worked and overtime paid) to assess if there are fatigue issues.

Of all the local health districts and specialty health networks, Sydney Local Health District and South Western Sydney Local Health District paid the most in overtime (including call backs) as a percentage of salary and wages, 5.2 per cent and 5.3 per cent respectively. Southern NSW Local Health District paid the least, some 3.4 per cent of its salaries and wages expense for the year. More information on actual overtime as a percentage of salaries and wages can be found in the Local Health Districts/Specialty Networks Information section of this report.

Further statistics on overtime payments are:

Year ended 30 June	Total overtime (including call backs) paid ($m) 2013	Number of employees who worked more than 500 hours overtime 2013	Total overtime (including call backs) paid ($m) 2012	Number of employees who worked more than 500 hours overtime 2012	Movement
Ambulance Service of NSW	69.1	767	67.6	795	↑
Sydney	32.3	123	33.8	150	↓
South Western Sydney	32.2	101	34.2	136	↓
Western Sydney	30.9	110	34.3	137	↓
South Eastern Sydney	30.5	44	32.7	102	↓
Hunter New England	29.1	67	27.9	60	↑
Northern Sydney	26.5	63	26.7	94	~
Illawarra Shoalhaven	15.8	66	17.0	61	↓
Western NSW	14.7	41	15.7	59	↓
Central Coast	14.3	22	14.9	39	↓
Nepean Blue Mountains	12.5	55	12.5	51	~
Sydney Children's Hospitals Network	10.5	14	10.1	16	↑
Health Share NSW	9.2	19	9.7	30	↓
Northern NSW	9.1	12	8.8	17	↑
Mid North Coast	8.6	28	8.5	16	~
Murrumbidgee	7.3	17	8.2	25	↓
NSW Health Pathology	6.6	16	0.6	--	na
Justice and Forensic Mental Health	4.9	28	5.3	26	↓
Southern NSW	4.5	17	4.9	19	↓
Far West	1.7	6	1.6	6	~
Health Reform Transitional Organisations#	--	--	14.5	33	na
Total	**370.3**	**1,616**	**389.5**	**1,872**	↓

Key: ↑ Increase
↓ Decrease
~ No change
na – Not applicable.

Health Reform Transitional Organisations (HRTOs) were abolished in May 2012. The employees of HRTO's were transferred to the local health districts and NSW Health Pathology.

Source: NSW Ministry of Health (unaudited).

Annual Leave Balances

Did excessive annual leave balances reduce in 2012-13?

Excessive Annual Leave Balances			
At 30 June	**2013**	**2012**	**MOVEMENT**
Number of employees with excessive leave*	28,707	28,051	**INCREASED**
Percentage of workforce	23.8	22.9	**INCREASED**

* Using the benchmark of two years accrued entitlements

Source: NSW Ministry of Health (unaudited).

Recommendation

All health entities need to manage excessive annual leave balances more effectively in 2013-14. They should:

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

Reducing excessive annual leave remains a significant challenge for many health entities

Despite instructions from the Ministry and the expectations set out in the State Budget, the number of employees with excessive annual leave balances in NSW Health increased from 28,051 employees at 30 June 2012 to 28,707 employees at 30 June 2013. All health entities need to manage excessive annual leave balances more effectively to avoid potentially adverse effects on employees' health and welfare if they do not take sufficient breaks during the year. Allowing employees to accumulate excessive annual leave balances also has financial/funding implications as the liability increases over time.

For some employees, two years of accrued entitlements is equal to eight weeks. For others, such as those on rosters, it can be as high as 12 weeks. The percentage of employees with excessive annual leave balances by health entity is:

Health entity	Percentage of workforce with excessive annual leave	Percentage of workforce with excessive annual leave	Movement
At 30 June	2013	2012	
Ambulance Service	51.4	54.4	↓
South Western Sydney	33.4	34.8	↓
Sydney	32.4	32.4	↓
Western Sydney	25.6	24.3	↑
South Eastern Sydney	22.9	24.0	↓
HealthShare NSW	25.6	28.5	↓
Northern Sydney	22.3	16.0	↑
Far West Local	23.8	26.0	↓
NSW Health Pathology	18.3	na	na
Hunter New England	20.1	14.3	↑
Nepean Blue Mountains	20.2	23.0	↓
Justice Health and Forensic Mental Heath	21.8	25.1	↓
Sydney Children's Hospitals	19.1	20.8	↓
Mid North Coast	21.0	15.5	↑
Central Coast	18.9	12.4	↑
Northern NSW	18.4	13.5	↑
Western NSW	19.2	21.4	↓
Illawarra Shoalhaven	17.2	20.0	↓
Murrumbidgee	14.1	16.2	↓
Ministry of Health	16.9	24.9	↓
Southern NSW	10.4	13.9	↓

Key: ↑ Increase
↓ Decrease
na – Not available.

Source: NSW Ministry of Health (unaudited).

Are health entities monitoring employees who took no or little leave?

Recommendation (repeat issue)

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

Last year's report to Parliament recommended all health entities monitor employees who take no or very little annual leave in a rolling 12 month period. Not all health entities are doing this.

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

Of the employees with excessive annual leave balances, 2,247 took no annual leave during 2012-13 (3,034 employees in 2011-12). The health entities with the largest number of these employees are listed below.

At 30 June Local health district	2013 Number of employees who took no annual leave	2012 Number of employees who took no annual leave	Movement
South Eastern Sydney	305	241	↑
Sydney	262	366	↓
South Western Sydney	248	273	↓
Western Sydney	198	235	↓
Northern Sydney	196	186	↑

Key: ↑ Increase
↓ Decrease

Source: NSW Ministry of Health (unaudited).

Time Recording

Recommendations

The Ministry of Health should issue a State-wide directive reminding supervisors of their obligation to approve timesheets.

Each health entity should implement appropriate strategies and controls to ensure all timesheets are approved in a timely manner. This may include developing weekly exception reporting of unapproved timesheets and monitoring unapproved timesheet statistics by the executive team.

Too many employees get paid without their supervisor approving their timesheet

A common issue identified during the audits of health entities was the failure by supervisors to approve employee timesheets. In some cases, up to 30 per cent of timesheets remained unapproved at the end of each pay period. This means three in ten people get paid despite a supervisor not certifying they worked the hours recorded on their timesheets. Recent internal audits have made the same observation.

Until the new State-wide rostering system is implemented, the Ministry should issue a directive reminding supervisors of their obligation to approve timesheets. Each health entity should also develop appropriate local strategies and controls to ensure timesheets are approved in a timely manner.

The absence of timesheet approvals increases the risk of staff claiming, and being paid for, hours they have not worked. Failure to approve timesheets may also be contributing to employees accruing excessive annual leave balances if they are taking leave but not recording it in the system. Timesheet approval is an important preventative control to mitigate these risks.

HealthShare NSW advises greater focus on approving timesheets before submission for payroll processing would reduce the high volume of roster adjustments, manual pays and salary overpayments (see below). As part of its strategy to reduce the symptoms of unapproved timesheets, it has recently issued guidance to all health entities to encourage supervisors to approve timesheets.

Salary Overpayments

Recommendation

HealthShare NSW and health entities should continue reviewing the causes of salary overpayments and take appropriate corrective action to eliminate them.

In 2012-13, HealthShare NSW and health entities detected salary overpayments totalling $11.9 million, representing a 41.7 per cent increase from the $8.4 million overpaid in 2011-12. In one instance, an employee was overpaid $335,793 in a single pay because a local health district submitted an incorrect roster file for processing. The employee immediately repaid the amount, resulting in no financial loss to the district. After this incident, HealthShare NSW changed some payroll processing checks and provided additional training staff to prevent this recurring in the future.

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

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

Source: HealthShare NSW (unaudited).

Salary overpayments increased to $10.1 million at 30 June 2013. Of this amount, $1.1 million is owed by people who have left the health sector

At 30 June 2013, $10.1 million in salary overpayments was owing, more than double the amount owing at 30 June 2012. Of this amount, $3.0 million related to overpayments that occurred more than three years ago and $1.1 million is owed by people who have left the health sector. The probability of recovering amounts owed by terminated employees is low.

HealthShare NSW advises initiatives the health sector is implementing to reduce the incidence of salary overpayments include:

- managing rosters on a daily basis
- performing weekly detailed performance reporting and analysis
- developing guidelines for staff to follow when recording time worked and approving rosters/timesheets.

The main causes for the salary overpayments include: poor rostering practices by health entities; incorrect timesheets completed by employees; incorrect information sent by health entities to HealthShare NSW for processing; and HealthShare NSW processing information incorrectly.

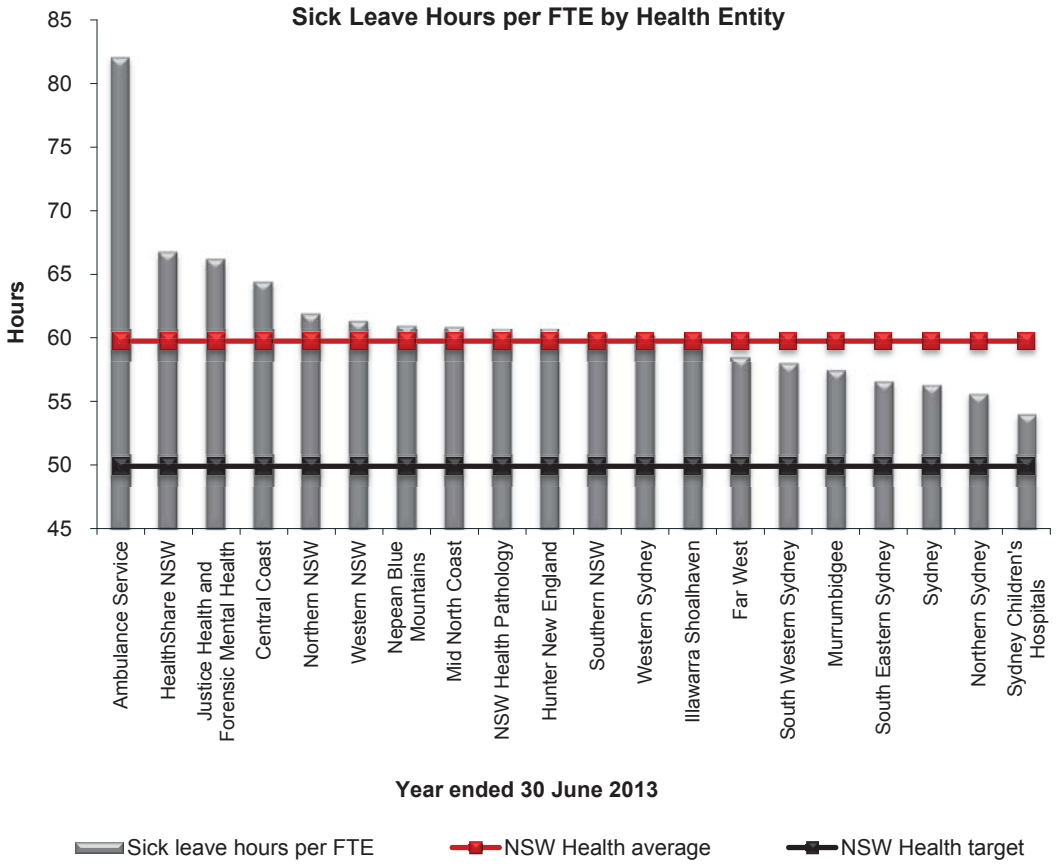
Sick Leave

Sick Leave			
Service Measure – Year ended 30 June 2013	**ACTUAL**	**TARGET**	**STATUS**
Average sick leave hours per full time equivalent employee	59.7	50.0	**NOT MET**

Source: NSW Ministry of Health (unaudited).

None of the local health districts or networks met the Ministry's sick leave target

In 2012-13, employees working in the Ambulance Service, local health districts and specialty networks took an average of 59.7 hours of sick leave per full time equivalent employee (FTE). This was significantly higher than the Ministry's target of 50 hours per FTE.



Source: NSW Ministry of Health (unaudited).

The Ambulance Service had the highest sick leave per FTE, with its employees taking 82.1 hours of sick leave per FTE in 2012-13. Sydney Children's Hospitals Network had the lowest sick leave, with its employees taking 54.1 hours of sick leave per FTE.

Only the smaller entities in NSW Health, which are not included in the graph above, had sick leave hours per FTE below the Ministry's target. They include Health Infrastructure, the Agency for Clinical Innovation, the Bureau of Health Information, the Health Education and Training Institute and the Clinical Excellence Commission.

High levels of sick leave can have adverse operational and/or financial impacts, because fewer employees are available to deliver services and/or health entities must pay overtime to other employees to maintain minimum staffing levels.

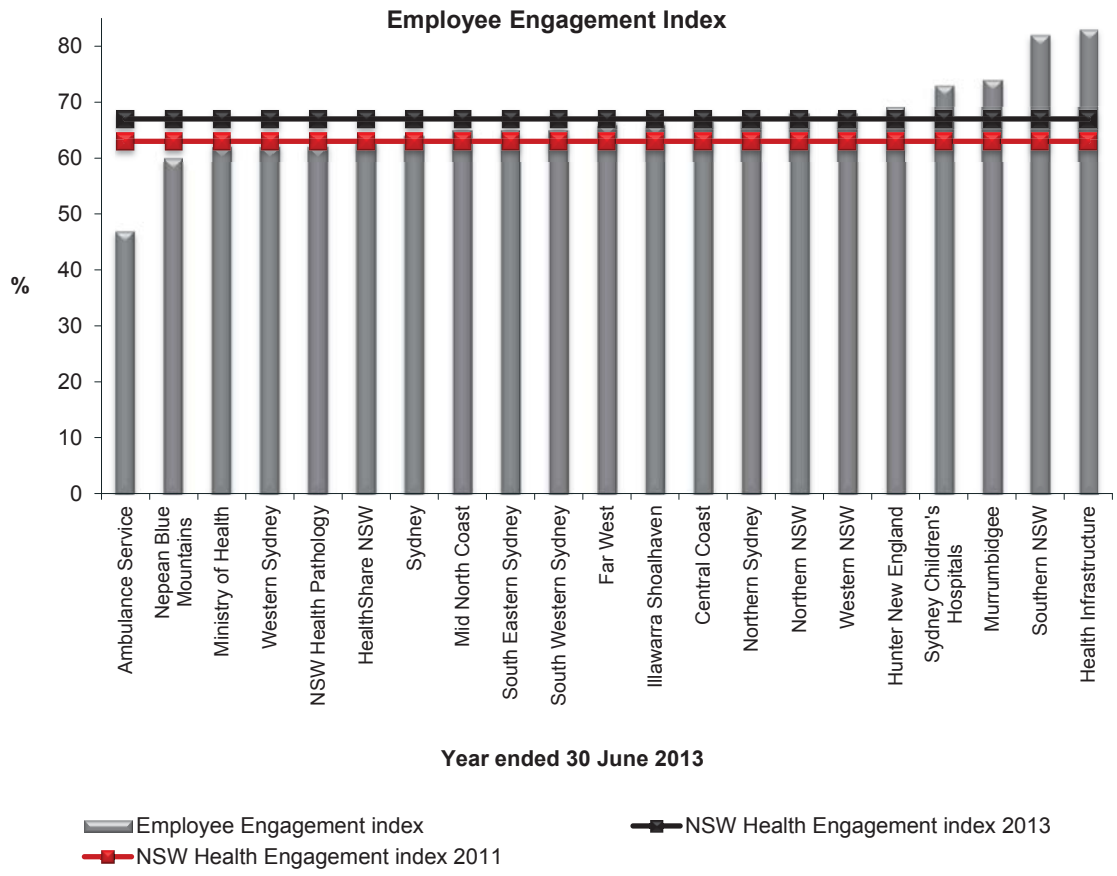
The Ministry advises health entities are required to develop strategies to promote health and safety and attendance at the workplace, such as: supporting employees in balancing work and private responsibilities through access to other types of leave; provision of child care services; access to self-rostering; and supporting employees with any problems that affect their work, for example through counselling services.

Workplace Survey Results

Employee engagement has increased since the last workplace survey

Employee Engagement Index			
Measure	**2013**	**2011**	**MOVEMENT**
Employee Engagement Index (%)	67.0	63.0	**IMPROVED**

In 2013, the Ministry conducted the 'YourSay' workplace survey across the health sector. The survey concluded the overall employee engagement index for NSW Health increased from 63 per cent in 2011 to 67 per cent in 2013. The index measures employee commitment to the organisation as shown in the graph below for each health entity.



Ambulance Service employees are the least engaged in NSW Health

Source: NSW Ministry of Health (unaudited).

The employee engagement index for the Ambulance Service was just 48 per cent, while Health Infrastructure recorded the highest engagement at 81 per cent. The Ambulance Service has started some initiatives to improve employee engagement. Since the last workplace survey, all health entities except the Sydney Children's Hospitals Network and Sydney Local Health District recorded an increase in their employee engagement index.

In response to questions on unacceptable behaviour, 55 per cent of the respondents said they were verbally abused in the past 12 months, with over 13,000 respondents indicating verbal abuse from colleagues, a supervisor/manager or supervised staff. Similarly, 33 per cent of respondents had been subject to repeated behaviour which was offensive, intimidating, humiliating or threatening. Over 10,800 respondents indicated this behaviour was from colleagues, a supervisor/manager or supervised staff.

Across NSW Health, the survey found almost one in three employees is not confident management will appropriately respond to matters of unacceptable behaviour.

The Ministry has committed $14.1 million to improve staff engagement and workplace culture. This money will be used to implement initiatives such as:

- mandatory training for managers and supervisors in positive conflict resolution
- encouraging staff attendance at respectful workplace training
- redesigning the process for staff recognition
- a 'Walking the Talk Values Congruence Program' for the senior executive.

The YourSay survey questions focused on: the employee's job; team; being valued; management; communication; work environment; inappropriate behaviour; service delivery; and the workplace.

Workplace Health and Safety

	Workers' Compensation Claims			
Service Measure – Year ended 30 June	**2013**	**2012**	**2011**	**TREND**
Total Number of Claims	5,389	6,665	7,027	**REDUCING**

The number of workers' compensation claims continues to reduce

The number of workers' compensation claims reduced from 6,665 claims in 2011-12 to 5,389 claims in 2012-13, representing a 19.1 per cent drop.

Year ended 30 June	**2013**		**2012**		**2011**	
Workers' compensation claims by injury type	**Number of claims**	**Cost of claims ($m)**	**Number of claims**	**Cost of claims ($m)**	**Number of claims**	**Cost of claims ($)**
Body stress	2,470	25.0	2,944	27.2	3,015	26.5
Slips and falls	964	9.3	1,243	10.5	1,264	11.3
Mental stress	392	8.7	442	8.4	517	11.4
Hit by objects	741	5.0	728	4.7	762	5.5
Motor vehicle	97	0.9	458	3.0	535	4.1
Other causes	725	3.6	850	5.3	934	7.1
Total	**5,389**	**52.5**	**6,665**	**59.1**	**7,027**	**65.9**

Source: NSW Ministry of Health (unaudited).

Body stress claims continue to be the most common injury to health employees. These include muscle strains and back conditions due to the high frequency of lifting and handling of patients. Nurses are most likely to be injured at work, representing 38.7 per cent of all claims in 2012-13 (36.9 per cent in 2011-12).

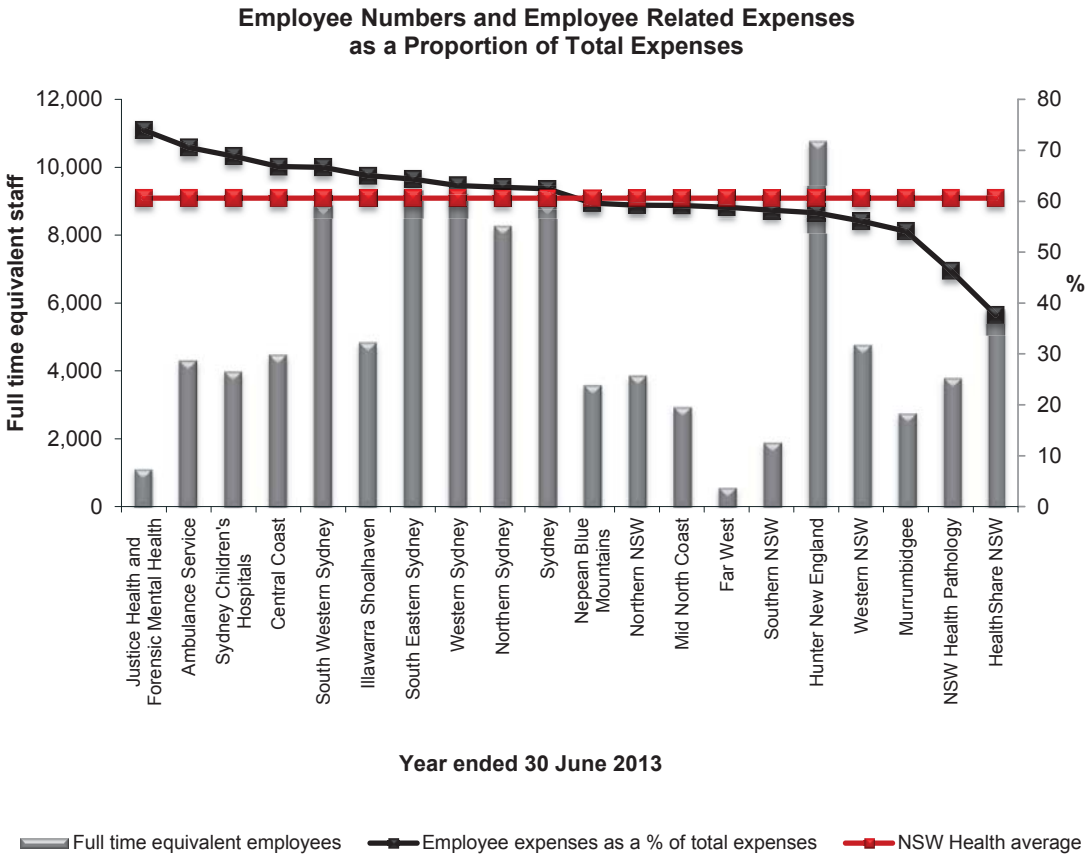
Mental stress claims are the costliest injury, with the average claim costing $22,194 ($18,983) in 2012-13. Mental stress at work is commonly attributable to one of the following events: work pressure, work-related harassment or workplace bullying; exposure to occupational violence; or a traumatic event.

NSW Health has initiatives to reduce the risk of injuries, including education programs for line managers and early intervention strategies to facilitate return to work for injured employees who are reluctant to come back to work.

A safe work environment means hospitals can operate effectively while increasing staff performance and morale. Work related injuries impact the injured person, their family, the employer and the State. Improved health and safety can reduce these impacts and contribute to better productivity in the workplace.

Employee Statistics

The graph below shows the number of full-time equivalent employees (FTE) at each major health entity at 30 June 2013. It also shows the percentage of employee related expenses compared to total expenses. In 2012-13, the State-wide average was 60.6 per cent (60.7 per cent in 2011-12).



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

At 30 June 2013, Hunter New England Local Health District had the most full-time equivalent employees (10,782) while Far West Local Health District had the least (605). At 30 June 2013, NSW Health employed 105,857 full-time equivalent employees (102,591 at 30 June 2012). Clinical staff represented 73.1 per cent (73.0 per cent) of total full-time equivalent employees.

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

Redundancies

372 people were offered and accepted redundancy from the NSW Health service in 2012-13

In 2012-13, 372 employees were offered and accepted redundancies across NSW Health at a cost of $26.8 million. The table below provides further analysis by health entity.

Year ended 30 June Health entity	Number of redundancies	Redundancy payout ($'000)
HealthShare NSW	97	4,472
Hunter New England	52	3,861
Western Sydney	39	3,108
Western NSW	36	2,296
Northern Sydney	32	2,921
Ambulance Service	20	1,439
South Eastern Sydney	15	1,450
Justice and Forensic Mental Health Network	13	634
Ministry of Health	13	2,223
Sydney Children's Hospitals Network	9	678
Nepean Blue Mountains	8	783
Southern NSW	8	869
Central Coast	7	368
Illawarra Shoalhaven	7	473
Murrumbidgee	4	320
South Western Sydney	3	249
Sydney	3	222
Northern NSW	3	343
Far West	2	16
Mid North Coast	1	98
Total *	**372**	**26,823**

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

Source: Number of employees: NSW Ministry of Health (unaudited). Redundancy expense: entity financial statements (audited)

Ambulance Service - Partial and Permanent Disability Claims

The Ambulance Service's liability for partial and permanent disability claims increased to $12.6 million at 30 June 2013 ($12.3 million at 30 June 2012). Since 2009, the liability has increased by 129 per cent.

Year ended 30 June	2013	2012	2011	2010	2009
Partial and permanent disability liability ($'000)	12,619	12,291	10,592	10,005	5,530
Total partial and permanent disability claim payments ($'000)	4,199	5,222	1,456	1,383	1,084
Number of partial and permanent disability claims paid	14	17	7	5	4
Average paid claim size ($)	299,909	307,221	207,976	276,690	270,911

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

Partial and permanent disability claim payments fell for the first time in four years

While the liability has increased, actual claims paid fell for the first time in four years. During the year, the Ambulance Service paid out $4.2 million in partial and permanent disability claims to 14 injured officers. The largest payment was $525,395, while the lowest was $123,387.

The Ambulance Service has commissioned an independent consultant to review the long-term cost of the disability scheme. Under the Ambulance Service of NSW Death and Disability (State) Award, it can do so when the long-term cost to government exceeds 3.6 per cent of salary expenses. The Service expects to receive the review's findings before 31 December 2013.

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

Visiting Medical Officers

NSW Health has yet to implement three of the nine recommendations from the 2011 Visiting Medical Officers' performance audit

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

Recommendation	Current status
NSW Health should expedite current improvements in VMoney and related systems.	NSW Health has completed the development of its new web-based VMoney system and it will be rolled out to all health entities by 30 June 2014.
NSW Health should build director of medical services capacity by encouraging doctors to choose medical administration as a career path.	The Health Education and Training Institute has prepared a report which sets out a structured three year rotational training program to meet the Royal Australasian College of Medical Administrators fellowship requirements.
NSW Health, after appropriate consultation with the Australian Medical Association, should amend the model VMO contracts to impose stricter controls over the submission of VMO claims.	The Australian Medical Association has agreed to this proposal. A consent variation to the VMO determination is being progressed in accordance with the relevant statutory requirements.

Assets

NSW Health Assets

At 30 June 2013

Land and buildings – $17.4 billion

Plant and equipment – $2.1 billion

Infrastructure systems – $849 million

Intangible assets – $548 million

Asset Related Costs

For the year ended 30 June 2013

Capital expenditure – $1.6 billion

Maintenance expense – $232 million

Depreciation and amortisation expense – $587 million

Backlog Maintenance

Recommendation

The Ministry should provide more guidance and feedback to health entities to help them:

- develop consistent, comprehensive asset maintenance plans
- consistently identify and measure backlog maintenance.

The extent of backlog maintenance remains unknown

Last year's report to Parliament included a recommendation that local health districts complete a condition based assessment of their buildings to determine backlog maintenance.

Total backlog maintenance in the health sector remains unknown because some health entities assessed backlog maintenance when preparing their 2013-14 asset strategic plans, while others did not. Those entities which attempted to quantify backlog maintenance advise it ranged from nil to $30.2 million. For three of these entities, the Ambulance Service, Northern Sydney Local Health District and Mid North Coast Local Health District, combined backlog maintenance was assessed at around $76.0 million.

Across the health sector, the detail in asset maintenance plans submitted to the Ministry varies, as does the definition of what represents backlog maintenance. This lack of information and/or inconsistency makes it difficult for the Ministry to develop an accurate and effective overarching maintenance plan for NSW Health. While an asset and facility management forum exists in NSW Health, more guidance, standard definitions and feedback by the Ministry would provide consistency and help the Ministry, as system manager, make more informed decisions on how to allocate repairs, maintenance and renewal budgets to health entities.

In June 2011, a taskforce prepared an independent report to inform asset investment decisions by the Director General and Cabinet. The taskforce concluded NSW Health had to do more work to assess and address backlog maintenance. In response to this report, NSW Health is implementing a consolidated asset management system (refer below). The system will help the health sector provide more reliable and consistent information on assets, their condition and the extent of backlog maintenance.

Ambulance Service - Asset Management

The Ambulance Service has developed a reform strategy to address the functional and performance problems with its buildings

The Ambulance Service's latest asset strategic plan identifies capacity problems at 33 of its 46 ambulance stations in Sydney. It also identifies many more stations across the State which have functional and performance problems. The Ambulance Service also believes its headquarters and education centre are dysfunctional and in an unsatisfactory condition.

The Ambulance Service's 2012 strategic review identified rural infrastructure was in an unsatisfactory condition. In response, the Ambulance Service developed a rural infrastructure reform strategy, which was completed in November 2012. The Ministry will explore options to co-locate the Ambulance Service's head office with the Ministry's head office to share infrastructure.

In its latest asset strategic plan, the Ambulance Service has sought $640 million in funding over ten years, starting from 2014-15. It was successful in getting $27.9 million in 2013-14, which includes $15.7 million for fleet, information technology and radio network upgrades, $5.1 million for medical equipment and $3.7 million for ambulance station upgrades. The Ambulance Service will use its own money to refurbish some rural stations ($1.5 million) and complete accommodation works at its headquarters ($750,000).

At 30 June 2013, the Ambulance Service's backlog maintenance was $16.4 million, a reduction from the $21.4 million at 30 June 2012. The Ambulance Service has allocated a further $2.0 million in its 2013-14 budget to further reduce backlog maintenance.

The backlog includes fire compliance issues at 198 of the 226 ambulance stations, as well as asbestos, electrical and safety non-compliance issues. These were last independently assessed by the Office of Public Works in 2012.

Maintenance Expenditure

Recommendation

By 30 June 2014, the Ministry should establish a State benchmark to help it and health entities assess the adequacy of the maintenance spend by health entities.

The Ministry does not have a benchmark to gauge the adequacy of maintenance expenditure

Unlike Queensland Health and many other organisations, NSW Health does not have a benchmark for determining the adequacy of its maintenance spend. The Ministry has completed maintenance benchmark reviews in the past, but is yet to establish a benchmark the health sector can use to inform maintenance spending decisions.

Actual maintenance expenditure in 2012-13 was 1.5 per cent of the gross replacement cost of the asset base (1.5 per cent in 2011-12).

Year ended 30 June	2013	2012
Actual maintenance expenditure ($m)*	283	257
Buildings, plant and equipment and infrastructure systems gross carrying amount at 30 June ($m)	18,696	17,295
Actual maintenance expenditure/buildings, plant and equipment and infrastructure systems gross carrying amount (%)	1.5	1.5
Depreciation expense ($m)#	561	516

* Includes employee related maintenance expenses

\# Excludes amortisation expense

Source: Audited financial statements.

NSW Health has committed $10.1 million to replace inadequate asset management systems

State-wide Asset Management System

In June 2013, the Ministry completed the system design for its long-term project to consolidate multiple asset and facility management reporting systems. The aim is to provide a single registry and tracking system for the operation and maintenance of health entity assets, as the current systems do not support effective asset management planning practices across the sector.

The original budget for the project was $13.0 million. This was revised to $10.1 million following a realignment of the capital investment strategic plan. At 30 June 2013, $5.1 million had been spent on the project. The new State-wide system is to be implemented across the sector between April 2014 and November 2014.

The benefits of the new system will include:

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

Medical Equipment Asset Management Program

In August 2013, a new governance framework was established to guide the medical equipment asset management program. The working group comprises representatives from the Ministry, HealthShare NSW, the Agency for Clinical Innovation and NSW Public Works. Future initiatives are expected to focus on areas including standardising maintenance agreements, reviewing service levels, minimising whole of life costs, funding options and asset planning.

In 2012-13, HealthShare NSW successfully piloted centralising the payment of clinical equipment maintenance contracts. It estimates $1.0 million in savings were achieved in 2012-13. This involved three local health districts and three large suppliers. The pilot included whole-of–life cycle medical equipment management as well as establishing a central contract register of current high-end medical imaging equipment contracts. HealthShare NSW has committed to extend the pilot work to all health entities and relevant suppliers in 2013-14.

In 2013, the Ministry together with the Agency for Clinical Innovation, started a medical equipment initiative to look at, amongst other things, whether HealthShare NSW or the private sector could provide a complete managed medical equipment service.

Capital Projects

Major Projects Completed in 2012-13

Health Infrastructure completed three significant capital works projects in 2012-13, namely Royal North Shore Acute Services Building, the Liverpool Hospital Redevelopment and the Nepean Hospital Redevelopment Stage 3. All three projects were completed within the revised budget and original timeframe.

Three major hospital projects were completed during the year

Project Description	Original budgeted cost ($000)	Actual cost ($000)	Original estimated completion year	Year completed
Royal North Shore Acute Services Building	620,000	620,000	2012	2012
Liverpool Hospital Redevelopment	397,264	394,526	2013	2012
Nepean Hospital Redevelopment Stage 3	83,502	94,813	2013	2013

Source: NSW Ministry of Health (unaudited).

The new Royal North Shore Acute Services Building, delivered under a public private partnership model, includes single and four-bed inpatient rooms; a 58-bed intensive care unit; 18 additional operating theatres; an outpatient (ambulatory care) centre; and a comprehensive cancer care centre.

The Liverpool Hospital redevelopment delivered a new nine-storey hospital, major refurbishments to the existing client services building, upgrades to infrastructure and an extension of the child care centre.

The Nepean Hospital redevelopment delivered a new ambulatory procedures centre, additional operating theatres and surgical wards. It also refurbished and expanded some existing buildings, resulting in more hospital beds, medical stations and an expansion of the oral health centre. The final cost was $11.3 million higher than the original budget because of scope changes.

Most capital projects are running within budget and original timeframes

Capital Projects Still in Progress

At 30 June 2013, Health Infrastructure was managing 16 capital projects each with an estimated cost of more than $50.0 million. All these projects, except for the Dubbo Health Service Stage 1 project, are running on or ahead of time. The total revised budgeted cost of all 16 projects is $62.6 million higher (2.8 per cent) than the original approved budget of $2.2 billion as shown below.

Project Description	Original budgeted cost ($000)	Revised budgeted cost ($000)	Original estimated completion year	Revised completion year
Blacktown Campus Redevelopment	270,000	324,170	2016	2016
Wagga Wagga Base Hospital Redevelopment Stage 1	270,100	282,100	2016	2016
Tamworth Hospital Stage 2	220,000	220,125	2016	2016
South East Regional Hospital-Bega Valley-Delivery	171,574	171,574	2016	2016
Council of Australian Governments Initiatives	189,744	149,720	2014	2014
Royal North Shore Hospital Clinical Services Building	144,400	154,500	2015	2014
Campbelltown Macarthur Hospital Redevelopment Stage 1	139,086	139,086	2016	2014
Hornsby Hospital Redevelopment Stage 1	120,000	120,000	2016	2015
Port Macquarie Base Hospital Expansion	110,000	110,000	2015	2014
Royal North Shore Hospital Stage 2	102,798	102,798	2016	2016
Wollongong Elective Surgery Unit	83,149	106,149	2015	2015
Lismore Hospital Redevelopment Stage 3	80,250	80,250	2017	2016
Kempsey Hospital Redevelopment	80,000	80,000	2016	2015
Dubbo Health Service Stage 1	79,800	79,800	2014	2015
Prince of Wales Nelune Comprehensive Cancer Centre	76,642	79,840	2017	2016
Missenden Mental Health Unit	67,000	67,000	2015	2014
Total	**2,204,543**	**2,267,112**		

Source: NSW Ministry of Health (unaudited).

The Blacktown Campus redevelopment revised budget is $54.2 million higher than the original budget largely because it now includes a $27.8 million sub-acute beds program and a $24.2 million car park project. These projects were previously reported separately.

The Wagga Wagga Base Hospital Redevelopment Stage 1 revised budget is $12.0 million higher than the original budget due to funding being allocated from the Australian Government's sub-acute program for a 20 bed sub-acute mental health unit.

The Council of Australian Governments Initiatives revised budget is $40.0 million lower than original budget as $27.8 million was transferred to the Blacktown Campus Redevelopment Project and $12.0 million was transferred to the Wagga Wagga Base Hospital Redevelopment Stage 1 project to fund sub-acute programs.

The Royal North Shore Hospital Clinical Services revised budget is $10.1 million higher than the original budget due to scope changes.

The Wollongong Hospital Elective Surgery revised budget is $23.0 million higher than the original budget because it now includes the Wollongong Emergency Department and Ambulatory Care facility.

Public-private partnership post implementation review

In 2012-13, the Ministry conducted a post implementation review of the Orange Hospital public-private partnership (PPP) in accordance with the NSW Public Private Partnership Guidelines 2012. Key findings of the review included:

- a cost and scope variation of $54.0 million because the project was expanded to accommodate:
  - extra services, including six medical/surgical beds, four cardiovascular beds, four renal dialysis chairs and six chemotherapy treatment chairs ($40.9 million)
  - ten additional sub-acute beds under the COAG National Partnership sub-acute beds program ($7.4 million)
  - a new Magnetic Resonance Imaging machine ($1.0 million) and various construction variations ($4.2 million)
- the model allowed the opportunity to consolidate management of soft services between Orange and Bathurst hospitals.

The Orange Hospital was commissioned in March 2011 and PPP full-service commissioning occurred in October 2011. Under the PPP arrangement, the private sector was responsible for designing and constructing a new hospital at Orange, refurbishing a number of existing buildings and financing the project. The private sector now provides facilities management and delivery of ancillary non-clinical services for these hospital facilities and the Bathurst Hospital for a concession period until 2035.

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

HealthShare NSW is managing most information technology projects on time and within budget. For every dollar it spends, it expects to receive $3.40 in benefits

Information Technology Projects

Recommendation

HealthShare NSW should conduct post implementation reviews of recently completed information technology projects.

During the year, HealthShare NSW completed, or substantially completed, significant information technology projects, such as the new State-wide management reporting tool, the business information program, the new billing and revenue system and the new payroll system. However, at the time of preparing this report, it had not conducted formal post implementation reviews of these projects. It should do so as soon as possible and assess whether:

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

HealthShare NSW advises it decided to delay the post implementation review of the State-wide management reporting tool project until it completed further development of the system.

HealthShare NSW's current information technology projects with original budgets exceeding $10.0 million are:

Project description	Original budgeted cost $'000	Revised budgeted cost $'000	Original estimated completion year	Revised completion year	Original estimated quantitative benefits $'000	Revised estimated quantitative benefits $'000
Electronic Medications Management System	170,300	170,300	2018	2018	369,546	369,546
Community Health and Outpatient Care System	100,703	100,703	2016	2017	401,051	401,051
Rostering	94,768	89,570	2014	2014	442,895	450,500
Electronic Medical Record - rollout to clinical specialities	85,400	85,400	2017	2017	590,723	590,723
Corporate System Stage 2b	76,949	77,400	2014	2014	236,496	236,496
Integrated Medical Imaging Strategy	63,103	77,103	2012	2014	132,299	132,299
Infrastructure Strategy Stage 2	47,101	47,101	2014	2014	54,800	54,800
Intensive Care Clinical Information System	43,130	43,130	2016	2017	211,398	211,398
Whole of Government Data Centre Migration	34,562	34,562	2017	2017	na	na
Incident Management System	22,218	22,218	2016	2016	121,863	121,863
Asset and Facilities Management Performance Improvement Project	12,200	10,050	2014	2014	120,693	9,765
Total	**750,434**	**757,537**			**2,681,764**	**2,578,441**

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

Source: HealthShare NSW (unaudited).

HealthShare NSW plans to spend almost $758 million on 11 major information technology projects over the next five years, 0.9 per cent more than the original budget.

Based on the revised budget, HealthShare NSW expects the health sector will achieve $2.6 billion in quantitative benefits from its $758 million investment. This equates to $3.40 for every dollar spent.

The quantitative benefits estimated for the Asset and Facilities Management Performance Improvement Project reduced by $111 million because the new system was originally expected to result in NSW Health avoiding some capital expenditure and reducing its asset maintenance spend. This is now not the case.

The Ambulance Service experienced significant problems with its new revenue system

Problems with the Ambulance Service new revenue system

The Ambulance Service experienced significant functionality and data migration issues when implementing its new revenue system in 2012-13. This resulted in invoices being incorrectly calculated as well as accounting errors. Due to the magnitude of these issues, the Ambulance Service suspended the new billing system at 30 June 2013 so it could review the data and fix the underlying causes.

The Ambulance Service advises it has addressed most system and data issues and re-activated the system in October 2013. It is actively chasing up outstanding amounts owed by patients. It also advises it completed a formal post implementation review to capture key lessons for future system upgrades. A key lesson from the review was the importance of user acceptance testing, as this was identified as a contributing factor to the problems experienced.

Fully Depreciated Plant and Equipment (Repeat Issue)

Recommendation

The Ministry should establish a working group of finance and asset managers to review asset useful lives across the sector. The working group should report its findings to the Ministry by no later than 31 March 2014.

Reports to Parliament over the past four years have recommended NSW Health review the useful lives of assets as the sector uses a high proportion of fully depreciated assets. Little progress has been made in addressing this accounting issue. The existence of so many fully depreciated assets, which are still being used, suggests the accounting useful lives are too short resulting in depreciation expenses being overstated.

The table below shows fully depreciated plant and equipment as a percentage of total plant and equipment. While it has fallen in the current year to 27.1 per cent, it still represents more than a quarter of all plant and equipment in the sector.

NSW Health still uses 29,332 items of plant and equipment, which are older than their accounting useful lives

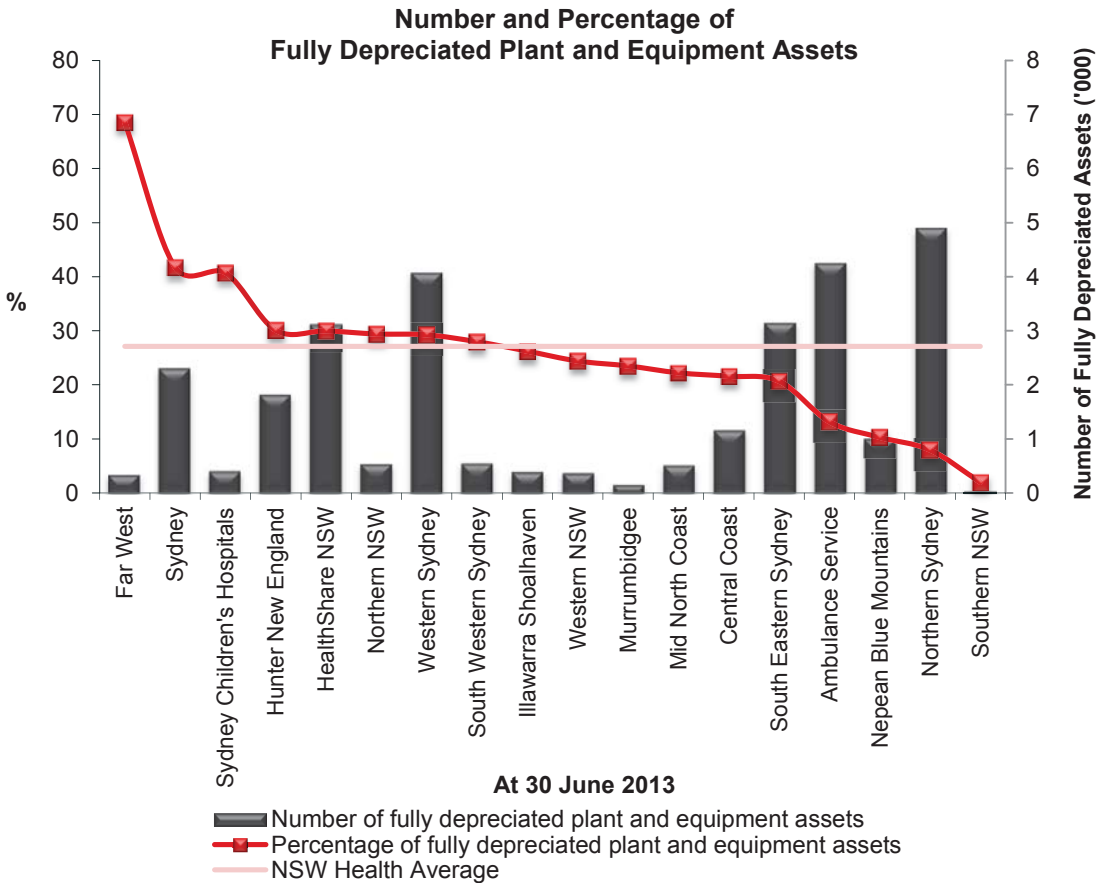
Plant and equipment at 30 June	2013	2012	2011	2010
Cost of fully depreciated plant and equipment as a percentage of total plant and equipment (%)	27.1	29.4*	27.9	30.0

* Excludes Sydney Children's Hospitals Network.

Source: NSW Ministry of Health (unaudited).

The percentages above would have been higher had health entities not reset the gross cost of some fully depreciated plant and equipment assets to zero. In total, local health districts and networks were using 29,332 items of plant and equipment at 30 June 2013 (21,849 items at 30 June 2012) which had passed their original estimated accounting useful lives. This equates to $485 million ($491 million) or 27.1 per cent (29.4 per cent) of the cost of all plant and equipment.

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



Source: NSW Ministry of Health (unaudited).

Most of the Far West Local Health District's plant and equipment assets are old and fully depreciated

At 30 June 2013, the Far West Local Health District had the highest percentage of fully depreciated plant and equipment assets, with 68.5 per cent still in use beyond their original estimated lives. The Southern NSW Local Health District had the lowest percentage at just two per cent and the Northern Sydney Local Health District had the highest number at 4,896 items.

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

High Value Medical Equipment

The table below shows details of medical equipment costing $200,000 or more in the health sector.

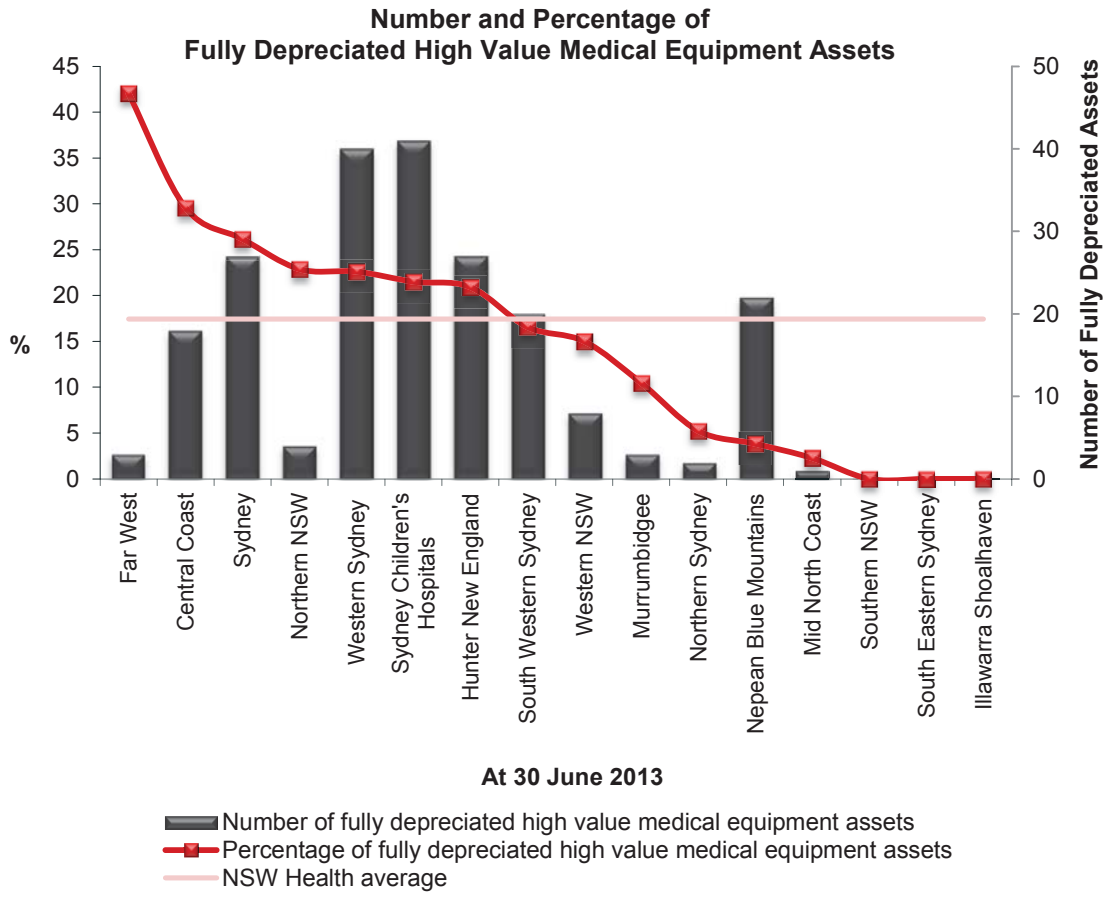
A quarter of NSW Health's high value medical equipment is fully depreciated

High value medical equipment at 30 June	2013	2012
Gross cost of all high value medical equipment ($m)	546	470
Gross cost of fully depreciated high value medical equipment ($m)	95.2	98.2
Fully depreciated medical equipment as a percentage of gross cost	17.4	20.9
Total number of high value medical equipment items	827	701
Number of fully depreciated high value medical equipment items	216	171
Percentage of fully depreciated high value medical equipment	26.1	24.4

Source: NSW Ministry of Health (unaudited).

As shown in the table, 26.1 per cent of all high value medical equipment in hospitals and other facilities at 30 June 2013 had exceed management's initial assessment of their useful lives.

The number of fully depreciated high value medical equipment assets by health entity, and the percentage of fully depreciated high value medical equipment assets as a proportion of total high value medical equipment is shown below.



Source: NSW Ministry of Health (unaudited).

At 30 June 2013, Southern NSW, South Eastern Sydney and Illawarra Shoalhaven local health districts had no fully depreciated high value medical equipment, while Sydney Children's Hospitals Network had 41 items in use beyond their accounting useful lives.

Although the accounting useful lives of medical equipment may have expired, the local health districts and networks advise regular safety inspections are performed to ensure operational standards are met.

Asset Stocktakes

Recommendation

All local health districts should stocktake plant and equipment assets annually.

Not all local health districts conducted an asset stocktake during the year

Thirteen of 15 local health districts conducted a stocktake of plant and equipment assets in 2012-13, a major improvement on the previous year. The two local health districts that failed to conduct a full stocktake in 2012-13 were the Western Sydney and Murrumbidgee local health districts.

According to the Ministry's asset stocktake policy, all local health districts must stocktake their plant and equipment annually. All local health districts should plan their 2013-14 stocktakes to ensure they are completed and relevant accounting records are updated before 30 June 2014.

Annual stocktakes are an important control in safeguarding assets and without them, the risk of theft or misappropriation increases. The combined gross value of plant and equipment owned by local health districts at 30 June 2013 was $1.4 billion.

The 2012-13 stocktakes identified 2,627 assets with a gross cost of $12.0 million that had to be written off because they were either missing or damaged.

Performance

Service Agreements between the Ministry of Health and Health Entities
contain performance requirements relating to:

- **Patient flow and activity**
- **Service access**
- **Safety and quality**

NSW Health maintained or bettered its State average emergency department triage performance despite attendances increasing by three per cent

Emergency Department Response Times

In 2012-13, there were 2,614,929 emergency department attendances at NSW hospitals compared to 2,537,681 in 2011-12, an increase of 77,248 or three per cent. Despite the increase, NSW Health maintained or bettered its 2011-12 State averages for treating patients within triage target timeframes across all five categories. The Local Health Districts/Specialty Networks Information section of this report contains a breakdown of emergency department attendances by district/network.

Emergency departments use triage to determine the priority for clinical care for each patient as they present to the emergency department. Appropriate triaging of patients ensures they are treated in a timely manner, according to the clinical urgency of their condition. NSW Health uses the triage targets recommended by the Australasian College of Emergency Medicine as a measure of the local health districts' and networks' performance. The following table shows how the fifteen local health districts and the Sydney Children's Hospitals Network performed against those targets.

	Percentage of patients treated within clinically appropriate timeframes									
Category	**T1**		**T2**		**T3**		**T4**		**T5**	
Target (%)	**100**		**80**		**75**		**70**		**70**	
Year ended 30 June	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Central Coast	100	100	73	69	67	66	68	65	90	88
Far West	100	100	88	85	84	83	86	83	89	91
Hunter New England	100	100	83	82	76	74	78	75	91	89
Illawarra Shoalhaven	100	100	89	91	72	73	74	73	91	90
Mid North Coast	100	100	86	81	75	70	80	78	94	93
Murrumbidgee	100	100	82	82	74	76	76	77	92	91
Nepean Blue Mountains	100	100	84	79	80	76	85	81	93	93
Northern NSW	100	100	87	77	75	67	78	72	92	90
Northern Sydney	100	100	85	78	78	73	80	74	92	88
South Eastern Sydney	100	100	87	87	78	75	85	83	96	95
South Western Sydney	100	100	85	85	76	74	79	78	93	93
Southern NSW	100	100	70	55	68	59	72	67	88	86
Sydney	100	100	75	82	60	66	70	73	90	88
Sydney Children's Hospitals	100	100	86	90	67	70	65	66	88	79
Western NSW	100	100	83	83	76	69	82	75	93	90
Western Sydney	100	100	83	85	59	61	67	63	88	84
NSW State Average	**100**	**100**	**83**	**82**	**73**	**71**	**77**	**74**	**92**	**89**

Key:

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

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

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

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

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

Source: NSW Ministry of Health (unaudited).

The table shows:

- all entities achieved the T1 target of 100 per cent for the second consecutive year
- Far West, Hunter New England, Mid North Coast, Nepean Blue Mountains, Northern NSW, Northern Sydney, South Eastern Sydney, South Western Sydney and Western NSW local health districts met all triage targets in 2012-13
- only Far West and South Eastern Sydney local health districts met all triage targets for the second consecutive year
- three local health districts did not achieve the T2 target (five local health districts in 2011-12)
- six local health districts and the Sydney Children's Hospitals Network did not achieve the T3 target (11 local health districts and the Sydney Children's Hospitals Network in 2011-12)
- two local health districts and the Sydney Children's Hospitals Network did not achieve the T4 target (three local health districts and the Sydney Children's Hospitals Network in 2011-12).

Only Central Coast Local Health District failed to meet three of the five emergency department triage targets in 2012-13 and 2011-12

While Central Coast Local Health District maintained or improved its triage performance across all five categories, it still failed to meet the targets for treating imminently life threatening (T2), potentially life threatening (T3) and potentially serious incidents (T4) for the second consecutive year. The Central Coast Local Health District advises this was largely due to a significant increase in the number of patients in these triage categories. In 2012-13, there was a ten per cent increase in T2 patients, eight per cent increase in T3 patients and a six per cent increase in T4 patients compared to the previous year.

Southern NSW Local Health District also maintained or improved its triage performance across all five categories, but it again did not meet the targets for treating imminently life threatening (T2) and potentially life threatening (T3) incidents. Southern NSW Local Health District advises this was largely due to changing patterns of demand, including increases in T2 and T3 presentations. The District is addressing this through changes in emergency department models of care and adopting a whole-of-hospital approach to patient flow.

While nine of the local health districts/networks met the T3 target, two of the larger local health districts, namely Western Sydney and Sydney only achieved 59 per cent and 60 per cent respectively. Western Sydney Local Health District advised the decline in its performance was largely due to T1 and T2 emergency departments attendances increasing by a massive 17.3 per cent and 31.1 per cent respectively compared to 2011-12. The increase in immediately and imminently life threatening attendances needs focused resources and staff, which may impact the emergency department's ability to commence care for patients in the T3 category. Sydney Local Health District advises the decline in its T3 performance was largely due to emergency department attendances increasing by 3.6 per cent, much higher than the State average increase of two per cent.

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

Year ended 30 June NSW State average	**Percentage of patients treated within clinically appropriate timeframes (%)**				
Triage category	**Target**	**2013**	**2012**	**2011**	**2010**
T1	100	100	100	100	100
T2	80	83	82	83	82
T3	75	73	71	71	70
T4	70	77	74	73	73
T5	70	92	89	88	89

Source: NSW Ministry of Health (unaudited).

Despite maintaining or improving its performance across all five triage categories, NSW Health again failed to meet the target for T3 for the fourth consecutive year. NSW Health is continuously reviewing models of care within emergency departments to improve its T3 performance and improve patient flow and access to care. For example, where appropriate, health entities have implemented the state-wide Senior Assessment and Streaming model of care, which improves patient access to senior decision making clinicians immediately following triage.

Interstate Comparison

The following information, based on 2012-13 statistics, compares NSW public acute hospitals with other jurisdictions.

NSW Health compares favourably against national emergency department averages

Year ended 30 June		2013				2012	
		Vic	Qld	NSW*	National	NSW*	National
Emergency department waiting times by Triage category (percentage of patients treated within benchmark time)	T1 Resuscitation	100	100	100	100	100	100
	T2 Emergency	84	84	83	82	82	80
	T3 Urgent	72	68	73	68	70	65
	T4 Semi-urgent	68	74	77	72	72	68
	T5 Non-urgent	87	92	92	91	87	88
Median waiting times (minutes)		20	18	17	19	19	21

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

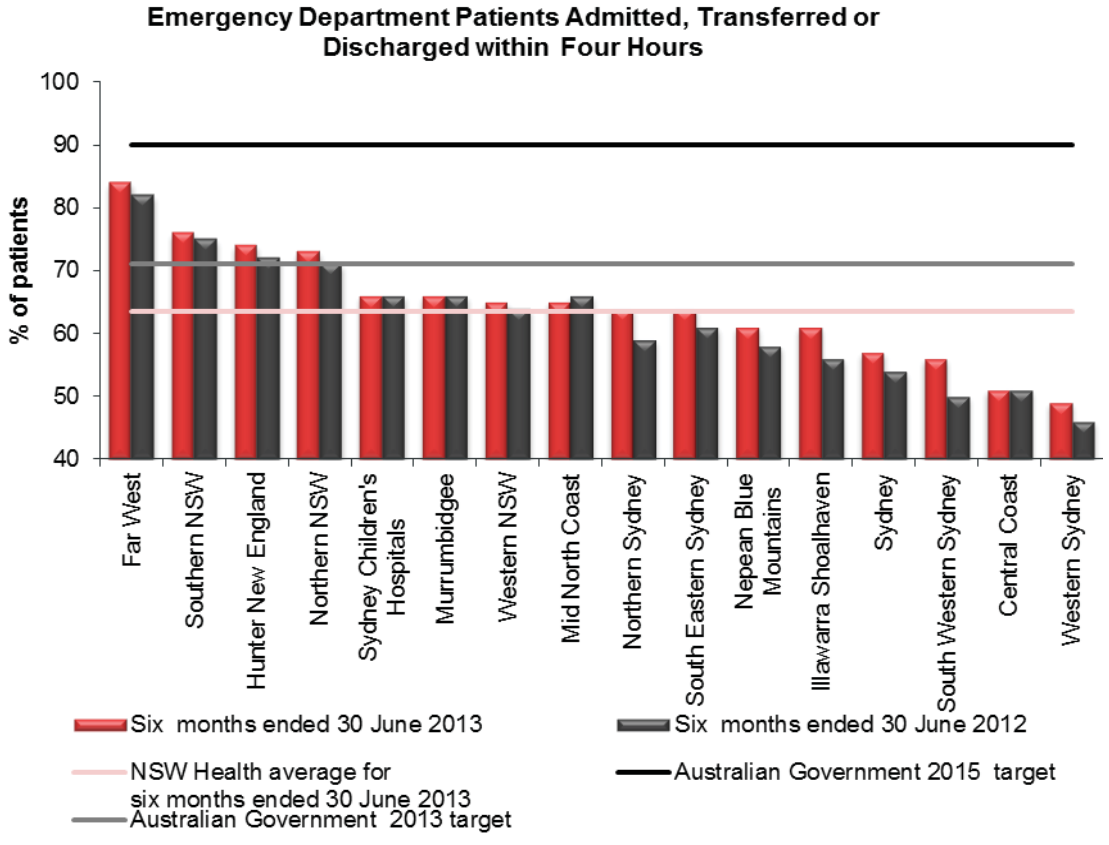
Source: Australian Institute of Health and Welfare - Australian Hospital Statistics 2012-13 Emergency Department Care (unaudited).

New South Wales emergency department triage performance is equal to or better than the national average in all triage categories. In 2012-13, New South Wales' performance is equal to or better than Queensland (all categories) and Victoria (all triage categories except T2).

National Emergency Access Target

As part of the national health reform, the Australian Government introduced a more contemporary measure of emergency admission performance, the 'National Emergency Access Target' (NEAT) from 1 January 2012. NEAT measures the percentage of patients admitted, transferred or discharged within four hours of presenting to the emergency department. As a result of introducing NEAT, the Ministry no longer uses its 'Emergency Admission' measure of admitting a patient into a hospital bed within eight hours.

NSW Health is getting better at admitting, transferring or discharging emergency department patients within four hours, but remains below the Australian Government's target



Source: NSW Ministry of Health (unaudited).

While all local health districts and the Sydney Children's Hospitals Network improved or maintained their performance against the NEAT target, only Far West, Southern NSW, Hunter New England and Northern NSW local health districts met the Australian Government's 2013 target of 71 per cent for the six months ended 30 June 2013. The State average for the six months ended 30 June 2013 was 63.6 per cent. The Ministry advises this had improved to 71 per cent for the month of October 2013.

Western Sydney and Central Coast local health districts admitted, transferred or discharged the lowest percentage of emergency department patients within four hours, achieving only 49 per cent and 51 per cent respectively. Six local health districts were below the State average of 63.6 per cent for the six months ended 30 June 2013. The Local Health Districts/Specialty Networks Information section of this report contains a breakdown of NEAT performance by district/network.

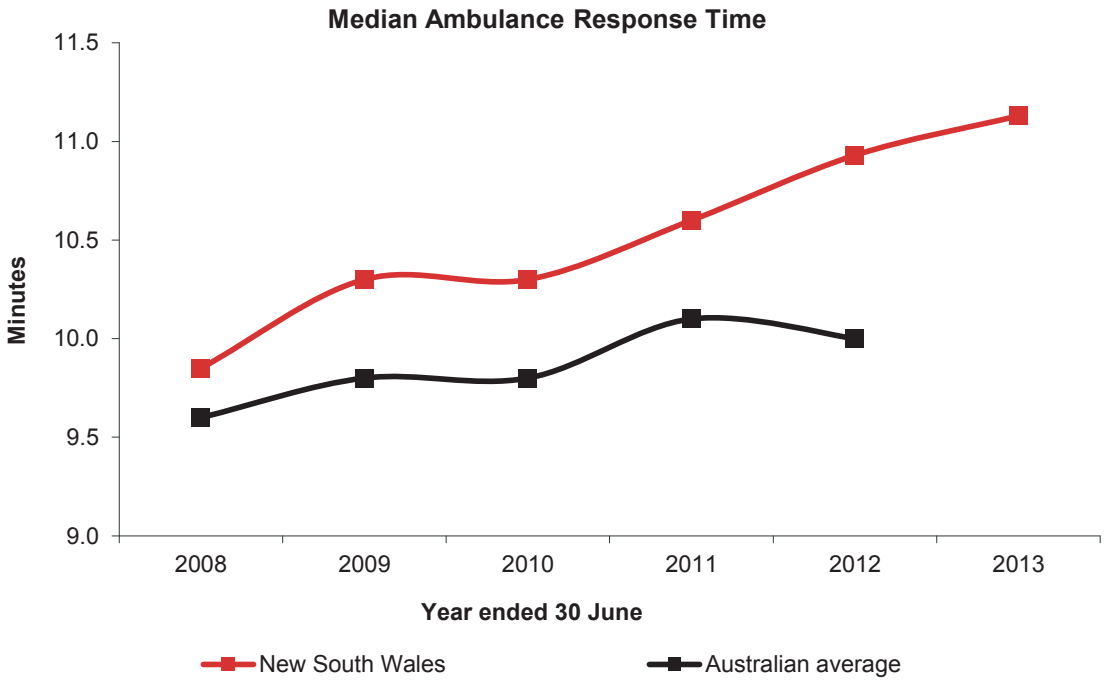
From 1 January 2015, the Australian Government has set a target of 90 per cent. The Ministry advises this is a very ambitious target, given increasing emergency department demand, but NSW Health is making every effort to meet it in 2015.

Increasing Ambulance Response Times

The average ambulance response time continues to increase

In New South Wales, the median (50th percentile) ambulance response time for potentially life threatening cases continues to rise, increasing from 10.9 minutes in 2011-12 to 11.1 minutes in 2012-13. In the Sydney metropolitan area it was 11.2 minutes (10.7 minutes in 2011-12). The Ambulance Service advises the longer response time is due to factors such as increasing ambulance transports to emergency departments and hospital delays that impact the availability of ambulances to respond to emergency incidents.

While New South Wales' response time continues to increase, the national average dropped in 2011-12 for the first time in four years. The Australian average response time for 2012-13 was not available at the time of preparing this report.



Source: Report on Government Services 2013, Volume 1: Emergency Management Table 9A.40 and the Ambulance Service of New South Wales (unaudited).

Since 2007-08, the national median response time has increased by 4.2 per cent, from 9.6 minutes in 2007-08 to 10.0 minutes in 2011-12. In comparison, the New South Wales response time has increased by 10.1 per cent, from 9.9 minutes to 10.9 minutes over the same period.

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

Transfer of Care

Transfer of care from the ambulance to the emergency department remains below the Ministry's target

The timely transfer of ambulance patients into hospital emergency departments is an important measure in the delivery of quality healthcare services. This measure is known as 'transfer of care'. The performance of NSW Health for each quarter since the measure was introduced in April 2012 is:

	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012
Ambulance arrivals with transfer of care time	115,857	114,259	116,912	118,167	111,574
Arrivals with transfer of care within 30 minutes (%)	83	84	83	72	74
Target (%)	90	90	90	90	90
Median transfer of care (minutes)	13	13	13	16	16

Source: Bureau of Health Information, Hospital Quarterly, Performance of NSW public hospitals April to June 2013, Emergency Departments (unaudited).

Since October 2012, the median transfer of care time from the ambulance to the emergency department has been maintained at 13 minutes. The percentage of arrivals transferred into the care of emergency departments within 30 minutes has also generally been maintained at around 83 per cent, but remains below the Ministry's target of 90 per cent.

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

The Bureau of Health Information introduced the transfer of care measure because it believed the off stretcher time measure (see below) was not the best measure from a patient and healthcare system perspective. However, it agreed off stretcher time remains relevant in terms of assessing ambulance availability.

Ambulance Availability - Off Stretcher Time

One in three ambulance crews are off the road for more than 30 minutes when transferring a patient to a hospital

On average, 642 or 36.4 per cent of ambulance presentations to a hospital each day were delayed at the hospital for more than 30 minutes in 2012-13. This compares to 571 or 33.3 per cent in 2011-12. Over the year, these delays totalled 85,227 hours of lost time, which the Ambulance Service equates to $7.2 million ($6.9 million in 2011-12). Some statistics on ambulance delays at hospitals are:

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

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

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

In 2012-13, the Ambulance Service transported 644,416 patients to hospitals, an increase of 2.6 per cent when compared to 2011-12. One in three patients had the ambulance crew at the hospital for more than 30 minutes before being transferred to the care of hospital staff and the crew returning to the vehicle to record their departure time. This elapsed time is known as 'off stretcher time' and differs from transfer of care because it includes time taken for the ambulance crew to return to their vehicle.

Under current NSW Health practice, ambulance officers must stay with their patient until hospital staff have triaged and transferred them into their care. In busy times, patients with less urgent ailments may wait some time for this to happen and ambulance officers must stay with them.

In July 2013, a performance audit on ambulance turnaround time at hospitals made recommendations to reduce the time paramedics spend at emergency departments. For a copy of the report, please refer to http://www.audit.nsw.gov.au/Publications/Performance-Audit-Reports.

Bed Numbers and Occupancy

On average, 24,857 beds and treatment spaces were available across NSW Health in June 2013 (24,705 beds in June 2012). The Ministry advises the increase in available beds and treatment spaces was largely due to ongoing investment in additional hospital capacity, as well as other strategies aimed at making more hospital beds available, in line with the NSW Government's commitments.

The table below summarises beds and treatment spaces for NSW Health and bed occupancy. The bed occupancy rate measures bed usage efficiency. The rate is the percentage of open and occupied beds available during the reporting period. It measures the use of hospital resources by inpatients and is based on major facilities.

NSW State average	2013	2012	2011	2010
Average beds available for admission from emergency department (June)[1]	13,444	13,519	13,466	13,452
Average other hospital beds available (June)	5,409	5,312	5,203	5,090
Average other available beds (June)[2]	2,334	2,213	2,082	2,150
Average treatment spaces available (June)[3]	3,670	3,661	3,598	3,566
Total beds and treatment spaces	**24,857**	**24,705**	**24,349**	**24,258**
Bed occupancy (%) (June)	87.8	85.2	89.1	88.3

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

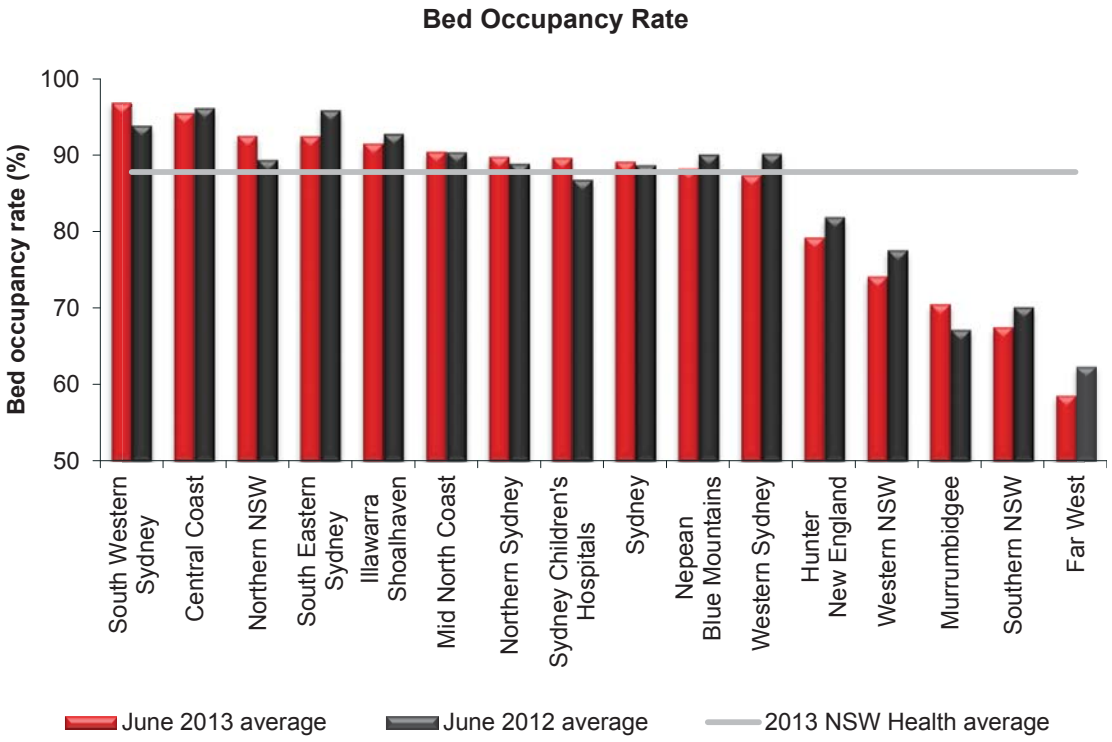
2 Other beds include Hospital in the Home and Residential/Community Aged Care and Respite beds.

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

Source: NSW Ministry of Health (unaudited).

In June 2013, the bed occupancy rate for local health districts ranged from a high of 96.0 per cent (South Western Sydney Local Health District) to a low of 58.6 per cent (Far West Local Health District). Six local health districts had a higher occupancy rate in June 2013 compared to June 2012.

The NSW Health bed occupancy in June 2013 was 87.8 per cent (85.2 per cent in June 2012)



Source: NSW Ministry of Health (unaudited).

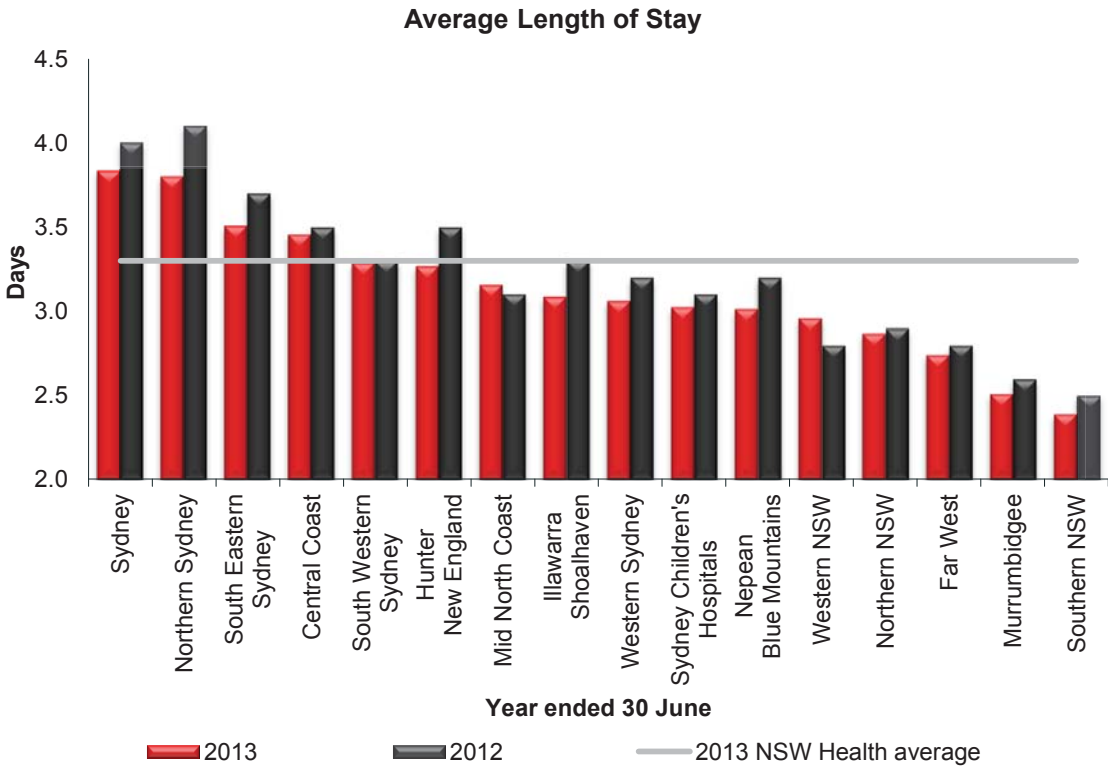
The metropolitan bed occupancy rate was significantly higher than most rural areas. The Local Health Districts/Specialty Networks Information section of this report contains the bed occupancy statistics for each local health district/network.

Average Length of Stay in Hospital

Average length of stay measures the average time patients spend when admitted to hospital and is an indicator of hospital efficiency. The length of stay will vary depending to the procedures undertaken and patient condition. Over the years, the length of inpatient stay has reduced because of:

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

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



Source: NSW Ministry of Health (unaudited).

On average, patients are spending 3.3 days in hospital

In 2012-13, the State-wide average length of stay for acute separations was 3.3 days (3.2 days in 2011-12). Sydney Local Health District recorded the highest average length of stay of 3.8 days (4.1 days for Northern Sydney Local Health District), while once again Southern NSW Local Health District recorded the lowest average length of stay of 2.4 days (2.5 days). The average length of stay in ten of the 15 local health districts and the Sydney Children's Hospitals Network reduced from the previous year.

Generally, metropolitan areas have a slightly higher average length of stay than rural areas, because they deal with more complex patient conditions. The State-wide average length of stay excludes the Justice and Forensic Mental Health Network. The Local Health Districts/Special Networks Information section of this report contains the average length of stay statistics for each local health district/network.

Interstate Comparison

The following information, based on 2011-12 statistics, compares NSW public acute hospitals with other jurisdictions. Each jurisdiction has a different patient mix and accounting mechanism and the data should be considered in this context.

Year ended 30 June	2012				2011	
	Vic	Qld	NSW*	National	NSW*	National
Average available public hospital beds per 1,000 population	2.4	2.5	2.8	2.6	2.8	2.6
Average length of stay including day surgery (days)	2.9	2.9	3.3	3.0	3.3	3.0

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

Source: Australian Institute of Health and Welfare - Australian Hospital Statistics 2011-12 (unaudited).

The Australian Institute of Health and Welfare believes the concept of an available bed is becoming less important, particularly with increasing same day hospitalisations and Hospital in the Home care. It also believes different case mixes in hospitals affect the comparability of bed numbers.

Elective Surgery Waiting Times

NSW Health had 216,106 elective surgery admissions in 2012-13, some 2.2 per cent more than last year

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

In 2012-13, there were 216,106 admissions (211,452 admissions in 2011-12) for planned surgery in NSW public hospitals, representing a 2.2 per cent increase from the previous year. The Local Health Districts/Specialty Networks Information section in this report contains a breakdown of admissions by local health district/network.

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

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

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

Year ended 30 June	Percentage of patients admitted for booked surgery within clinically appropriate timeframes (%)					
	Category 1 within 30 days		Category 2 within 90 days		Category 3 within 365 days	
Target (%)	96		90		92	
Year	2013	2012	2013	2012	2013	2012
Central Coast	99	97	95	88	94	91
Far West	100	98	95	90	100	100
Hunter New England	98	92	93	91	93	92
Illawarra Shoalhaven	97	92	91	89	95	93
Mid North Coast	95	85	88	83	91	86
Murrumbidgee	98	90	96	91	93	90
Nepean Blue Mountains	97	96	89	82	84	78
Northern NSW	98	89	95	86	97	93
Northern Sydney	97	95	92	93	92	97
South Eastern Sydney	94	91	92	92	91	92
South Western Sydney	96	91	95	88	93	92
Southern NSW	99	94	97	93	98	92
Sydney	100	99	100	97	100	98
Sydney Children's Hospitals	99	98	93	89	94	92
Western NSW	98	97	95	90	93	92
Western Sydney	99	97	94	91	95	93
NSW State Average	**98**	**94**	**94**	**90**	**94**	**92**

Source: NSW Ministry of Health (unaudited).

Only Mid North Coast did not achieve all the elective surgery targets in 2012-13

The table shows:

Category 1

- Sydney and Far West local health districts achieved the highest compliance of 100 per cent (99 per cent for Sydney Local Health District in 2011-12)
- South Eastern Sydney Local Health District achieved the lowest compliance of 94 per cent (85 per cent for Mid North Coast Local Health District).

Category 2

- Sydney Local Health District once again achieved the highest compliance of 100 per cent (97 per cent)
- Mid North Coast Local Health District achieved the lowest compliance of 88 per cent (82 per cent for Nepean Blue Mountains Local Health District).

Category 3

- Sydney and Far West local health districts achieved the highest compliance of 100 per cent (100 per cent for Far West Local Health District)
- Nepean Blue Mountains Local Health District once again achieved the lowest compliance of 84 per cent (78 per cent).

Overdue patients

At 30 June 2013, there were 731 patients who were still waiting for elective surgery beyond the clinical priority timeframe (304 patients at 30 June 2012). The Ministry is continuously working with the local health districts and Sydney Children's Hospitals Network to ensure all patients undergo their elective surgery within the clinically recommended timeframe.

At 30 June 2013, there were 731 overdue patients waiting for elective surgery

At 30 June	Number of overdue patients	
	2013	2012
Surgical Waiting List		
Category 1	6	24
Category 2	201	103
Category 3	524	177
Total	**731**	**304**

Source: NSW Ministry of Health (unaudited).

Below is the NSW State average of patients treated within clinically recommended timeframes for the last four years. It shows that in 2012-13, the State's performance improved in all categories.

NSW State average	Percentage of patients admitted for booked surgery within clinically recommended timeframes (%)			
Year ended 30 June	2013	2012	2011	2010
Category 1	98	94	93	92
Category 2	94	90	90	84
Category 3	94	92	92	89

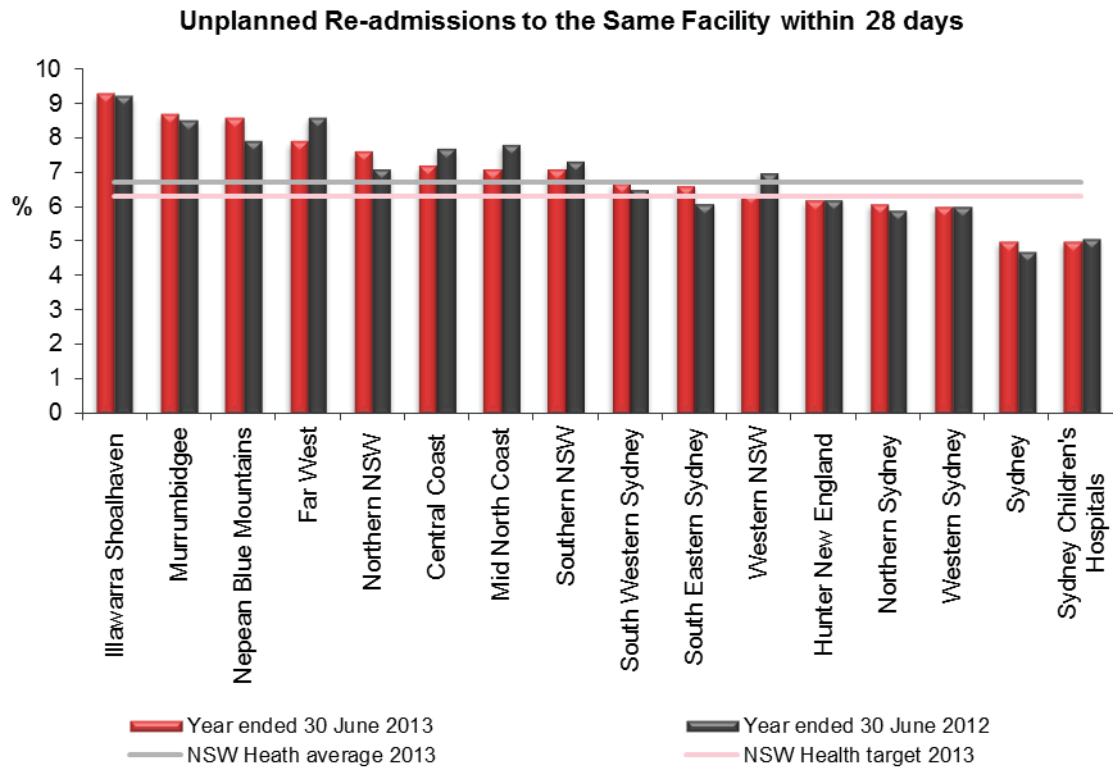
Source: NSW Ministry of Health (unaudited).

In 2012-13, 6.7 per cent of patients returned to hospital unexpectedly within 28 days of their original discharge

Unplanned Re-admissions

Unplanned re-admissions occur when discharged patients return to the same hospital unexpectedly. Monitoring the number of patients who experience unplanned re-admissions to a hospital after a previous hospital stay is one way NSW Health judges the quality of hospital care. An example of an unplanned readmission is someone who is re-admitted to the hospital for a surgical wound infection that occurred after their initial hospital stay.

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



Source: NSW Ministry of Health (unaudited).

Illawarra Shoalhaven, Murrumbidgee and Nepean Blue Mountains local health districts had the highest re-admission rates in 2012-13

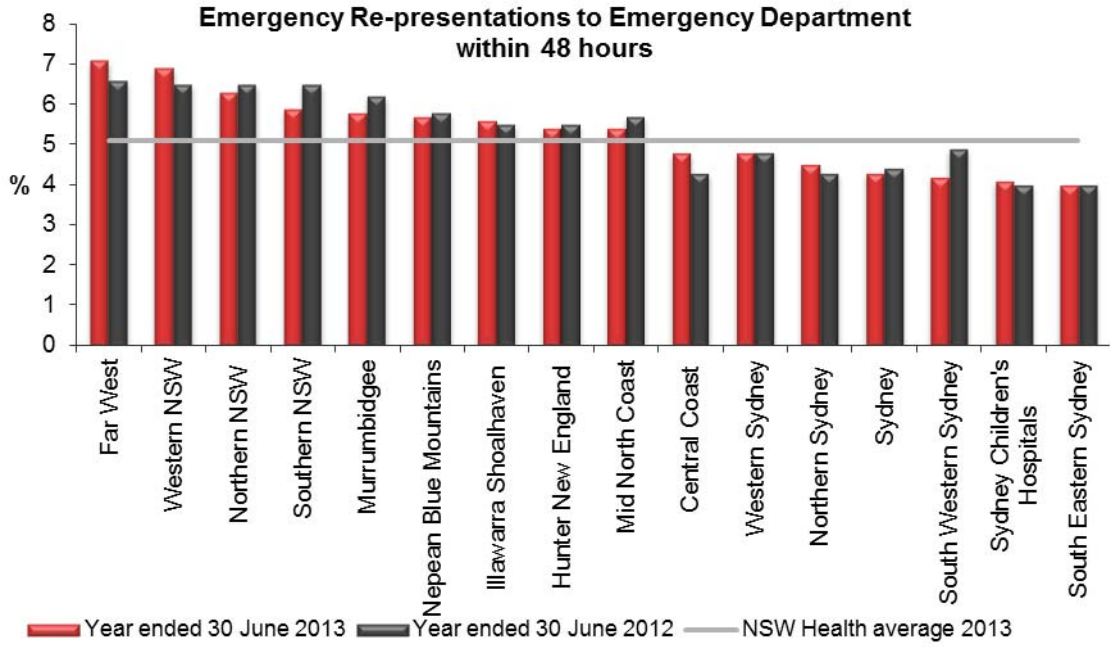
Unplanned hospital re-admissions for Illawarra Shoalhaven, Murrumbidgee and Nepean Blue Mountains local health districts were significantly higher than the State average, ranging from 8.6 per cent to 9.3 per cent of patients. Sydney Local Health District and Sydney Children's Hospitals Network had the lowest readmission rate of 5.0 per cent. The Local Health Districts/Specialty Networks Information section of this report contains re-admission statistics for each local health district/network.

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

The Ministry, the Clinical Excellence Commission and local health districts are also reviewing unplanned re-admission indicators, their meaning and interpretation, and ways to reduce re-admissions that are potentially avoidable.

Unplanned Emergency Department Re-presentations

The graph below shows unplanned re-presentations to emergency departments within 48 hours of being discharged for each local health district and the Sydney Children's Hospitals Network in 2012-13.



Source: NSW Ministry of Health (unaudited).

Patients treated in rural emergency departments are more likely to return within 48 hours than patients attending metropolitan or regional emergency departments

Patients attending rural emergency departments are more likely to re-present to the emergency department within 48 hours of being discharged than regional or metropolitan emergency departments. Far West Local Health District had the highest re-presentation rate of 7.1 per cent, while South Eastern Sydney Local Health District had the lowest rate of four per cent. The Local Health Districts/Specialty Networks Information section of this report contains re-presentation statistics for each local health district/network.

The Ministry advises unplanned re-presentations should be interpreted with caution, particularly in regional and rural hospitals. This is because higher than average rates of unplanned emergency re-presentations in these hospitals may reflect clinical models of care where emergency departments provide primary healthcare services, due to a lack of these services in those communities. Also, the Ministry advises that sometimes a planned clinical follow up is incorrectly recorded as an unplanned re-presentation to emergency.

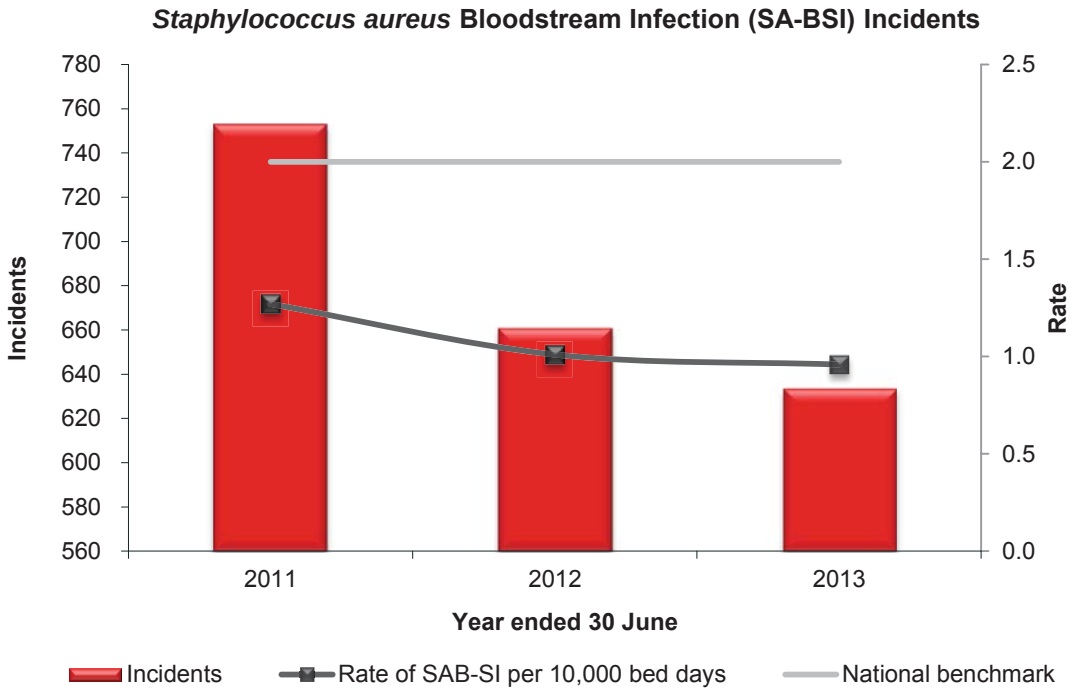
Healthcare Associated Infection

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

The incidence of SA-BSI is used as a surveillance indicator that may point to areas requiring further safety and quality investigation or action. The benchmark, set by the Council of Australian Governments, is two SA-BSI cases per 10,000 bed days.

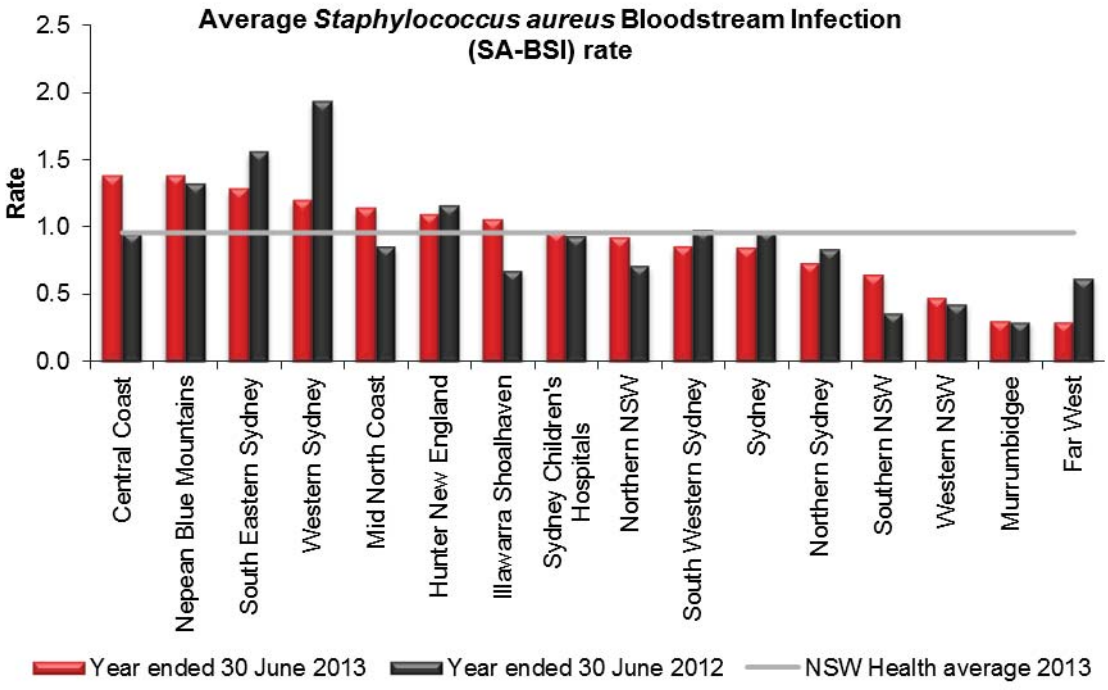
As shown in the graph below, NSW hospitals have consistently averaged less than two SA-BSI cases per 10,000 bed days, with the average being 0.96 cases per 10,000 bed days in 2012-13 (1.0 cases in 2011-12).

The rate of healthcare associated infection remains low in NSW public hospitals



Source: NSW Ministry of Health (unaudited).

This is the third year the rate of SA-BSI in NSW Health was below the national benchmark. The number of SA-BSI incidents fell from 661 in 2011-12 to 634 in 2012-13. The performance for each local health district and the Sydney Children's Hospitals Network was:



Source: NSW Ministry of Health (unaudited).

In 2012-13, Central Coast and Nepean Blue Mountains local health districts recorded the highest frequency per 10,000 bed days of SA-BSI, at 1.39 cases per 10,000 bed days. Western Sydney Local Health District significantly reduced its SA-BSI incident rate to 1.21 per 10,000 bed days in 2012-13. The Ministry advises this was due to a number of targeted strategies including:

- better hand hygiene rates
- introduction of a Peripheral Intravenous Line Cannula (PIVC) policy, as the district had identified PIVC infections as a major cause of SA-BSI

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

Financial Information

NSW Health Abridged Statement of Comprehensive Income

Year ended 30 June	2013 $'000	2012 $'000
Employee related expenses	10,262,357	10,096,530
Depreciation and amortisation	586,781	535,422
Grants and subsidies	1,233,511	1,110,497
Finance costs	40,122	44,143
Other expenses	4,803,327	4,675,865
Total expenses	**16,926,098**	**16,462,457**
Government contributions	10,266,790	14,121,101
Sale of goods and services	2,207,901	1,956,814
Grants and contributions	4,678,169	376,826
Other revenue	202,917	184,117
Total revenue	**17,355,777**	**16,638,858**
Other losses	(154,334)	(86,887)
Net result - surplus	**275,345**	**89,514**
Other comprehensive income		
Net increase in revaluation of assets	526,297	139,173
Total other comprehensive income	**526,297**	**139,173**
Total comprehensive income	**801,642**	**228,687**

Employee related expenses increased by $166 million, or 1.6 per cent, from the previous year. This was largely due to employee award rate increases and an increase in full time equivalent employees. Grants and subsidies expense increased largely due to a $55.0 million capital grant to Westmead Millennium Institute for the construction of a new medical research facility at Westmead Hospital.

Government contributions decreased by $3.9 billion, or 27.3 per cent, from the previous year, due to the new national health funding arrangement with the Australian Government. The Ministry now directly receives the Australian Government's contribution towards health services and recognises it as grants and contributions. In 2012-13, it received $4.3 billion from the Australian Government for services captured under the national health reform agreement.

NSW Health Abridged Statement of Financial Position

At 30 June	2013 $'000	2012 $'000
Current assets	2,273,165	2,100,815
Non-current assets	12,438,682	10,981,575
Total assets	**14,711,847**	**13,082,390**
Current liabilities	2,904,979	2,759,648
Non-current liabilities	1,166,336	559,564
Total liabilities	**4,071,315**	**3,319,212**
Net assets	**10,640,532**	**9,763,178**

The increase in non-current assets was due to NSW Health spending over $984 million on health sector upgrades and redevelopments. NSW Health also recognised assets valued at $620 million comprising new buildings constructed as part of the Royal North Shore Hospital public-private partnership.

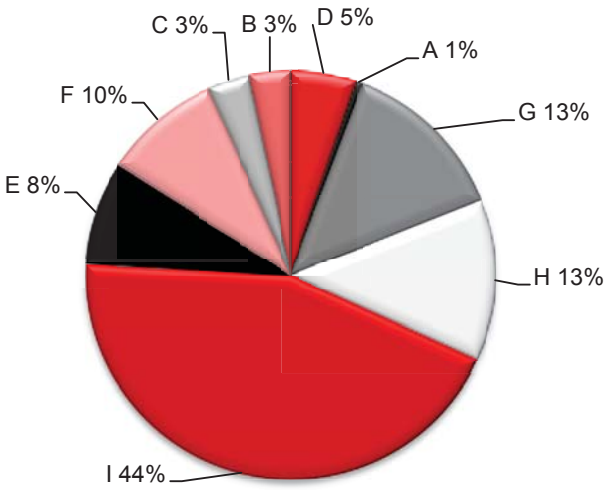
The Royal North Shore public-private partnership was also the main reason for the increase in non-current liabilities. Under the partnership arrangement, NSW Health will repay the $620 million loan over 26 years.

Abridged Service Group Statements

Year ended 30 June	Total Expenses Excluding Losses		
	2013 Budget $'000	2013 Actual $'000	2012 Actual $'000
Primary and community based services	1,227,600	873,300	874,924
Aboriginal health services	100,200	85,950	84,086
Outpatient services	1,717,300	2,265,004	2,227,237
Emergency services	1,836,200	2,163,617	2,193,120
Inpatient hospital services	8,239,100	7,454,103	7,092,254
Mental health services	1,412,200	1,382,593	1,384,594
Rehabilitation and extended care services	1,324,000	1,590,436	1,579,441
Population health services	405,000	563,446	560,266
Teaching and research	839,400	547,649	466,535
Total	**17,101,000**	**16,926,098**	**16,462,457**

In 2012-13, actual expenses in four of the nine service groups were higher than budget. Outpatient services recorded the highest unfavourable percentage variance, with actual expenses exceeding budget by $548 million, or 31.9 per cent. The Ministry advises the variances are due to the impact of the revised Independent Hospital Pricing Authority clinical service definitions implemented in 2012-13, which comply with the national health reform funding agreement. The 2012-13 budget figures were prepared using different definitions. Overall, total expenditure was $175 million, or one per cent lower than budget.

Proportion of Total Expenses Excluding Losses by Service Group
Year ended 30 June 2013



A Aboriginal health services
B Population health services
C Teaching and research
D Primary and community based services
E Mental health services
F Rehabilitation and extended care services
G Outpatient services
H Emergency services
I Inpatient hospital services

Source: Audited financial statements.

Local Health Districts/Speciality Health Networks Information

Local Health District	Central Coast		Far West		Hunter New England	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income Year ended 30 June						
Employee related expenses	425,390	425,414	57,875	53,437	1,047,438	1,012,527
All other expenses excluding losses	211,142	230,453	40,487	37,841	766,497	747,160
Total expenses	**636,532**	**655,867**	**98,362**	**91,278**	**1,813,935**	**1,759,687**
Government contributions	559,935	536,894	90,916	72,916	1,559,474	1,499,307
Other revenue	90,962	113,318	12,931	12,344	289,712	256,443
Total revenue	**650,897**	**650,212**	**103,847**	**85,260**	**1,849,186**	**1,755,750**
Gains/(losses)	177	(2,491)	(258)	(287)	(5,332)	(3,310)
Net result - surplus/(deficit)	**14,542**	**(8,146)**	**5,227**	**(6,305)**	**29,919**	**(7,247)**
Other comprehensive income	6,934	15,510	1,837	2,507	56,183	--
Total comprehensive income/(expense)	**21,476**	**7,364**	**7,064**	**(3,798)**	**86,102**	**(7,247)**
Abridged Statement of Financial Position At 30 June						
Current assets	38,308	42,673	4,338	3,116	181,607	175,453
Non-current assets	524,724	506,996	92,418	86,125	1,238,045	1,166,965
Total assets	**563,032**	**549,669**	**96,756**	**89,241**	**1,419,652**	**1,342,418**
Current liabilities	101,956	115,630	14,678	14,336	287,357	290,756
Non-current liabilities	133	285	51	51	127,349	135,217
Total liabilities	**102,089**	**115,915**	**14,729**	**14,387**	**414,706**	**425,973**
Net assets	**460,943**	**433,754**	**82,027**	**74,854**	**1,004,946**	**916,445**

Local Health District	Central Coast		Far West		Hunter New England	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators						
Emergency department attendances	116,937	113,531	29,467	29,997	386,078	386,772
Emergency admission performance (national emergency access target) (%) (a)	51	51	84	82	74	72
Bed occupancy rate (%) (b)	95.5	96.2	58.6	62.4	79.3	81.9
Average length of stay (days) (c)	3.5	3.5	2.7	2.8	3.3	3.5
Elective surgery – booked surgery admissions	10,220	10,172	1,102	1,189	29,449	29,127
Unplanned readmissions within 28 days (%)	7.2	7.7	7.7	8.6	6.2	6.2
Emergency re-presentations to emergency departments within 48 hours (%)	4.8	4.3	7.1	6.6	5.4	5.5
Financial Indicators						
Current ratio at 30 June (d)	0.38	0.37	0.30	0.22	0.63	0.60
Employee related expenses as a percentage of total expenses (%)	66.8	64.9	58.8	58.5	57.7	57.5
Overtime payments as a percentage of salaries and wages (%)	5.4	5.7	4.6	4.9	4.1	4.5

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

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

c Average length of stay - average time patients spend when admitted to hospital.

d Current ratio - current assets divided by current liabilities.

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

Local Health District	Illawarra Shoalhaven		Mid North Coast		Murrumbidgee	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income Year ended 30 June						
Employee related expenses	471,348	449,329	285,903	266,663	256,863	250,274
All other expenses excluding losses	253,508	246,251	197,102	195,494	217,897	228,053
Total expenses	**724,856**	**695,580**	**483,005**	**462,157**	**474,760**	**478,327**
Government contributions	666,570	623,427	441,337	405,862	412,497	406,099
Other revenue	103,333	93,493	71,820	63,122	91,392	86,687
Total revenue	**769,903**	**716,920**	**513,157**	**468,984**	**503,889**	**492,786**
Losses	(851)	(763)	(1,390)	(1,260)	(163)	(7,809)
Net result - surplus	**44,196**	**20,577**	**28,762**	**5,567**	**28,966**	**6,650**
Other comprehensive income	6,541	28,645	--	3,696	19,336	--
Total comprehensive income	**50,737**	**49,222**	**28,762**	**9,263**	**48,302**	**6,650**
Abridged Statement of Financial Position At 30 June						
Current assets	71,776	61,386	45,079	33,262	23,900	32,005
Non-current assets	471,607	424,251	295,947	266,853	329,950	281,132
Total assets	**543,383**	**485,637**	**341,026**	**300,115**	**353,850**	**313,137**
Current liabilities	107,046	100,333	80,635	68,884	61,963	68,057
Non-current liabilities	378	1,062	641	830	423	1,582
Total liabilities	**107,424**	**101,395**	**81,276**	**69,714**	**62,386**	**69,639**
Net assets	**435,959**	**384,242**	**259,750**	**230,401**	**291,464**	**243,498**

Local Health District	Illawarra Shoalhaven		Mid North Coast		Murrumbidgee	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators						
Emergency department attendances	142,105	136,933	112,234	115,793	139,172	116,636
Emergency admission performance (national emergency access target) (%) (a)	61	56	65	66	66	66
Bed occupancy rate (%) (b)	91.5	92.8	90.4	90.4	70.6	68.0
Average length of stay (days) (c)	3.1	3.3	3.2	3.1	2.5	2.6
Elective surgery – booked surgery admissions	11,833	12,056	9,793	9,217	6,988	6,880
Unplanned readmissions within 28 days (%)	9.3	9.2	7.1	7.8	8.6	8.5
Emergency re-presentations to emergency departments within 48 hours (%)	5.6	5.5	5.4	5.7	5.8	6.2
Financial Indicators						
Current ratio at 30 June (d)	0.67	0.61	0.56	0.48	0.39	0.47
Employee related expenses as a percentage of total expenses (%)	65.0	64.6	59.2	57.7	54.1	52.3
Overtime payments as a percentage of salaries and wages (%)	5.3	6.0	4.7	5.2	4.4	4.8

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

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

c Average length of stay - average time patients spend when admitted to hospital.

d Current ratio - current assets divided by current liabilities.

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

Local Health District	Nepean Blue Mountains		Northern NSW		Northern Sydney	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income Year ended 30 June						
Employee related expenses	362,256	340,185	375,592	354,768	812,146	743,611
All other expenses excluding losses	245,045	238,231	258,452	252,079	482,739	491,291
Total expenses	**607,301**	**578,416**	**634,044**	**606,847**	**1,294,885**	**1,234,902**
Government contributions	563,150	541,597	549,693	495,404	1,129,788	1,075,346
Other revenue	76,640	57,706	82,698	116,972	239,500	215,506
Total revenue	**639,790**	**599,303**	**632,391**	**612,376**	**1,369,288**	**1,290,852**
Gains/(losses)	967	(8,483)	(59)	(1,200)	(62,738)	(10,777)
Net result - surplus/(deficit)	**33,456**	**12,404**	**(1,712)**	**4,329**	**11,665**	**45,173**
Other comprehensive income	--	141	3,163	5,731	--	40,955
Total comprehensive income	**33,456**	**12,545**	**1,451**	**10,060**	**11,665**	**86,128**
Abridged Statement of Financial Position At 30 June						
Current assets	49,524	43,211	27,240	36,271	164,790	160,978
Non-current assets	509,544	481,367	407,268	395,416	1,669,211	1,050,068
Total assets	**559,068**	**524,578**	**434,508**	**431,687**	**1,834,001**	**1,211,046**
Current liabilities	96,574	98,954	95,793	94,265	206,407	209,991
Non-current liabilities	6,155	8,682	462	1,364	699,505	81,073
Total liabilities	**102,729**	**107,636**	**96,255**	**95,629**	**905,912**	**291,064**
Net assets	**456,339**	**416,942**	**338,253**	**336,058**	**928,089**	**919,982**

Local Health District	Nepean Blue Mountains		Northern NSW		Northern Sydney	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators						
Emergency department attendances	110,222	107,285	182,537	183,585	181,640	173,566
Emergency admission performance (national emergency access target) (%) (a)	61	58	73	71	64	59
Bed occupancy rate (%) (b)	88.2	90.1	92.5	88.9	89.8	88.9
Average length of stay (days) (c)	3.0	3.2	2.9	2.9	3.8	4.1
Elective surgery – booked surgery admissions	9,324	8,482	13,832	13,303	12,387	12,501
Unplanned readmissions within 28 days (%)	8.6	7.9	7.6	7.1	6.1	5.9
Emergency re-presentations to emergency departments within 48 hours (%)	5.7	5.8	6.3	6.5	4.5	4.3
Financial Indicators						
Current ratio at 30 June (d)	0.51	0.44	0.28	0.38	0.80	0.77
Employee related expenses as a percentage of total expenses (%)	59.7	58.8	59.2	58.5	62.7	60.2
Overtime payments as a percentage of salaries and wages (%)	4.9	5.3	3.7	3.9	5.3	5.6

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

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

c Average length of stay - average time patients spend when admitted to hospital.

d Current ratio - current assets divided by current liabilities.

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

Local Health District	South Eastern Sydney		South Western Sydney		Southern NSW	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income Year ended 30 June						
Employee related expenses	928,425	909,752	878,346	850,996	191,313	166,218
All other expenses excluding losses	513,964	525,046	512,698	485,752	137,138	139,372
Total expenses	**1,442,389**	**1,434,798**	**1,391,044**	**1,336,748**	**328,451**	**305,590**
Government contributions	1,174,721	1,154,349	1,199,153	1,206,596	299,120	269,260
Other revenue	286,877	281,587	173,573	157,815	48,377	43,305
Total revenue	**1,461,598**	**1,435,936**	**1,372,726**	**1,364,411**	**347,497**	**312,565**
Losses	(3,601)	(2,284)	(1,563)	(7,942)	(1,460)	(1,852)
Net result - surplus/(deficit)	**15,608**	**(1,146)**	**(19,881)**	**19,721**	**17,586**	**5,123**
Other comprehensive income	14,729	17,886	110,621	--	2,091	--
Total comprehensive income	**30,337**	**16,740**	**90,740**	**19,721**	**19,677**	**5,123**
Abridged Statement of Financial Position At 30 June						
Current assets	170,113	175,691	98,108	102,182	19,418	20,360
Non-current assets	1,034,509	1,015,695	1,188,229	1,057,262	198,352	179,353
Total assets	**1,204,622**	**1,191,386**	**1,286,337**	**1,159,444**	**217,770**	**199,713**
Current liabilities	250,853	263,661	247,433	247,357	43,613	45,948
Non-current liabilities	12,671	16,468	32,142	18,882	296	709
Total liabilities	**263,524**	**280,129**	**279,575**	**266,239**	**43,909**	**46,657**
Net assets	**941,098**	**911,257**	**1,006,762**	**893,205**	**173,861**	**153,056**

Local Health District	South Eastern Sydney		South Western Sydney		Southern NSW	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators						
Emergency department attendances	237,838	196,347	237,603	231,254	108,539	108,672
Emergency admission performance (national emergency access target) (%) (a)	64	61	56	50	76	75
Bed occupancy rate (%) (b)	92.5	95.9	96.0	93.9	67.5	69.9
Average length of stay (days) (c)	3.5	3.7	3.3	3.3	2.4	2.5
Elective surgery – booked surgery admissions	19,611	19,414	22,046	22,048	5,671	5,373
Unplanned readmissions within 28 days (%)	6.6	6.1	6.8	6.5	7.1	7.3
Emergency re-presentations to emergency departments within 48 hours (%)	4.0	4.0	4.2	4.9	5.9	6.5
Financial Indicators						
Current ratio at 30 June (d)	0.68	0.67	0.40	0.41	0.45	0.44
Employee related expenses as a percentage of total expenses (%)	64.4	63.4	63.1	63.7	58.2	54.4
Overtime payments as a percentage of salaries and wages (%)	5.0	5.4	5.2	6.0	3.4	3.8

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

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

c Average length of stay - average time patients spend when admitted to hospital.

d Current ratio - current assets divided by current liabilities.

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

Local Health District	Sydney		Western NSW		Western Sydney	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income Year ended 30 June						
Employee related expenses	863,386	856,448	435,009	415,261	900,050	900,460
All other expenses excluding losses	519,467	522,017	340,194	333,342	525,999	499,670
Total expenses	**1,382,853**	**1,378,465**	**775,203**	**748,603**	**1,426,049**	**1,400,130**
Government contributions	1,138,362	1,128,358	667,497	630,399	1,158,422	1,174,132
Other revenue	249,783	229,012	108,780	97,497	212,575	189,945
Total revenue	**1,388,145**	**1,357,370**	**776,277**	**727,896**	**1,370,997**	**1,364,077**
Gains/(losses)	25,522	(11,281)	(1,974)	(11,131)	(2,691)	(941)
Net result - surplus/(deficit)	**30,814**	**(32,376)**	**(900)**	**(31,838)**	**(57,743)**	**(36,994)**
Other comprehensive income	110,011	--	23,740	112,690	--	33,013
Total comprehensive income/(expense)	**140,825**	**(32,376)**	**22,840**	**80,852**	**(57,743)**	**(3,981)**
Abridged Statement of Financial Position At 30 June						
Current assets	282,365	281,493	42,112	40,585	135,023	227,198
Non-current assets	960,447	859,044	802,078	781,075	997,634	1,031,848
Total assets	**1,242,812**	**1,140,537**	**844,190**	**821,660**	**1,132,657**	**1,259,046**
Current liabilities	251,436	247,361	103,105	103,018	220,964	247,965
Non-current liabilities	807	2,186	162,440	162,473	5,903	4,294
Total liabilities	**252,243**	**249,547**	**265,545**	**265,491**	**226,867**	**252,259**
Net assets	**990,569**	**890,990**	**578,645**	**556,169**	**905,790**	**1,006,787**

Local Health District	Sydney		Western NSW		Western Sydney	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators						
Emergency department attendances	154,150	149,577	187,125	204,765	155,515	151,538
Emergency admission performance (national emergency access target) (%) (a)	57	54	65	64	49	46
Bed occupancy rate (%) (b)	89.2	88.7	74.2	77.6	87.4	90.2
Average length of stay (days) (c)	3.8	4.0	3.0	2.8	3.1	3.2
Elective surgery – booked surgery admissions	24,415	24,044	10,035	9,582	16,364	15,177
Unplanned readmissions within 28 days (%)	5.0	4.7	6.4	7.0	6.0	6.0
Emergency re-presentations to emergency departments within 48 hours (%)	4.3	4.4	6.9	6.5	4.8	4.8
Financial Indicators						
Current ratio at 30 June (d)	1.12	1.14	0.41	0.39	0.61	0.92
Employee related expenses as a percentage of total expenses (%)	62.4	62.1	56.1	55.5	63.1	64.3
Overtime payments as a percentage of salaries and wages (%)	5.3	5.7	5.2	6.0	5.2	6.0

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

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

c Average length of stay - average time patients spend when admitted to hospital.

d Current ratio - current assets divided by current liabilities.

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

Speciality Health Network	Sydney Children's Hospitals Network		Justice Health and Forensic Mental Health Network	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income Year ended 30 June				
Employee related expenses	422,971	429,256	129,547	132,371
All other expenses excluding losses	191,200	171,223	45,558	49,001
Total expenses	**614,171**	**600,479**	**175,105**	**181,372**
Government contributions	467,239	471,064	173,864	177,216
Other revenue	163,371	132,538	6,821	5,978
Total revenue	**630,610**	**603,602**	**180,685**	**183,194**
Gains/(losses)	883	(1,885)	(107)	(667)
Net result - surplus	**17,322**	**1,238**	**5,473**	**1,155**
Other comprehensive income	1,380	18,707	2,311	6,045
Total comprehensive income	**18,702**	**19,945**	**7,784**	**7,200**
Abridged Statement of Financial Position At 30 June				
Current assets	142,604	135,007	34,351	26,832
Non-current assets	533,651	519,896	111,640	109,888
Total assets	**676,255**	**654,903**	**145,991**	**136,720**
Current liabilities	114,058	112,314	34,897	32,487
Non-current liabilities	390	404	79,859	81,057
Total liabilities	**114,448**	**112,718**	**114,756**	**113,544**
Net assets	**561,807**	**542,185**	**31,235**	**23,176**

Speciality Health Network	Sydney Children's Hospitals Network		Justice Health and Forensic Mental Health Network	
Year ended 30 June	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Performance Indicators				
Emergency department attendances	89,482	88,539	--	--
Emergency admission performance (national emergency access target) (%) (a)	66	66	--	--
Bed occupancy rate (%) (b)	89.6	86.8	--	--
Average length of stay (days) (c)	3.0	3.1	--	--
Elective surgery – booked surgery admissions	4,173	4,531	--	--
Unplanned readmissions within 28 days (%)	5.0	5.1	--	--
Emergency re-presentations to emergency departments within 48 hours (%)	4.1	4.0	--	--
Financial Indicators				
Current ratio at 30 June (d)	1.25	1.20	0.98	0.83
Employee related expenses as a percentage of total expenses (%)	68.9	71.5	74.0	73.0
Overtime payments as a percentage of salaries and wages %	3.8	3.6	6.1	5.9

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

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

c Average length of stay - average time patients spend when admitted to hospital.

d Current ratio - current assets divided by current liabilities.

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

Section Two

Agencies with Individual Comments

Aboriginal Affairs Minister

Minister for the Arts

Minister for Industrial Relations

New South Wales Aboriginal Land Council

Audit Opinion

An unqualified audit opinion was issued on the New South Wales Aboriginal Land Council's 30 June 2013 financial statements.

Operational Snapshot

The New South Wales Aboriginal Land Council (the Council) is the largest member-based Aboriginal organisation in the State. The land council network operates as a two-tiered structure, with the Council as the peak body and 120 Local Aboriginal Land Councils (LALCs). Both the Council and the LALCs are governed by elected Boards. The Council annually allocates funds to LALCs.

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

The Council had total assets of $678 million at 30 June 2013 ($624 million at 30 June 2012). In 2012-13, the Council's income totalled $94.1 million ($26.4 million in 2011-12). Expenses were $45.6 million ($44.1 million) resulting in an operating surplus of $48.5 million for the year (deficit of $17.7 million).

Key Issues

Ministerial Review of the *Aboriginal Land Rights Act 1983 (the Act)*

Recommendations

When changes to the Act occur, the Minister should identify and assess any risks from the changes and develop strategies to mitigate against them.

The Council should implement a process to oversee the removal of an auditor by a LALC to ensure it is fair and equitable and to maintain effective governance.

Proposed changes to the *Aboriginal Land Rights Act 1983* may reduce the oversight of Local Aboriginal Land Councils

The Minister for Aboriginal Affairs is required to perform a statutory review of the Act every five years to determine if its policy objectives remain valid.

The key principles of the current review of the Act are:

- less red tape and compliance costs for Aboriginal Land Councils
- greater flexibility and decision-making independence for the land rights network
- greater efficiency and transparency of process
- strengthened protection for members and Land Council assets.

The Audit Office made a submission to the Registrar of the Act on recent and proposed changes to the Act. This submission included comments on changes that became law in September 2013.

Some of the proposals seek to increase accountability and decision-making at the LALC level, with reduced oversight by the Council. When some LALCs were placed under administration or wound up in the past, their residual assets and liabilities were assumed by the Council. This placed a significant burden on Council management and its financial resources and caused reputational damage.

A recent change to section 153 of the Act now allows LALCs to appoint their own auditor from a list of qualified auditors maintained by the Council. Previously the Council appointed auditors on behalf of the LALCs, as required by the Aboriginal Land Rights Regulation 2002. The Act is silent on the removal of LALC auditors, which contrasts with the *Corporations Act 2001's* seven step process for companies to remove their auditors.

Mining and Exploration Activities

Last year's report to Parliament recommended the Minister clarify the Council's investment powers during the statutory review of the Act, particularly around investments in new ventures.

Several proposed reforms to the Act focus on increasing the investment powers of the Council and LALCs.

During 2011-12, the Council applied for both coal and petroleum exploration licenses in areas across New South Wales. It established two proprietary companies on 29 June 2012 to manage these activities, but had them deregistered in July 2013 before they had conducted any business.

Whilst mining activities can be risky, speculative ventures with uncertain returns, the Council believes that through carefully structured commercial agreements they can:

- provide significant returns to Aboriginal people in the future
- minimise the financial and political risks to the land rights network.

At 30 June 2013, the Council had several pending applications for exploration licences.

Land Dealings

In September 2012, the Independent Commission Against Corruption (ICAC) found three former members of the Wagonga Local Aboriginal Land Council had corruptly accepted cash payments for supporting land deals with the Medich Group between 2005 and 2010. They, or their companies, received almost $200,000 in cash and other financial benefits.

On each occasion attempts to progress the land deals were blocked by the Council.

In February 2010, the ICAC released the 'Guide for Local Aboriginal Land Councils: Minimising corruption risks in land dealings'. Amendments to the Act made prior to this Guide further strengthened the role of the Council in approving local land deals before they can be finalised. In contrast, the proposed changes to the Act reduce the Council's oversight role.

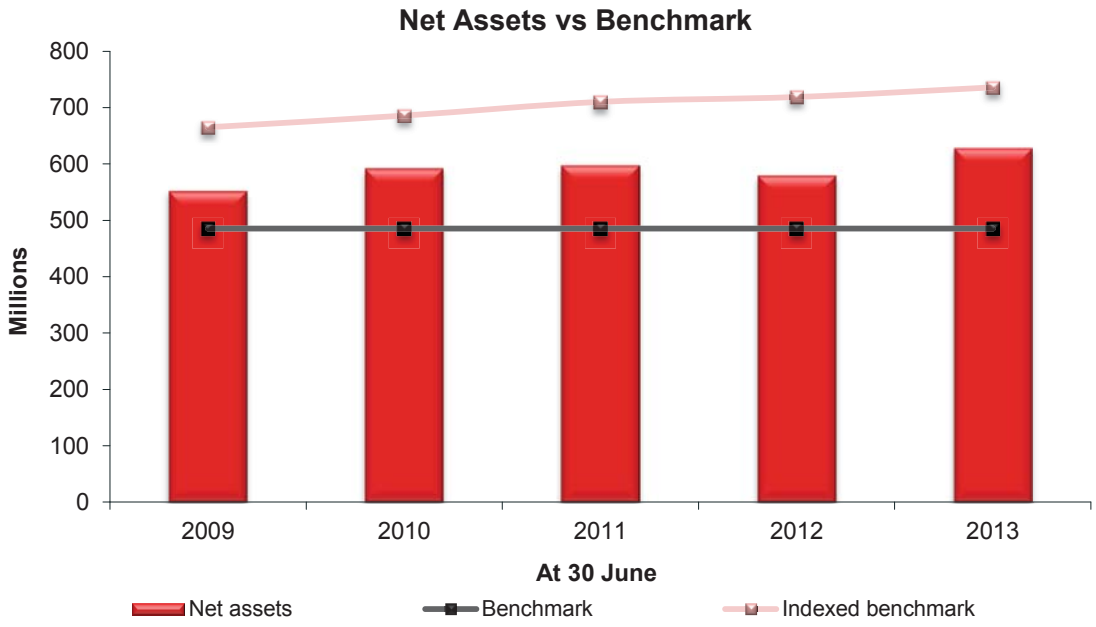
Performance Information

Ability to fund operations into the future through investment returns

Last year's report to Parliament recommended the Council continue to actively manage its investment strategies and closely monitor its spending to ensure its capital is maintained in real terms into the future.

The Council had net assets of $629 million at 30 June 2013, up from $580 million at 30 June 2012. In 2012-13, the Council used $37.9 million of its investments to fund operations ($35.5 million in 2011-12). The amount drawn down is generally controlled by spending rules adopted in 2010-11.

The Council's net assets compared to both the balance of the New South Wales Aboriginal Land Council Account (the Account) required under s.150 of the Act and the Account balance indexed for general inflation were:



The Council's results and sustainability are directly impacted by volatility in financial markets. The Council aims to maintain its net assets above the benchmark of $485.3 million. Through 2012-13, the Council has been able to exceed the required benchmark.

The benchmark is not indexed by inflation. Net assets would need to be more than $735.9 million at 30 June 2013 if indexing was required to maintain the benchmark in real terms.

The Council needs to earn sufficient returns from its investments to meet escalating operating costs and maintain its capital base at a sustainable level in the long-term. To achieve this, the Council has a strategic investment policy to protect earnings and a financial model to control costs. Currently it is spending more than budgeted by the model. If current annual spending increases by inflation of three per cent and investment earnings increase by seven per cent per annum, the Council's net assets will be below the benchmark in 2027-28.

The Council needs to earn sufficient returns from investments to meet escalating operating costs and maintain its capital base

The Council has the following strategies in place to maintain its capital base:

- on-going monitoring of its earnings and expenditure
- implement further cuts to expenditure under its control
- negotiate with the NSW Government to reduce or remove the non-operational cost burden placed on it by the legislation.

The Council's investment returns exceeded internal benchmark returns for the last four years

The investment balance and investment returns over the past five years were:

Year Ended 30 June	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Dividend income	15,731	28,208	13,285	36,101	40,425
Realised gains/(losses)	296	(13,038)	19,850	8,760	--
Fair value gains/(losses)	68,698	3,855	10,328	16,271	(89,591)
Total investment income/(loss)	**84,963**	**19,207**	**45,033**	**63,606**	**(46,086)**
Drawdown	37,900	35,500	34,800	37,800	40,200
Investment balance	578,053	530,186	549,873	540,884	513,259
Investment returns (%)	16.84	3.95	8.60	14.70	(4.80)
Internal benchmark return (%)	13.52	3.76	7.90	10.20	(3.10)
NSW Treasury Corporation returns					
Long term (%)	20.55	(0.73)	8.51	11.28	(10.33)
Medium term (%)	10.74	4.28	7.13	8.69	0.73

Source: Council Financial Statements (audited) and Annual Report (unaudited) and Volume 7 2013 Auditor-General's Report to Parliament

The Council's investment portfolio achieved returns above its internal benchmark for the last four years.

Local Aboriginal Land Council's Performance

The Council is required to ensure LALCs keep accounts and records described in the Act before any money is given to them. Hence, the Council developed a LALC Management Support System (support system) to allow for regular examination of LALCs. The support system started on 1 July 2009.

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

- financial management
- administration management
- housing management
- staffing
- Board and members.

Many criteria need to be met under each operational area. A LALC is considered 'low risk' if it scores more than 90 per cent against the compliance criteria.

The support system risk levels and the number of LALCs in each risk category over the past four years were:

At 30 June	2013	2012	2011	2010	2009
Low risk (score => 90%)	49	41	61	42	na
Medium risk (score => 70% to <90%)	49	36	39	49	na
High risk (score < 70%)	13	34	11	19	na
Under administration	1	1	3	2	na
No current assessment	8	8	5	7	na
Total LALCS	**120**	**119**	**119**	**119**	**na**

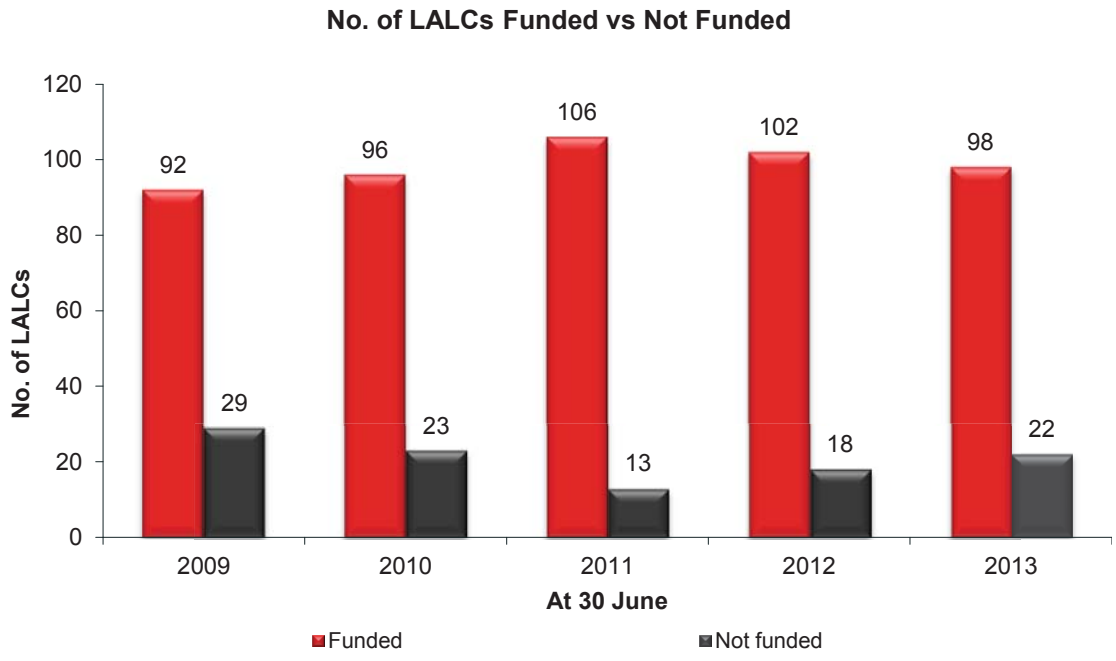
na Not applicable

Note: 2009-10 and 2010-11 scores are based on old methodology, whilst 2011-12 to 2012-13 are based on new methodology.

Source: Council Annual Reports 2010-2013 (unaudited).

The 13 high risk LALCs at 30 June 2013 must provide monthly financial reports to the Council to facilitate increased monitoring of performance and timely resolution of performance issues.

The LALC funding status for the past five years was:

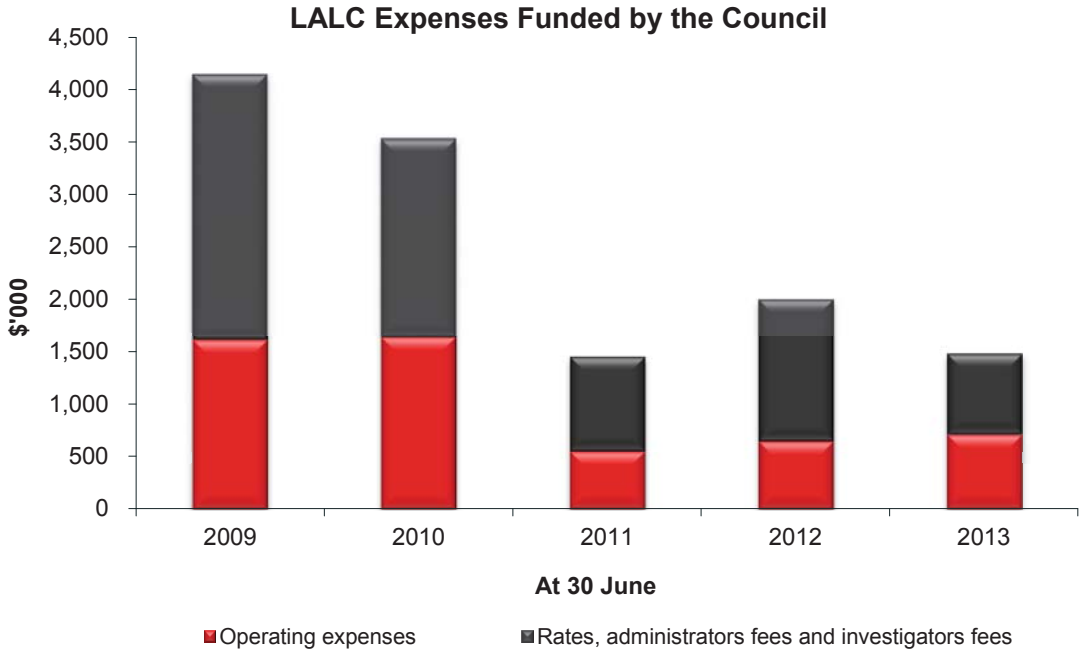


Source: New South Wales Aboriginal Land Council Annual Report 2013 (unaudited).

The number of funded LALCs has steadily decreased since 2010-11, which coincides with the change to the support system. The Council stops funding LALCs primarily when they breach the Act, for example, by failing to comply with the reporting requirements.

The proposed changes to the Act will have an impact on the monitoring controls and ability of the Council to stop funding. The Council has started modifying the support system to reduce the regulatory burden on LALCs, refocus the support system, simplify the funding agreements and promote self-assessment in line with the expected amendments.

The Council also pays some expenses on behalf of LALCs as shown below:



Source: New South Wales Aboriginal Land Council Annual Report 2013 (unaudited).

Council funding of LALC expenses and fees fluctuates from year to year making it difficult to predict for budget purposes. Fees for administrators and investigators were highest in 2009 when there were seven LALCs under administration compared to only one in 2013.

Other Information

Outstanding Land Claims

At 30 June 2013, there were 25,815 Aboriginal Land Claims (25,923 at 30 June 2012) awaiting determination by the Ministers administering the *Crown Lands Act 1989*.

Of these:

- 25,029 are land claims lodged between 1 July 2005 and 30 June 2013
- 573 were lodged between 1 July 2000 and 30 June 2005
- 213 were lodged before 1 July 2000.

Nearly 26,000 Aboriginal land claims were outstanding at 30 June 2013

Only three claims remain of the 166 oldest claims that the previous NSW Government publicly committed to finalise by the end of 2010.

It currently takes 4.4 years on average to determine and grant a land claim, while the average time taken to determine and refuse a land claim is 2.5 years.

More effective processing of land claims was one of the key subjects of the review of the Act commissioned by the Minister for Aboriginal Affairs.

Rural Properties

The Council owns four rural properties, transferred to it when the Regional Aboriginal Land Councils' functions were changed in 1990. These properties have made substantial losses over the years, but returned profits in 2010-11 and again in 2012-13.

During 2011-12, the Council decided to transfer ownership of the rural properties, as it deemed the financial returns to be unsatisfactory. The Council worked with LALCs to help ensure the transfer of properties would not represent a financial burden to the recipient LALCs.

The status of each rural property at 30 June 2013 is shown below:

Name of property	Location	Size (ha)	Status as at 30 June 2013
Appin Station	Menindee	31,704	Ministerial approval for the land transfer was granted in June 2013. The transfer to Menindee LALC should occur during 2013-14.
Barooga-Karrai	Euabalong	9,890	Murrin Bridge LALC to submit business plan with assistance of Sydney University
Calooma-Nulty Springs	Bourke	35,609	Council approved transfer of the properties to a Regional Charitable Trust in December 2012 and will shortly apply to the Minster for Primary Industries to approve the transfers.
Kaituna-Uno	Coonamble	5,184	
Total		**82,387**	

Source: Council Annual Report 2013 (unaudited).

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2013 $'000	2012 $'000
Employee expenses	13,271	12,193
Funding of Local Aboriginal Land Councils	14,367	14,418
Other expenses	17,918	17,488
Total expenses	**45,556**	**44,099**
Investment income	16,265	15,352
Fair value gains	68,698	3,855
Other income	9,100	7,148
Total revenue	**94,063**	**26,355**
Net result – surplus/(deficit)	**48,507**	**(17,744)**
Other comprehensive income		
Superannuation actuarial gains/(losses)	143	(401)
Total other comprehensive income/(expense)	**143**	**(401)**
Total comprehensive income/(expense)	**48,649**	**(18,145)**

The increase in net result is due to movements in the investment portfolio. A detailed analysis of investment income is provided earlier in this report.

Abridged Statement of Financial Position

At 30 June	2013 $'000	2012 $'000
Financial assets at fair value	578,053	530,186
Other current assets	55,080	45,806
Non-current assets	45,148	47,690
Total assets	**678,281**	**623,682**
Current liabilities	48,918	43,215
Non-current liabilities	675	428
Total liabilities	**49,593**	**43,643**
Net assets	**628,688**	**580,039**

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

New South Wales Aboriginal Land Council Activities

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

The Minister for Aboriginal Affairs administers the Act.

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

Sydney Opera House Trust

Audit Opinion

An unqualified audit opinion was issued on the Sydney Opera House Trust's (the Trust) 30 June 2013 financial statements.

Operational Snapshot

The Sydney Opera House, a heritage asset and Australian cultural icon, is an important part of tourism infrastructure. More than 8.2 million people from Australia and around the world visit it each year and some 300,000 people take part in guided tours. In 2012-13, it presented 1,895 performances (1,808 in 2011-12), attracting attendance of almost 1.4 million people.

The Trust funded 83.4 per cent of its recurrent expenses through commercial activities, interest on investments and fundraising. The NSW Government provided the remaining recurrent funding as well as $121 million to maintain and improve the Sydney Opera House.

The Sydney Opera House Trust continues to self-fund the majority of its operations

In 2012-13, the Trust's income totalled $216 million ($178 million in 2011-12) and included government contributions of $135 million ($98.7 million). Expenses were $127 million ($141 million) resulting in an operating surplus of $88.5 million ($37.1 million). The operating surplus was primarily due to the accounting treatment of the Vehicle Access and Pedestrian Safety (VAPS) grant and related expenditure discussed below.

Key Issues

Major Capital Projects

In 2011, work began on the $152 million VAPS Project funded by the NSW Government. The project consists of three components:

- diverting the Bennelong Drain, a stormwater drain servicing parts of the Sydney CBD, that runs across the Sydney Opera House site
- excavating a new access road and loading dock under the forecourt and vehicle concourse
- remediating the existing road.

Once completed, the project is expected to provide the following benefits:

- removal of heavy vehicle traffic from busy pedestrian areas
- improved public safety
- less frequent unloading on the western and northern boardwalks
- more efficient handling and access to scenery and production materials
- improved security.

The status of the project at 30 June 2013 is shown below.

Project name	Original target date	Forecast completion date	Months delay	Original budget $'000	Revised budget $'000
Vehicle Access and Pedestrian Safety Project	June 2014	September 2014	3	152,091	156,000

Source: Trust (unaudited).

The project's revised budget and timing is due to changes to the project schedule in the early stages to avoid disrupting the Opera House' programme of events and the need to complete other strategic works at the same time as the VAPS project. The variation to the original budget was funded by the Trust. The Opera House will remain fully operational throughout the project, with theatres, restaurants and guided tours all open for business.

The 2013-14 State Budget allocates $56.1 million to complete the VAPS project along with other much needed maintenance works, discussed below.

Maintenance Works

The Sydney Opera House Trust must raise an additional $10.1 million per year to fund maintenance costs

The Trust must maintain the structural integrity, appearance and safety of the Opera House so it remains relevant and competitive in the global market. The NSW Government provided $31.2 million ($30.3 million) for strategic maintenance in 2012-13.

The Trust estimates annual maintenance expenditure for the Opera House at $42.1 million for each of the next five years of which $32.0 million per year is expected from the NSW Government. The Trust will need to source the additional $10.1 million each year.

Stage Machinery

Maintenance expenses include the cost of maintaining the stage machinery which has operated since the Opera House opened. Previous reports to Parliament have recommended critical problems with stage machinery at the Sydney Opera House be addressed.

As stage machinery ages its reliability diminishes which puts business operations and workplace health and safety at risk.

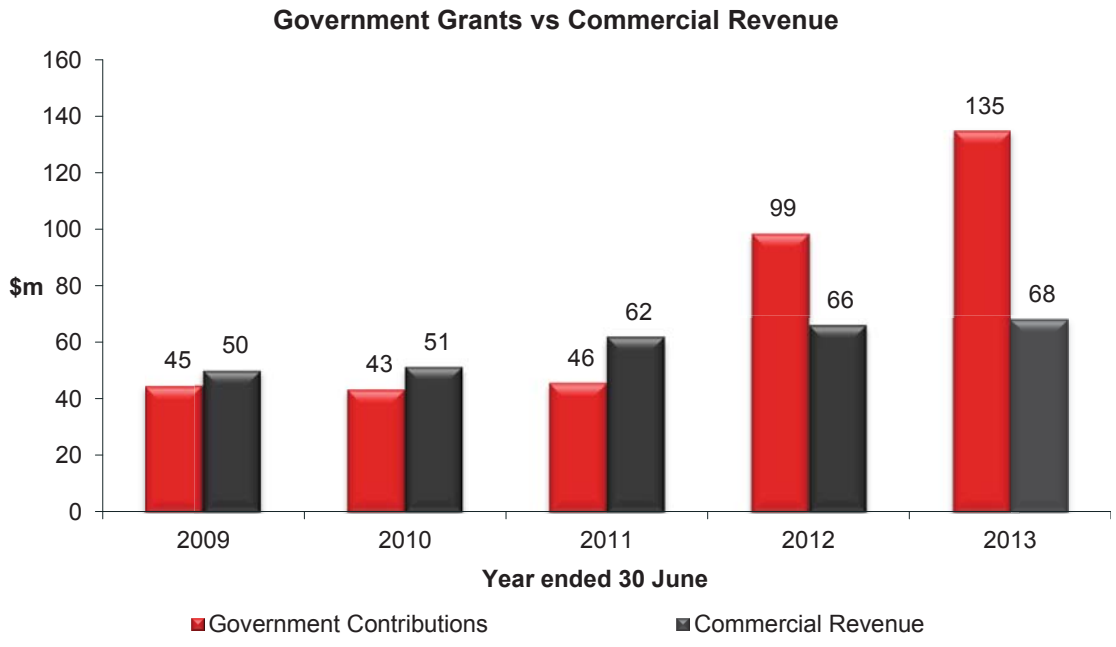
The Trust is seeking $70.8 million in funding to replace the obsolete stage machinery. The estimated business disruption costs during the life of the projects are between $10.0 million and $25.0 million.

Performance Information

Promotion of the Opera House as an integrated performing arts, tourism, food and beverage and retail precinct is central to engaging the tourism market.

Revenue Streams

The graph below compares government grants received by the Trust with commercial income generated by the Trust over the last five years.



Source: Trust Audited Financial Statements.

Commercial revenue has grown by 36.1 per cent since 2009 while government contributions have tripled over the same period due to the funding for the VAPS capital project mentioned above.

In addition to commercial revenue, the Trust received $8.2 million in sponsorship revenue in 2012-13 ($8.5 million) and had a total of 32 sponsors, including:

- 20 new sponsorship arrangements
- five ongoing multi-year arrangements, signed prior to 1 July 2012
- seven arrangements that ended on 30 June 2013.

Management of Events

Year ended 30 June	2013	2012	2011	2010	2009
Performances	1,895	1,808	1,795	1,679	1,677
Audience numbers ('000s)	1,378	1,366	1,319	1,272	1,242

Source: Trust Annual Report (unaudited).

Performance and audience numbers have steadily increased over the last five years.

Revenue from performances is the largest component of commercial revenue, which increased by 3.1 per cent to $68.1 million ($66.0 million). As audience numbers increase, so does revenue from food and beverage sales and other retail activities.

Guided Tours

Year ended 30 June	2013	2012	2011	2010	2009
Number of people	313,107	307,157	292,148	305,106	318,889

Source: Trust Annual Report (unaudited).

Guided tour numbers increased by 1.9 per cent in 2012-13 compared to the previous year. Revenue generated from tours increased by $82,000 to $7.8 million, representing a 1.0 per cent increase over the prior year. New tours were conducted during themed festivals and Chinese New Year.

Other Information

Information Technology Upgrade

The Trust is upgrading its information technology systems.

The Finance Management System Project includes implementation of a budgeting and forecasting solution and a feasibility review for other standalone systems. It is expected to improve efficiency and reduce risks in financial management.

The HRMIS (PayGlobal) Project aims to enhance and integrate the human resource, payroll, rostering, incident and hazard reporting and performance management functions into one system. It is expected to improve efficiency, effectiveness and capabilities for human resource management across the business.

Both projects are on time and on budget.

Trust Activities

The Trust is constituted under the *Sydney Opera House Trust Act 1961*. It is subject to the control and direction of the Minister for the Arts.

The Sydney Opera House Trust produces and presents performing arts from Australia and overseas, including dance, music, talks, opera and theatre.

For further information on the Trust, refer to www.sydneyoperahouse.com.

Long Service Corporation

Audit Opinion

An unqualified audit opinion was issued on the Long Service Corporation's (the Corporation) 30 June 2013 financial statements.

Operational Snapshot

The Corporation administers portable long service schemes to approximately 280,000 active workers and 30,000 active employers in the building and construction and contract cleaning industries.

Building and Construction Industry Scheme

This scheme has been operational for almost 40 years. It collected $102.5 million in levies during 2012-13 ($72.5 million in 2011-12).

The scheme paid $64.9 million to around 10,800 workers for long service leave in 2012-13, slightly down on the 2011-12 payments of $67.9 million to around 11,700 workers. It registered almost 27,000 new workers and over 2,600 new employers in 2012-13.

Payments to workers for long service leave declined slightly on last year to $64.9 million

Scheme participants tend to access leave entitlements in times of lower industry activity. At the same time, lower industry activity results in lower levies.

Contract Cleaning Industry Scheme

This scheme started on 1 July 2011 and the Corporation advises it has reached a relatively steady state with over 25,000 workers and almost 800 employers registered.

The scheme paid $24,000 to workers for long service leave in 2012-13 and collected $8.4 million in levies.

Key Issues

Potential for Reform

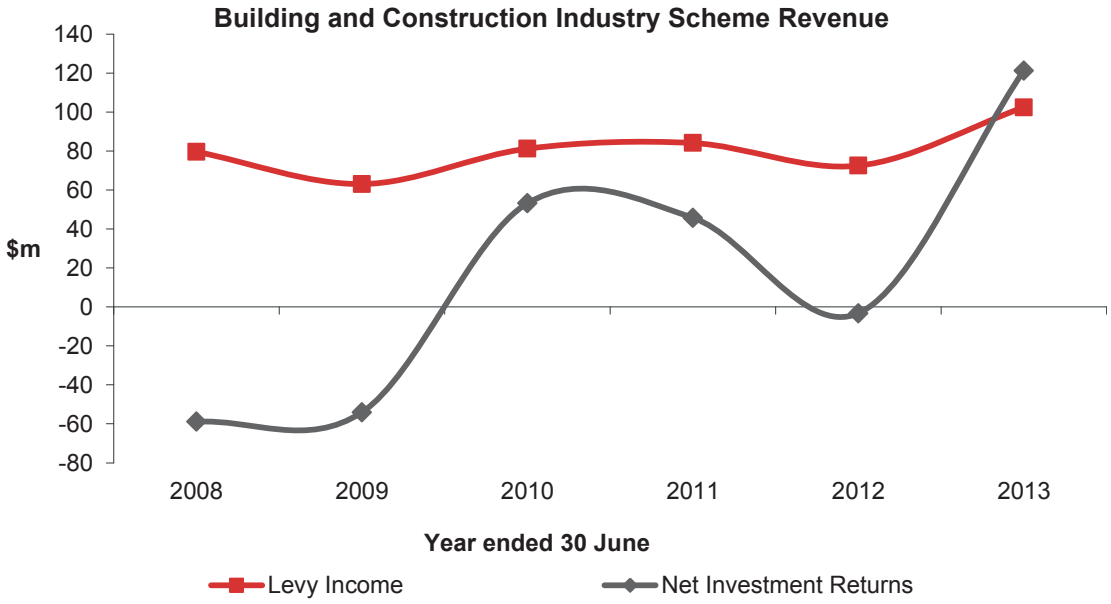
A scoping study will investigate new ways to administer portable long service leave

In November 2013, the NSW Treasurer announced the NSW Government would undertake a scoping study to investigate new ways to administer portable long service leave in NSW.

Variability in Building and Construction Industry Scheme Position

The scheme's financial performance and position are subject to volatility. Levy income and investment returns can vary considerably from one year to the next, as demonstrated in the following graph.

Revenue streams are impacted by the broader economic cycle



Source: Long Service Corporation Financial Statements (audited).

The scheme's revenue streams are impacted by the broader economic cycle.

Last year's report to Parliament recommended the Corporation review its investment strategy to ensure strategic asset allocation decisions are made in line with the structure of the schemes' liabilities. In 2012-13, the Corporation engaged experts to recommend investment objectives and an asset allocation strategy for the Building and Construction Industry Long Service Payments Scheme.

The experts recommended maintaining the current target of 70 per cent growth assets and moving to a target of 60 per cent growth assets in the longer term. They also recommended a series of investment objectives designed to ensure cash flow needs would be met in both the short and longer terms. The Corporation has accepted the recommendations and has started implementing them.

Investment returns in 2012-13 exceeded expectations, and also exceeded targets in the recommended investment objectives noted above.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2013 $'000	2012 $'000
Personnel services expense	3,370	12,448
Depreciation and amortisation	226	641
Finance costs	(31,952)	61,211
Other expenses	126,646	82,362
Total expenses excluding losses	**98,290**	**156,662**
Retained taxes, fees and fines	110,883	80,193
Investment revenue/(losses)	121,652	(2,989)
Other revenue	18	2
Total revenue	**232,553**	**77,206**
Other gains	--	4
Net result - surplus/(deficit)	**134,263**	**(79,452)**
Total comprehensive income/(expense)	**134,263**	**(79,452)**

Personnel services costs are impacted by a turnaround of $8.6 million in actuarial adjustments to employee defined benefit superannuation liabilities. The Corporation incurred an actuarial loss of $5.8 million during 2011-12 and a gain of $2.8 million in 2012-13.

The variation in finance costs reflects the impact of a change in the rate used by the Corporation to discount its scheme obligations to fair value in today's dollars. The Corporation increased the discount rate used as a result of adopting a different basis for determining an appropriate rate, which is allowable under the accounting framework.

Last year's report to Parliament recommended changes in processes aimed at ensuring the Corporation collected all levies due to it. Increased compliance activity contributed to an increase in levy income in 2012-13, reported within retained taxes, fees and fines. The Corporation advises increased compliance activity is its preference over increases in the levy rate.

The Corporation derived net investment revenue of $121.7 million ($3.0 million loss in 2011-12). This comprised a $120.2 million gain on its long-term growth facility investment ($4.3 million loss) and interest revenue of $1.5 million ($1.3 million).

Abridged Statement of Financial Position

At 30 June	2013 $'000	2012 $'000
Investments	705,084	584,909
Other	67,363	37,096
Total assets	**772,447**	**622,005**
Provision for long service payments liabilities	767,224	740,710
Other	9,468	19,803
Total liabilities	**776,692**	**760,513**
Net liabilities	**4,245**	**138,508**

The increase in investments and reduction in net liabilities reflect the investment returns discussed earlier.

Corporation Activities

The Corporation is constituted under the *Long Service Corporation Act 2010.* It maintains the Building and Construction Industry Long Service Payments Fund and the Contract Cleaning Industry Long Service Leave Fund. The Corporation administers portable long service payments' schemes for building, construction and contract cleaning workers.

For further information on the Corporation, refer to www.longservice.nsw.gov.au.

Appendix 1

Agencies not commented on in this volume, by Minister

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

Entity name	Website	Period/year ended
Minister for the Arts		
Art Gallery of New South Wales Foundation	www.artgallery.nsw.gov.au	30 June 2013
The Australian Institute of Asian Culture And Visual Arts Limited (VISASIA)	*	30 June 2013
The Brett Whiteley Foundation	www.brettwhiteley.com.au	30 June 2013
Hamilton Rouse Hill Trust	www.hht.net.au	30 June 2013
Rouse Hill Hamilton Collection Pty Limited	www.hht.net.au	30 June 2013
Minister for the Environment		
Historic Houses Trust	www.hht.net.au	30 June 2013
Foundation for the Historic Houses Trust of New South Wales Limited	www.hht.net.au	30 June 2013
Foundation for the Historic Houses Trust of New South Wales	www.hht.net.au	30 June 2013
Minister for Health		
Aboriginal and Torres Strait Islander Health Practice Council of New South Wales	*	30 June 2013
Agency for Clinical Innovations Special Purpose Service Entity	*	30 June 2013
Anzac Health and Medical Research Foundation and Trust Fund	www.anzac.edu.au	30 June 2013
Bureau of Health Information Special Purpose Service Entity	*	30 June 2013
Cancer Institute Division	www.cancerinstitute.org.au	30 June 2013
Central Coast Local Health District Special Purpose Entity	*	30 June 2013
Chinese Medicine Council of New South Wales	*	30 June 2013
Chiropractic Council of New South Wales	*	30 June 2013
Clinical Excellence Commission Special Purpose Service Entity	*	30 June 2013
Dental Council of New South Wales	*	30 June 2013
Far West Local Health District Special Purpose Entity	*	30 June 2013
Health Care Complaints Commission	www.hccc.nsw.gov.au	30 June 2013

Entity name	Website	Period/year ended
Health Education and Training Institute Special Purpose Service Entity	*	30 June 2013
Hunter New England Local Health District Special Purpose Entity	*	30 June 2013
Illawarra Health and Medical Research Institute Limited	www.ihmri.uow.edu.au	30 June 2013
Illawarra Shoalhaven Local Health District Special Purpose Entity	*	30 June 2013
Justice Health and Forensic Mental Health Network Special Purpose Service Entity	*	30 June 2013
Medical Council of New South Wales	*	30 June 2013
Medical Radiation Practice Council of New South Wales	*	30 June 2013
Mid North Coast Local Health District Special Purpose Entity	*	30 June 2013
Murrumbidgee Local Health District Special Purpose Entity	*	30 June 2013
Nepean Blue Mountains Local Health District Special Purpose Entity	*	30 June 2013
New South Wales Health Foundation	*	30 June 2013
New South Wales Institute of Psychiatry	www.nswiop.nsw.edu.au	30 June 2013
Northern NSW Local Health District Special Purpose Entity	*	30 June 2013
Northern Sydney Local Health District Special Purpose Entity	*	30 June 2013
Nursing and Midwifery Council of New South Wales	*	30 June 2013
Occupational Therapy Council of New South Wales	*	30 June 2013
Office of the Health Care Complaints Commission	*	30 June 2013
Optometry Council of New South Wales	*	30 June 2013
Osteopathy Council of New South Wales	*	30 June 2013
Pharmacy Council of New South Wales	*	30 June 2013
Physiotherapy Council of New South Wales	*	30 June 2013
Podiatry Council of New South Wales	*	30 June 2013
Psychology Council of New South Wales	*	30 June 2013
Public Health System Support Division Special Purpose Service Entity	*	30 June 2013
South Eastern Sydney Local Health District Special Purpose Entity	*	30 June 2013
Southern NSW Local Health District Special Purpose Entity	*	30 June 2013

Entity name	Website	Period/year ended
South Western Sydney Local Health District Special Purpose Entity	*	30 June 2013
Sydney Local Health District Special Purpose Entity	*	30 June 2013
Sydney Children's Hospital Special Purpose Service Entity	*	30 June 2013
Western NSW Local Health District Special Purpose Entity	*	30 June 2013
Western Sydney Local Health District Special Purpose Entity	*	30 June 2013
Minister for Mental Health		
Mental Health Commission of New South Wales	www.nswmentalhealthcommission.com.au	30 June 2013
Mental Health Commission Division	*	30 June 2013

* This entity has no website.

Appendix 2

Financial Statements Not Received by Statutory Date (at 4 December 2013)

Entity Name	Period/ Year Ended	Financial Statement Due Date	Financial Statement Date Received
ANZAC Health and Medical Research Foundation	30 June 2013	12 August 2013	14 August 2013
ANZAC Health and Medical Research Foundation Trust Fund	30 June 2013	12 August 2013	14 August 2013
Arts Education Foundation Trust	30 June 2013	12 August 2013	25 September 2013
Border Rivers-Gywdir Catchment Management Authority	30 June 2013	29 July 2013	31 July 2013
Cobbora Holding Company Pty Limited	30 June 2013	26 July 2013	07 August 2013
Crown Entity	30 June-2013	26 July 2013	05 August 2013
Hawkesbury-Nepean Catchment Management Authority	30 June 2013	29 July 2013	31 July 2013
Home Purchase Assistance Fund	30 June 2013	29 July 2013	30 July 2013
Independent Liquor and Gaming Authority	30 June 2013	29 July 2013	01 August 2013
Lake Illawarra Authority	30 June-2013	12 August 2013	18 October 2013
Lands Administration Ministerial Corporation	30 June 2013	12 August 2013	Not yet received
Legal Profession Admission Board	30 June-2013	12 August 2013	17 October 2013
Ministerial Corporation for Industry	30 June 2013	12 August 2013	Not yet received
MTS Holding Company Pty Limited	30 June 2013	29 July 2013	30 July 2013
Murray Catchment Management Authority	30 June 2013	29 July 2013	2 August 2013
New South Wales Trustee and Guardian Common Fund-Financial Management	30 June 2012	13 August 2012	Not yet received
New South Wales Trustee and Guardian Common Fund-Financial Management	30 June 2013	12 August 2013	Not yet received
New South Wales Trustee and Guardian Common Fund-Trustee	30 June 2012	13 August 2012	Not yet received
New South Wales Trustee and Guardian Common Fund-Trustee	30 June 2013	12 August 2013	Not yet received
New South Wales Institute of Psychiatry	30 June 2013	12 August 2013	27 August 2013
Port Botany Lessor Pty Limited	30 June 2013	12 August 2013	11 November 2013
Port Kembla Lessor Pty Limited	30 June 2013	12 August 2013	11 November 2013
Ports Assets Ministerial Holding Corporation	30 June 2013	12 August 2013	11 November 2013
Sport Knowledge Australia Pty Limited	31 December 2012	11 February 2013	8 March 2013
Sydney Cricket and Sports Ground Trust	28 February 2013	10 April 2013	11 April 2013
Sydney Cricket and Sports Ground Trust Division	28 February 2013	10 April 2013	11 April 2013

Entity Name	Period/ Year Ended	Financial Statement Due Date	Financial Statement Date Received
Audit of payments made from the Environmental Trust Fund under the *Forestry Restructuring and Nature Conservation Act 1995* (s12)	30 June 2013	12 August 2013	Not yet received
Certification of all costs of management of the Suitors Fund under the *Suitors' Fund Act 1951* (s3(2)(a))	30 June 2013	12 August 2013	*
Certification of costs for the Legal Services Commissioner under the *Legal Profession Act 2004* (s691(3)(p))	30 June 2013	12 August 2013	*

As reported in Volume Three of the Auditor-General's 2013 Report to Parliament, work performed during 2012-13 to resolve issues with Crown land reserves identified hundreds of Reserve Trusts that potentially may need to prepare financial statements in accordance with the *Public Finance and Audit Act 1983*. Work is required to determine the financial reporting obligations of the Trusts and then to ensure the obligations are met.

* The department responsible advise they will seek removal of reporting and audit requirements from the respective Acts. The department advises financial statements will not be provided.

Appendix 3

Financial Statements Received but Audit Incomplete at 4 December 2013

Arts Education Foundation Trust

The audit for the period ended 30 June 2013 is incomplete. The audit was delayed due to a change in the trustee and administration arrangements for the Fund. We anticipate the audit will be completed shortly.

Building Insurers' Guarantee Corporation

The audit for the year ended 30 June 2012 is incomplete. Delays were encountered in resolving a prior period error. We anticipate completion of the audit shortly.

Crown Entity

The audit for the year ended 30 June 2013 is incomplete. Supporting documentation for some transactions and balances was not available at the time of submission of the financial statements. We anticipate completion of the audit shortly.

Eraring Energy

The audit for the period ended 30 June 2013 is incomplete. The audit has been delayed pending resolution of an accounting issue.

Game Council Division

The audit for the period ended 30 June 2013 is incomplete. The audit was delayed due to timeliness of provision of audit workpapers. We anticipate this audit will be completed shortly.

Game Council of NSW

The audit for the period ended 30 June 2013 is incomplete. The audit was delayed due to timeliness of provision of audit workpapers. We anticipate this audit will be completed shortly.

Independent Liquor and Gaming Authority

The audit for the period ended 30 June 2013 is incomplete. The audit has been delayed due to an inability to obtain sufficient appropriate evidence to support various line items presented in the financial statements.

Lands Administration Ministerial Corporation

The audits for 30 June 2011, 30 June 2012 and 2013 are incomplete. The Corporation was established in 1989 and prepared its first set of financial statements in 2011. The audits have been delayed due to difficulties in identifying and recognising land assets controlled by the Corporation.

Milk Marketing (NSW) Pty Ltd

The audit for the period ended 30 June 2013 is incomplete. This entity is currently being wound up. We anticipate the audit will be completed soon after revised financial statements are received.

Ministerial Corporation for Industry

The audit for the period ended 30 June 2013 is incomplete. The audit was delayed due to timeliness of provision of client work papers. We anticipate this audit will be completed shortly.

Ministerial Holding Corporation

The audit for the period ended 30 June 2013 is incomplete. The audit has been delayed as we are working with the agency to resolve issues that resulted in the previous year modified audit opinion. We anticipate that the audit will be completed early in 2014.

Murray Catchment Management Authority

The audit for the year ended 30 June 2013 is incomplete. The client is addressing inventory matters. We anticipate this audit will be completed shortly

NSW Trustee and Guardian Common Fund-Financial Management

The audit for the year ended 30 June 2011 is nearing completion. The audit was delayed due to control deficiencies identified with the management of the Common Funds in previous years. The audit required extensive detailed testing to verify the validity of client payments. The increased level of audit testing, combined with difficulties in obtaining appropriate audit evidence to support the validity of some payments, have contributed to the delays.

NSW Trustee and Guardian Common Fund-Trustee

The audit for the year ended 30 June 2012 has started. The audit was delayed due to control deficiencies identified with the management of the Common Funds in previous years. The audit required extensive detailed testing to verify the validity of client payments. The increased level of audit testing, combined with difficulties in obtaining appropriate audit evidence to support the validity of some payments, have contributed to the delays.

Port Botany Lessor Pty Limited

The audit for the period ended 30 June 2013 is incomplete. The financial statements were received on 11 November 2013 and the audit is underway.

Port Kembla Lessor Pty Limited

The audit for the period ended 30 June 2013 is incomplete. The financial statements were received on 11 November 2013 and the audit is underway.

Ports Assets Ministerial Holding Corporation

The audit for the year ended 30 June 2013 is incomplete. The Corporation consolidates Port Botany Lessor Pty Limited and Port Kembla Lessor Pty Limited. Delays with receipt of financial statements for these entities have impacted this audit.

Responsible Gambling Fund (RGF)

The RGF submitted its 2013 financial statements late for audit. The audit is now underway.

Residual Business Management Corporation (RBMC)

The audit for the period ended 30 June 2012 is incomplete. The audit has been delayed due to the late discovery of a prior period error. Land controlled by RBMC was not recognised in their financial statements. There was considerable delay in providing the supporting documents for land valuations.

State Emergency Service

The audit for the period ended 30 June 2013 is incomplete. The audit has been delayed due to supporting document not being received.

State Records Authority of New South Wales

The audit for the period ended 30 June 2013 is incomplete. The audit has been delayed due to revaluation process of State Archives. We anticipate that the audit will be completed shortly.

Water Administration Ministerial Corporation (WAMC)

The audits for 2011, 2012 and 2013 are incomplete due to uncertainties around assets.

Appendix 4

Modified auditor's opinions and conclusions issued

From 3 December 2012 to 2 December 2013 the Audit Office issued 20 modified auditor's opinions and conclusions (in the preceding period, 22 qualified auditor's opinions were issued).

Organisation	Financial Statements Period Ended	Reason for modification
Modified opinions on financial statements		
Gosford Water Supply Authority	30.06.2012	Many of the Authority's investments are not widely traded and do not have market values that are independently quoted. Accordingly, there was insufficient appropriate evidence to support the fair value and recoverability of the Authority's investment portfolio.
Ministerial Holding Corporation	30.06.2012	The Corporation prepared the financial statements for the first time since it was established in 1989. Its only asset is its investment in Hunter Valley Training Company Proprietary Limited, which applied different accounting policies to the Corporation. The effect of these differences on the financial statements was not determined. There was insufficient audit evidence to form an opinion over the completeness of the opening balances presented as comparative information and certain disclosures in the financial statements.
Murray Catchment Management Authority	30.06.2012	The carrying value of the seed inventories was not adjusted for the loss of service potential for seed germination rates and storage conditions. Records confirming the completeness, accuracy and movement of inventory were incomplete, resulting in insufficient appropriate audit evidence being available to support the carrying value of seed inventories.
New South Wales Self Insurance Corporation	30.06.2013	In accounting for its general insurance contracts, the Corporation applied the incorrect accounting standard, resulting in it materially understating its liabilities and failing to disclose some required information about these insurance contracts.
Sport Knowledge Australia Pty Limited	31.12.2010	Inability to obtain sufficient and/or appropriate evidence to support material transactions pervasive to the Organisation's operations. Alternative records were not adequate for the purpose of applying necessary audit procedures.
Sport Knowledge Australia Pty Limited	31.12.2011	Inability to obtain sufficient and/or appropriate evidence to support material transactions pervasive to the Organisation's operations. Alternative records were not adequate for the purpose of applying necessary audit procedures.
State Records Authority of New South Wales	30.06.2012	The Authority recognised its archives for the first time. Insufficient information confirming the existence and value was available to support an opinion on whether 'Property, Plant and Equipment' was free from material misstatement.

Organisation	Financial Statements Period Ended	Reason for modification
Modifications relating to fundraising and voluntary donations revenue		
ANZAC Health and Medical Research Foundation - Trust Fund	30.06.2013	The Trust Fund finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.
Charles Sturt University Foundation Trust	31.12.2012	The Trust finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.
UNE Foundation	31.12.2012	The Foundation finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.
University of Western Sydney Foundation Trust	31.12.2012	The Trust finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.
UNSW and Study Abroad - Friends and U.S. Alumni, Inc.	31.12.2012	The Company finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.
UWS Early Learning Limited	31.12.2012	The Company finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.
Whitlam Institute within the University of Western Sydney Trust	31.12.2012	The Trust finds it impractical to maintain an effective system of internal controls over fundraising and voluntary donations until its initial entry in the financial records.

Organisation	Financial Statements Period Ended	Reason for modification
Modifications relating to engagements other than audits of general purpose financial statements		
Department of Education and Communities (including TAFE Commission) Review of the Summary of Australian Vocational Education and Training Management Information Statistical Standard Financial Data for New South Wales	31.12.2012	There was insufficient information to complete a review of the value of depreciation within the total expense from ordinary activities and gain on sale of property, plant and equipment.
Ministry of Health Report on Compliance with Division 3 of Part 4 of the User Rights Principles 1997 issued under section 96-1 of the *Aged Care Act 1997*	30.06.2013	The Ministry of Health did not refund two accommodation bonds within the timeframe specified in the User Rights Principles 1997.
Review of the reasonableness of estimates and forecasts in the 2012-13 Half-Yearly Review	2012-13 half-yearly review	There was insufficient appropriate audit evidence available to form a conclusion on: • the value of certain buildings owned by the NSW General Government Sector • the value of land assets and any related infrastructure that may be controlled by the NSW General Government Sector and should be recognised in th e estimated financial statements • the existence and value of the State's archives recognised for the first time during the 2011-12 financial year.
Review of the reasonableness of estimates and forecasts in the 2013-14 Budget Papers	2013-14 review	There was insufficient appropriate audit evidence available to form a conclusion on: • the value of certain buildings owned by the NSW General Government Sector • the value of land assets and any related infrastructure that may be controlled by the NSW General Government Sector and should be recognised in th e estimated financial statements • the existence and value of the State's archives recognised for the first time during the 2011-12 financial year.
The Legislature Independent Assurance Practitioner's Review of Compliance with the Determination of the Parliamentary Remuneration Tribunal	30.06.2012	Nine member claims were not submitted to The Legislature for payment within 60 days of receipt or occurrence of the expense. Eight members did not return their unsubstantiated Sydney Allowance amounts to The Legislature by 30 September 2012. Sixteen members did not complete an annual declaration stating the benefits accrued by way of loyalty/incentive schemes were used for parliamentary duties and not for private purposes.

Organisation	Financial Statements Period Ended	Reason for modification
The Sydney Children's Hospitals Network (Randwick and Westmead) Incorporating the Royal Alexandra Hospital for Children Review of Compliance with the *Health Insurance Act 1973* and Guidelines	30.06.2013	Trust monies were not paid directly into compartmentalised accounts in a timely manner. Patients' statement accounts did not set out the amount payable by the patient for each service.

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