auditoffice
OF NEW SOUTH WALES

Report on Health 2017

5 DECEMBER 2017

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

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.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

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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In accordance with section 52A of the *Public Finance and Audit Act 1983*, I present a report titled **Health 2017**.

Ian Goodwin
Acting Auditor-General
5 December 2017

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Health 2017

Section one

Health 2017

This report analyses the results of the financial statement audits of the Health cluster entities for the year ended 30 June 2017.

Executive summary

1. Financial reporting and controls

Financial reporting	All health cluster entities received unqualified audit opinions and the quality of financial reporting remains high across the cluster. Early close procedures were largely completed and all financial statements were submitted by the deadlines.
Financial performance	Overall, NSW Health recorded an operating surplus of $407 million in 2016–17. Eleven local health districts/specialty networks recorded operating deficits in 2016–17, four more than 2015–16. Expenses across NSW Health increased by 4.4 per cent in 2016–17 (6.0 per cent in 2015–16), lower than the expected long term annual expense growth rate.
Excess annual leave	Managing excess annual leave is a continual challenge for NSW Health, with thirty–five per cent of the workforce having excess balances.
Overtime payments	NSW Health entities are generally managing overtime well; however NSW Ambulance's overtime payments, $74.6 million in 2016–17, remain significantly higher than other health entities.
Time and leave recording practices	Unapproved employee timesheets continue to be a problem for health entities. Weak timesheet approval controls increase the risk of staff claiming and being paid for hours they have not worked. There is also an increased risk of high volumes of roster adjustments, manual pays, salary overpayments and leave not being recorded accurately.

2. Service delivery

Service agreements	Most of the service agreements between the Secretary of NSW Health and health entities were signed earlier than prior years.
Performance monitoring	Five NSW Health entities are not meeting the Ministry of Health's performance expectations at 30 June 2017.
Emergency department performance	Data provided by the Ministry indicates NSW Health, on average, met emergency department triage response time targets across all triage categories for the fourth consecutive year.
Ambulance response times	Data provided by the Ministry shows NSW Ambulance response times for imminently life-threatening incidents of 7.5 minutes in 2016–17 was within the Ministry's target of 10.0 minutes. Data provided by the Ministry indicates NSW Ambulance response times for potentially life-threatening incidents did not improve in 2016–17. The median response time of 11.1 minutes in 2016–17 was similar to 2015–16 (11.0 minutes). This is despite the number of Priority 1 responses reducing by 4.3 per cent.
Unplanned hospital re-admissions	Data provided by the Ministry shows eight local health districts achieved the Ministry of Health's unplanned hospital re-admissions target in 2016–17. The target is for local health districts to reduce re-admission rates from the previous financial year.

1. Financial reporting and controls

Quality of financial reporting continues to improve

Unqualified audit opinions were issued on the 30 June 2017 financial statements for all entities in the health cluster.

Health cluster entities continue to improve the quality of financial reporting. The number of misstatements identified fell again in 2016–17.

Financial statements were submitted on time

In 2016–17, all cluster entities met the deadlines for completing early close procedures and submitting financial statements. Health entities controlled by the Ministry of Health continued to submit the financial statements well ahead of the statutory deadlines.

NSW Health recorded an operating surplus of $407 million in 2016–17

Overall, NSW Health recorded an operating surplus of $407 million in 2016–17. The statewide operating surplus was $84 million higher than 2015–16. Net surpluses contribute to NSW Health's ability to invest in new facilities, upgrades and redevelopments.

More health entities reported operating deficits in 2016–17

Eleven local health districts/specialty networks recorded operating deficits in 2016–17, four more than 2015–16. The financial results were once again impacted by reduced NSW Government funding as part of the initiative to improve cash management across the sector.

NSW Health's expense growth rate decreased

In 2016–17, expenses across NSW Health increased by 4.4 per cent (6.0 per cent in 2015–16). The growth rate was 1.6 percentage points lower than the expected long term annual expense growth rate for NSW Health outlined in the 2016 NSW Intergenerational Report.

Five health entities received cash assistance

In 2016–17, the Ministry needed to provide $135.6 million in cash assistance to five health entities, nearly double the amount provided in 2015–16. The Ministry gives cash assistance to health entities when needed to pay debts as they become due.

Health entities' capital replacement ratios ranged from 0.5 to 5.7 in 2016–17

The overall capital replacement ratio for NSW Health increased from 1.7 in 2015–16 to 1.8 in 2016–17. This indicates NSW Health is investing in hospitals and other assets faster than it is depreciating its existing assets.

Managing excess annual leave is a continual challenge for health entities

Thirty-five per cent of NSW Health's workforce have excess annual leave balances.

Recommendation (repeat issue)

Health entities should further review the approach to managing excess annual leave in 2017–18. They should:

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

Sick leave taken by NSW Ambulance employees is above the health sector average

NSW Ambulance continues to face significant challenges in managing sick leave. It had the highest average sick leave rate in NSW Health of 85.2 hours per FTE in 2016–17 (78.7 hours in 2015–16). This was higher than the statewide average of 62.1 hours (62.0 hours in 2015–16).

Recommendation (repeat issue)

> NSW Ambulance should further implement and monitor targeted human resource strategies to address high rates of sick leave taken.

NSW Ambulance's overtime payments remain significant

NSW Ambulance's overtime payments in 2016–17 totalled $74.6 million; $2.8 million more than 2015–16 and significantly higher than other health entities.

Recommendation (repeat issue)

> NSW Ambulance should further review the effectiveness of its rostering practices to identify strategies to reduce excessive overtime payments.

Unapproved employee timesheets continue to be a problem for health entities

Weak timesheet approval controls increase the risk of staff claiming and being paid for hours they have not worked. Stronger controls would reduce the volume of roster adjustments, manual pays, salary overpayments and leave not recorded accurately in the system.

Recommendation

> Health entities should conduct a risk-based review of time and leave recording practices to ensure control weaknesses are identified and fixed.

2. Service delivery

Service agreements were signed earlier than prior years

Thirteen local health districts/specialty networks signed their service agreements with the Secretary of NSW Health by the 31 July 2017 due date. This is a significant improvement with only seven local health districts/specialty networks meeting the date in 2015–16.

Five NSW Health entities are not meeting performance expectations

The Ministry assessed five NSW Health entities as not meeting the expectations set out in service agreements with the Secretary of NSW Health at 30 June 2017. The Ministry is managing these entities in accordance with its performance review process.

NSW Health again, on average, met targets across all triage categories

Data provided by the Ministry shows NSW Health, on average, met the targets across all five triage categories for the fourth consecutive year. This indicates NSW Health, on average, continues to provide people with clinically appropriate access to services in emergency departments.

The rate of patients leaving emergency departments within four hours did not improve

One of the State priorities is to ensure 81 per cent of patients leave emergency departments within four hours. Data provided by the Ministry shows only four local health districts achieved the target in 2016–17 compared to five in 2015–16.

NSW Ambulance met the Ministry's target response time for imminently life-threatening incidents

Data provided by the Ministry shows the median ambulance response time for imminently life-threatening incidents (Priority 1A) in New South Wales was 7.5 minutes in 2016–17. The data shows NSW Ambulance met the Ministry's median response time target of 10.0 minutes.

NSW Ambulance response times for potentially life-threatening incidents did not improve in 2016–17

Data provided by the Ministry shows the median ambulance response time for potentially life-threatening incidents (Priority 1) in New South Wales increased slightly from 11.0 minutes in 2015–16 to 11.1 minutes in 2016–17. This is despite the number of Priority 1 responses reducing by 4.3 per cent.

Patient transfers from ambulances to emergency departments were faster in 2016–17

Data provided by the Ministry shows the percentage of patients transferred into the care of hospital emergency departments within 30 minutes increased to 91.7 per cent (87.6 per cent in 2015–16). This is exceeding the Ministry's 90 per cent target.

NSW Health, on average, improved on-time admission of patients for elective surgery

One of the State priorities is to increase on-time admissions for elective surgery, in accordance with medical advice. Data provided by the Ministry shows NSW Health improved on-time admission of patients for elective surgery in 2016–17 despite a 1.8 per cent increase in admissions. While the result improved, the data shows only one of the three targets for elective surgery waiting times was met in 2016–17.

NSW Health, on average, did not reduce the rate of unplanned hospital re-admissions in 2016–17

Data provided by the Ministry shows the rate of unplanned hospital re-admissions increased slightly in 2016–17. The data shows eight local health districts met the target to reduce the rate of re-admissions compared to the previous financial year. The Ministry changed the target in 2016–17. The previous target was for re-admission rates to be less than or equal to five per cent. Based on the data, only one local health district would have achieved the previous target in 2016–17.

1. Introduction

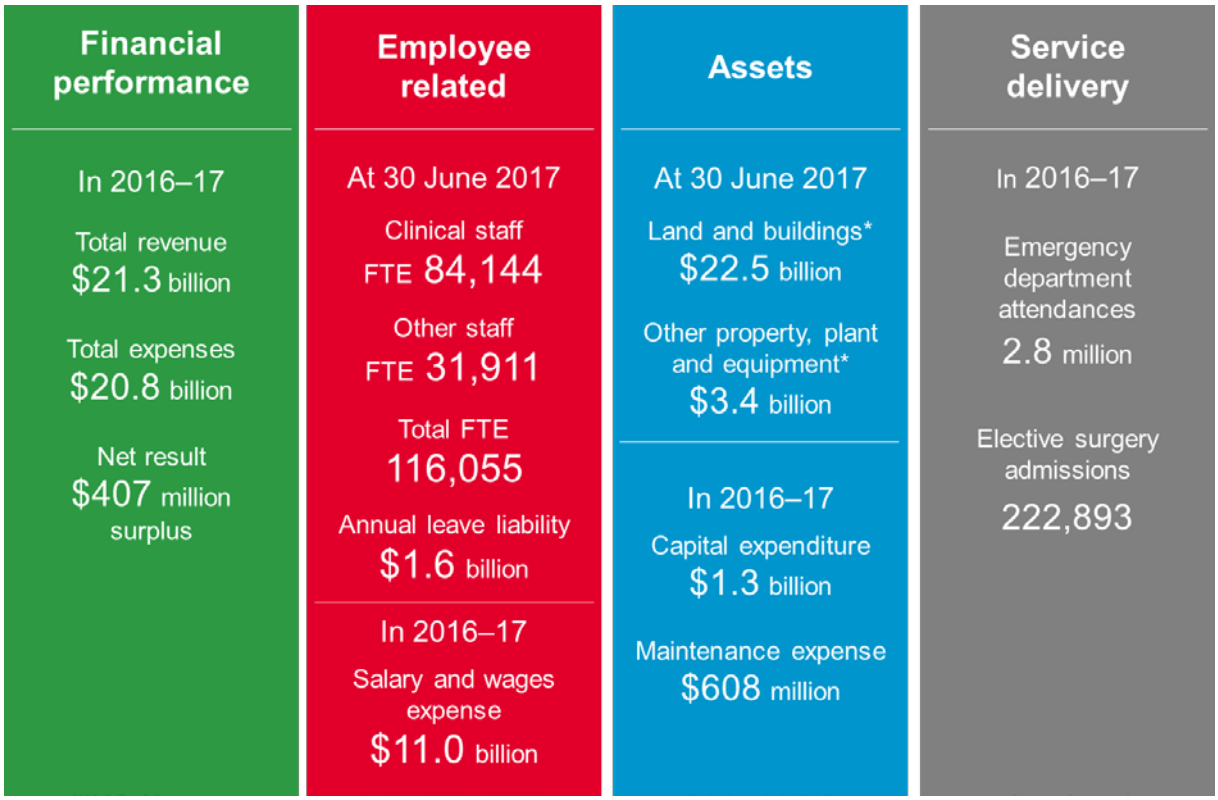
This report sets out the results of the 30 June 2017 financial statement audits of Health cluster entities.

The report has been structured into two chapters focusing on:

- Financial reporting and controls
- Service delivery.

1.1 Snapshot of NSW Health

A snapshot of NSW Health is shown below.



* Gross asset replacement value.

1.2 Snapshot of the cluster

The Ministry of Health (the Ministry) is the lead agency in the Health cluster. The cluster is responsible for:

- providing health care services to patients and the community
- promoting wellness and illness prevention
- developing health care policy and planning
- managing, monitoring and reporting on health system performance
- building healthy communities by working with other parts of the NSW Government.

The commentary in this report covers the following cluster entities:

Health Professional Councils is the aggregate of the Psychology, Podiatry, Physiotherapy, Pharmacy, Osteopathy, Optometry, Occupational Therapy, Nursing and Midwifery, Medical Radiation Practice, Medical, Dental, Chiropractic, Chinese Medicine, and Aboriginal and Torres Strait Islander Health Practice Councils.

Note: The diagram above excludes the 28 special purpose service entities and staff agencies controlled by health entities.

2. Financial reporting and controls

This chapter outlines our audit observations, conclusions or recommendations related to financial reporting and internal controls of entities for 2016–17.

Observation	Conclusion or recommendation
2.1 Quality of financial reporting	
All cluster entities received unqualified audit opinions and misstatements identified in financial statements fell.	The quality of financial reporting remains high across the cluster.
2.2 Timeliness of financial reporting	
Early close procedures were largely completed and all financial statements were submitted by the deadlines.	Health entities controlled by the Ministry of Health continued submitting their financial statements well ahead of the statutory deadlines.
2.4 Financial and sustainability analysis	
NSW Health recorded an operating surplus of $407 million in 2016–17.	The statewide operating surplus was $84 million higher than 2015–16. Net surpluses contribute to NSW Health's ability to invest in new facilities, upgrades and redevelopments.
Eleven local health districts/specialty networks recorded operating deficits in 2016–17, four more than 2015–16.	The 2016–17 financial results were once again impacted by the NSW Government initiative to improve cash management across the sector.
Expenses across NSW Health increased by 4.4 per cent in 2016–17 (6.0 per cent in 2015–16).	The expense growth rate for NSW Health is 1.6 percentage points lower than the expected long term annual expense growth rate.
The capital replacement ratio of local health districts/specialty networks ranged from 0.5 to 5.7 in 2016–17. Seven local health districts had capital replacement ratio higher than one.	Substantial ongoing investment in hospitals and other assets across NSW Health is evidenced by high capital replacement ratios for some health entities in 2016–17.
2.5 Performance against budget	
Ten local health districts/specialty networks' expense budget variance was outside performance expectations agreed with the Ministry at the beginning of 2016–17.	The Ministry continues to manage performance across NSW Health to improve the accuracy of budgeting practices.
2.7 Human resources	
Thirty-five per cent of NSW Health's workforce have excess annual leave balances.	Managing excess annual leave is a continual challenge for health entities. **Recommendation:** Health entities should further review the approach to managing excess annual leave in 2017–18. They should: • monitor current and projected leave balances to the end of the financial year on a monthly basis • agree formal leave plans with employees to reduce leave balances over an acceptable timeframe.

Observation	Conclusion or recommendation
NSW Ambulance had the highest average sick leave rate in NSW Health of 85.2 hours per FTE in 2016–17 (78.7 hours in 2015–16). This was higher than the statewide average of 62.1 hours (62.0 hours in 2015–16).	NSW Ambulance continues to face significant challenges in managing sick leave. **Recommendation:** NSW Ambulance should further implement and monitor targeted human resource strategies to address the high rates of sick leave taken.
NSW Ambulance's overtime payments in 2016–17 totalled $74.6 million; $2.8 million more than 2015–16 and significantly higher than other health entities. **Other NSW Health entities are generally managing overtime well.**	**Recommendation:** NSW Ambulance should further review the effectiveness of its rostering practices to identify strategies to reduce excessive overtime payments.
Unapproved employee timesheets continue to be a problem for health entities. Weak timesheet approval controls increase the risk of staff claiming and being paid for hours they have not worked.	**Recommendation:** Health entities should conduct a risk-based review of time and leave recording practices to ensure control weaknesses are identified and fixed.

2.1 Quality of financial reporting

Unqualified audit opinions were issued for all agencies' financial statements

Unqualified audit opinions were issued on the 30 June 2017 financial statements for all entities in the cluster.

Quality of financial reporting continues to improve

Health cluster entities continue to improve the quality of financial reporting. The number of misstatements identified in financial statements has fallen from 109 in 2013–14 to 24 in 2016–17. The table below shows the number and dollar value of misstatements in the cluster over the past four years.

Number of misstatements

Year ended 30 June	2017		2016		2015		2014	
	✓	!	✓	!	✓	!	✓	!
Less than $50,000	3	3	15	3	1	8	18	19
$50,000 to $249,999	2	3	1	3	3	8	2	12
$250,000 to $999,999	1	3	--	5	2	7	1	26
$1 million to $4,999,999	1	5	--	3	1	13	1	23
$5 million and greater	1	2	--	5	--	6	3	4
Total number of misstatements	**8**	**16**	**16**	**19**	**7**	**42**	**25**	**84**

✓ Corrected misstatements. ! Uncorrected misstatements.

Source: Statutory Audit Reports issued by the Audit Office.

It is important for material misstatements to be corrected so users of the financial statements can rely on them as an accurate representation of an entity's performance and financial position. All material misstatements identified were corrected.

2.2 Timeliness of financial reporting

Financial statements were submitted on time

In 2016–17, all cluster entities met the statutory deadlines for completing early close procedures and submitting financial statements. Health entities controlled by the Ministry of Health continued to submit the financial statements well ahead of the statutory deadlines.

Timely financial reporting is essential for sound financial management, effective decision making and improving public accountability.

Early close procedures were substantially completed, but some health entities could do more

Health cluster entities demonstrated high levels of maturity in completing early close procedures. They were substantially completed across all health cluster entities, but some could do more to enhance the procedures performed, such as:

- resolving significant accounting issues during the early close process or documenting a clear path towards timely resolution
- ensuring sufficient documentation supports management's proposed accounting treatments, judgements and assumptions
- ensuring management sufficiently engages with its valuer and interrogates the findings
- compiling adequate working papers to support revaluations of property, plant and equipment to allow for an efficient and effective audit before year-end
- stronger communication and collaboration between the entity and its shared service providers to close out issues.

Early close procedures bring forward the resolution of issues that can impact the quality and timeliness of financial reporting.

Appendix three of this report provides information on the timeliness of health cluster entities' financial and audit reporting.

2.3 Key financial information

NSW Health recorded an overall net surplus of $407 million in 2016–17, $84 million higher than the $323 million surplus recorded in 2015–16. The large net surplus was primarily due to significant additional State and Commonwealth Government funding. Net surpluses contribute to NSW Health's ability to invest in new facilities, upgrades and redevelopments.

The value of assets held by NSW Health increased from $17.6 billion at 30 June 2016 to $18.6 billion at 30 June 2017. This was mainly due to significant capital expenditure on new facilities, upgrades and redevelopments across NSW Health. Eight health entities revalued land, buildings and infrastructure assets in 2016–17 adding to the recorded value of the assets. Total liabilities increased from $4.5 billion to $4.9 billion at 30 June 2017.

Appendix six of this report summarises key financial results for health cluster entities.

2.4 Financial and sustainability analysis

The following table summarises the health entities performance against some key financial indicators as at and for the year ended 30 June 2017.

Health entity	Surplus/ (deficit)		Expense growth rate	Capital replacement ratio	
	$'000	%	3 year average	Ratio	3 year average
Consolidated entity					
Ministry of Health	407,388	4.4	5.1	1.8	1.8
Local health districts/specialty networks					
Central Coast	106,982	3.4	5.9	5.7	2.9
Far West	(2,267)	3.0	4.0	1.2	1.2
Hunter New England	(23,679)	2.4	3.5	1.4	1.4
Illawarra Shoalhaven	(6,966)	3.6	5.7	1.0	1.6
Justice Health and Forensic Mental Health Network	532	23.1	11.7	1.0	0.8
Mid North Coast	(2,228)	2.5	5.6	1.0	1.8
Murrumbidgee	(9,328)	7.5	5.2	1.1	3.6
Nepean Blue Mountains	(18,098)	7.2	6.7	0.5	0.4
Northern NSW	39,238	5.4	5.4	2.4	3.6
Northern Sydney	(15,464)	1.0	5.0	0.8	1.3
South Eastern Sydney	136,007	3.9	4.0	4.2	2.6
South Western Sydney	(65,201)	4.8	6.0	0.5	0.5
Southern NSW	(9,298)	4.5	6.1	0.5	5.4
Sydney	(91,193)	8.6	6.2	1.0	0.9
Sydney Children's Hospitals Network	11,119	4.1	4.1	0.9	0.9
Western NSW	(11,222)	4.8	4.2	0.9	1.5
Western Sydney	123,930	6.1	5.8	3.1	2.9

Note: Appendix four of this report includes definitions for the financial indicators.

Source: Audited financial statements.

Surplus/(deficit)

The number of health entities with operating deficits increased in 2016–17

Eleven local health districts/specialty networks recorded operating deficits in 2016–17, four more than 2015–16. The financial results were once again impacted by the NSW Government initiative to improve cash management across the sector.

Large surpluses for some health entities were mainly due to receipt of recurrent funding to implement the NSW State Health Plan and capital funding for new facilities, upgrades and redevelopments.

Cash assistance

Five health entities received cash assistance totalling $135.6 million in 2016–17

In 2016–17, the Ministry provided $135.6 million in cash assistance to five health entities, nearly double the amount required in 2015–16. The Ministry gives cash assistance to health entities when needed to pay debts as they become due.

The following table shows cash assistance paid to health entities over the past three years.

Additional cash assistance

Year ended 30 June	2017	2016	2015
	$m	$m	$m
Western Sydney Local Health District	59.0	--	13.0
NSW Ambulance	42.9	22.7	--
South Eastern Sydney Local Health District	15.4	35.5	39.2
Nepean Blue Mountains Local Health District	11.0	--	--
Illawarra Shoalhaven Local Health District	7.3	--	--
Sydney Local Health District	--	10.0	4.8
Other local health districts*	--	--	7.2
Total	**135.6**	**68.2**	**64.2**

* In 2014–15, this comprised Northern NSW ($4.5 million) and Murrumbidgee ($2.7 million).

Source: NSW Ministry of Health.

For the second consecutive year, NSW Ambulance required cash assistance due to its unfavourable financial results. At 30 June 2017, the Ministry assessed NSW Ambulance as having a serious underperformance risk.

Western Sydney Local Health District required cash assistance in three of the last four years. The Ministry assessed it as having a serious underperformance risk.

South Eastern Sydney Local Health District required cash assistance in each of the past four years. The Ministry assessed it as underperforming. The Ministry also assessed the Nepean Blue Mountains Local Health District as underperforming.

Further detail on the Ministry's performance framework is provided in the service delivery chapter.

Expense growth rate

NSW Health's expense growth rate decreased in 2016–17

In 2016–17, expenses across NSW Health increased by 4.4 per cent (6.0 per cent in 2015–16). The growth rate was 1.6 percentage points lower than the expected long term annual expense growth rate for NSW Health outlined in the 2016 NSW Intergenerational Report. Thirteen of the seventeen local health districts/specialty networks contributed to the lower expense growth rate.

Expenses at five local health districts/specialty networks grew by more than 6.0 per cent in 2016–17. Justice Health and Forensic Mental Health Network (23.1 per cent) had the largest increase primarily due to the implementation of a new Hepatitis C drug fully funded by the Australian Government. Expenses at Sydney (8.6 per cent), Murrumbidgee (7.5 per cent), Nepean Blue Mountains (7.2 per cent), and Western Sydney (6.1 per cent) local health districts increased by more than 6.0 per cent in response to increases in demand for services.

Three-year average expense growth rate

Averaged over the past three years, expenses increased 5.1 per cent each year across NSW Health. Justice Health and Forensic Mental Health Network had the largest increase of 11.7 per cent. Four other health entities' expenses increased by more than 6.0 per cent: Nepean Blue Mountains (6.7 per cent), Sydney (6.2 per cent), Southern NSW (6.1 per cent), and South Western Sydney (6.0 per cent) local health districts.

A State Priority target is for the expense growth rate for New South Wales public sector agencies to be lower than the long term revenue growth rate. The ability for NSW Health to achieve this target is challenging with continuing increases in demand for services.

Capital replacement ratio

Substantial ongoing investment in hospitals and other assets

The overall capital replacement ratio for NSW Health increased from 1.7 in 2015–16 to 1.8 in 2016–17. This indicates NSW Health is investing in hospitals and other assets faster than it is depreciating its existing assets.

The capital replacement, or asset sustainability ratio, approximates the extent to which physical assets managed by health entities are being replaced. It compares the rate of spending on renewing or growing capital assets against related depreciation. A ratio greater than one indicates capital expenditure is greater than the rate of depreciation.

Health entities' capital replacement ratios ranged from 0.5 to 5.7 in 2016–17

In 2016–17, seven local health districts had capital replacement ratios higher than one, reflecting substantial capital expenditure across NSW Health. Central Coast Local Health District's capital expenditure was 5.7 times greater than depreciation, the highest of all health entities. This was mainly due to capital expenditure on the Gosford Hospital redevelopment. South Eastern Sydney Local Health District's capital expenditure was 4.2 times greater than depreciation due to capital expenditure at St George Hospital, construction of a new emergency department at Sutherland hospital, and the Randwick campus redevelopment.

In contrast, six health entities had capital replacement ratios less than one.

Three-year average capital replacement ratio

Some health entities may be under-investing in assets

The capital replacement ratio is a long-term indicator. Capital expenditure can be deferred in the short-term if, for example insufficient funds are available, but entities with ratios lower than one over the long-term may be under-investing in the assets they require for service delivery.

For the three years to 30 June 2017, five local health districts/specialty networks had capital replacement ratio averages of less than one. This means assets may not be replaced at the rate they are wearing out. Nepean Blue Mountains Local Health District had an average ratio of 0.4 over this period, once again the lowest across NSW Health. In November 2016, the NSW Government announced a $550 million redevelopment of Nepean Hospital. Construction of a new clinical services block will start in 2018 after a new car park and early works are finished. The new building is expected to be operational in 2021.

2.5 Performance against budget

Health entities' original expense budgets were increased by $798 million

Budgeted expenses at the start of 2016–17 for all local health districts/specialty networks totalled $16.7 billion. The expense budgets were revised to $17.4 billion progressively during the year. Some of the largest statewide expense budget increases were for:

- highly specialised drug allocations ($263.7 million)
- increases to legal claim provisions ($80.8 million)
- voluntary redundancy reimbursements ($17.4 million)
- supplementation for emergency department services ($20.0 million)
- funding for various programs and projects, such as the National Partnership Agreement on Adult Public Dental Services, Integrated Care Demonstrator Program, and The Bright Alliance projects ($118.4 million).

Most statewide expense budget increases are due to non-cash adjustments offset by revenue budget increases, or the allocation of available funding within NSW Health.

The table below shows:

- original budgeted expenses, excluding losses, at the beginning of the financial year
- final budgeted expenses after budget revisions during the year
- actual expenses reported by each local health district/specialty network
- variances between the actual reported expenses and the original and final budgets.

Health entity	Budgeted total expenses excluding losses		Total expenses (excluding losses)	Favourable / (unfavourable) variance			
	Original	Final	Actual	Original vs actual		Final vs actual	
	$m	$m	$m	$m	%^	$m	%^
Far West	100.6	109.3	113.5	(12.9)	(11.4)	(4.2)	! (3.7)
Western Sydney*	1,620.0	1,667.8	1,715.4	(95.4)	(5.6)	(47.6)	! (2.8)
Nepean Blue Mountains*	743.9	769.6	784.0	(40.1)	(5.1)	(14.4)	! (1.8)
Illawarra Shoalhaven*	858.4	898.1	910.3	(51.9)	(5.7)	(12.2)	! (1.3)
Murrumbidgee	547.5	581.5	589.1	(41.6)	(7.1)	(7.6)	! (1.3)
Sydney Children's Hospitals Network	707.9	742.1	749.3	(41.4)	(5.5)	(7.2)	! (1.0)
South Eastern Sydney*	1,638.8	1,709.0	1,722.2	(83.4)	(4.8)	(13.2)	! (0.8)
Southern NSW	384.3	395.8	398.6	(14.3)	(3.6)	(2.8)	! (0.7)
Western NSW	850.9	890.2	895.8	(44.9)	(5.0)	(5.6)	! (0.6)
Justice Health and Forensic Mental Health Network	203.5	255.7	257.2	(53.7)	(20.9)	(1.5)	! (0.6)
Mid North Coast	578.2	595.1	598.1	(19.9)	(3.3)	(3.0)	(0.5)
Hunter New England	2,119.0	2,134.2	2,125.5	(6.5)	(0.3)	8.7	0.4
Northern Sydney	1,555.3	1,590.7	1,594.1	(38.8)	(2.4)	(3.4)	(0.2)
Sydney	1,604.6	1,733.8	1,730.4	(125.8)	(7.3)	3.4	0.2
Northern NSW	738.0	780.6	779.7	(41.7)	(5.3)	0.9	0.1
South Western Sydney	1,707.6	1,750.7	1,752.7	(45.1)	(2.6)	(2.0)	(0.1)
Central Coast	768.1	809.3	809.0	(40.9)	(5.1)	0.3	0.0

* Local health district received cash assistance in 2016–17. Refer to commentary in section 2.4.

^ Value of favourable/(unfavourable) variance as a percentage of actual total expenses excluding losses for 2016–17.

! Not performing according to NSW Ministry of Health's performance framework.

Source: Original budget total expenses excluding losses – NSW Ministry of Health. Final budget and actual total expenses excluding losses – audited financial statements.

The Ministry monitors individual health entities' performance against budget and provides cash assistance if needed to ensure required service levels are met. Health entities' budgets are updated frequently throughout the year to reflect transfers of functions, employee award changes and supplementations received after the initial budget.

Performing within budget expectations is challenging for some health entities

In 2016–17, 13 local health districts/specialty networks recorded unfavourable variances between actual and final budgeted expenses. Of these, ten had a variance of more than 0.5 per cent.

The Ministry considers health entities are not performing when actual expenses are more than 0.5 per cent unfavourable to the revised budget.

2.6 Asset management

At 30 June 2017, NSW Health had property, plant and equipment valued at $15.2 billion ($14.5 billion at 30 June 2016). NSW Health is managing a $1.7 billion capital program in 2017–18 ($1.5 billion in 2016–17).

Capital projects

Major projects completed in 2016–17

Major capital projects were completed on time and within budget

Health Infrastructure completed four major capital works projects, each with an estimated cost of $50.0 million or more, in 2016–17. As shown in the table below, these projects were completed on time and within approved budgets.

Project description	Original budgeted cost	Revised budgeted cost	Actual cost	Original estimated completion	Completed
	$m	$m	$m	Year	Year
Tamworth Hospital Redevelopment (Stage 2)	210.8	210.8	207.0	2017	2017
Bright Alliance - Nelune Comprehensive Cancer Centre, Scientia, and The Sydney Children's Hospitals Network at Randwick Campus	114.0	114.0	110.1	2016	2016
Lachlan Health Service (Parkes and Forbes hospitals)	110.7	110.7	92.7	2016	2016
Kempsey Hospital Redevelopment	81.9	81.9	78.8	2016	2016
Total	**517.4**	**517.4**	**488.6**		

Source: NSW Health Infrastructure.

The Tamworth Hospital Redevelopment (Stage 2) delivered increased capacity and new facilities for improved patient care.

The Bright Alliance project delivered a new health care and medical research facility at the Randwick Hospitals Campus.

The Lachlan Health Service project provided enhanced health services and greater partnership between the Parkes and Forbes hospitals. The actual cost of the project was $18.0 million lower than budget due to construction on a favourable site at Parkes and reduced project site risks.

The Kempsey District Hospital Redevelopment increased service capacity, and re-designed how services are delivered to meet changing and unique health care needs of the community.

Capital projects still in progress

Most capital projects are running on or ahead of time

Health Infrastructure is managing 18 major projects each with an estimated cost of more than $50.0 million.

Overall, the revised budget for the 18 major projects is $998 million more than the original budget of $3.4 billion. This was due to different stages of projects being merged for Westmead, Lismore, Blacktown and Mount Druitt hospital redevelopments. This also contributed to revised completion schedules for certain projects.

At 30 June 2017, Health Infrastructure had spent $1.8 billion on these projects or 53.9 per cent of the original budget. The table below summarises these projects.

Project description	Original budgeted cost	Revised budgeted cost	Costs at 30 June 2017	Original estimated completion	Revised completion
	$m	$m	$m	Year	Year
Northern Beaches Redevelopment (Stage 1)	600.0	600.0	146.2	2019	2019
Westmead Hospital Redevelopment (Stage 1)*	430.0	750.0	157.4	2021	2021
Gosford Hospital Redevelopment	368.0	348.0	164.5	2019	2019
Multipurpose Strategy (Stage 5)	300.0	300.0	44.5	2022	2021
St George Hospital Redevelopment (Stage 1)	282.0	277.0	210.3	2021	2019
Wagga Wagga Redevelopment (Stage 1)	270.1	270.1	252.8	2017	2017
Blacktown and Mount Druitt Hospitals Redevelopment (Stages 1 and 2)*	259.2	659.2	332.8	2018	2020
Dubbo Hospital (Stages 3 and 4)	150.0	150.0	14.6	2020	2020
Sydney Ambulance Metro Infrastructure Strategy	150.0	150.0	98.4	2019	2019
Rural Ambulance Infrastructure Reconfiguration	122.1	122.1	15.6	2025	2025
Hornsby Ku-Ring-Gai Hospital Redevelopment (Stage 1)	121.0	121.0	107.7	2016	2017
Forensic Pathology/ Coroner's Court	91.5	91.5	12.4	2020	2020
Lismore Hospital Redevelopment (Stage 3)*	80.3	260.3	153.9	2017	2019
Westmead Hospital Car Park	72.4	72.4	44.9	2018	2019
Sutherland Hospital Expansion	62.9	62.9	52.7	2017	2017
Armidale Hospital Redevelopment	60.0	60.0	30.3	2019	2019
Bowral Hospital Redevelopment	n/a	50.0	3.0	2018	2018
Macksville Hospital Redevelopment	n/a	73.0	1.2	2019	2019
Total	**3,419.5**	**4,417.5**	**1,843.2**		

* Impacted by incorporating additional stages, scope and budget subsequently approved by the NSW Government.

Source: NSW Health Infrastructure.

The revised budget of the Gosford Hospital Redevelopment is $20.0 million lower than the original budget without any reduction in the project's scope or clinical services. The favourable variance is due to the acceleration of construction for the redevelopment. The NSW Government will redirect the $20.0 million cost savings to the Central Coast Medical School and Research Centre project.

Information technology projects

Major information technology projects completed in 2016–17

Two out of three major IT projects were completed on or ahead of time and within budget

eHealth NSW completed three major information technology projects, each with an estimated cost of $10.0 million or more, in 2016–17. As shown in the table below, the Community Health and Outpatient Care program was not completed on time. The actual cost of the Infrastructure Strategy 3 project was only marginally higher than the approved budget but the project was completed earlier than expected.

Project description	Original budgeted cost	Revised budgeted cost	Actual cost	Original estimated completion	Completed
	$m	$m	$m	Year	Year
Community Health and Outpatient Care	100.7	100.7	100.7	2016	2017
Electronic Medical Record 2	85.4	85.4	85.4	2017	2017
Infrastructure Strategy 3	51.1	51.1	51.2	2018	2017
Total	**237.2**	**237.2**	**237.3**		

Source: NSW Ministry of Health.

The seven-year Community Health and Outpatient Care project delivered an Integrated Clinical System and provided digital access to patients' clinical information across New South Wales community health and outpatient care services.

The Electronic Medical Record 2 project extended the original functionality of Electronic Medical Record (eMR) to provide a frontline system which supports core clinical documentation.

The Infrastructure Strategy 3 project delivered a network to underpin clinical and corporate operations across NSW Health. It developed an enhanced network that provides additional capacity.

Information technology projects in progress

Most major IT projects have not experienced further delays to completion

At 30 June 2017, eHealth NSW was managing nine major information technology projects, each with original budgets exceeding $10.0 million. eHealth NSW's major projects are all within budget. While some major projects have delays against original estimated completion dates, only one project, the Incident Management System, experienced a further delay to the completion date advised last year.

eHealth NSW attributes delays to extensions in implementation schedules, additional stakeholder consultation and usability testing, complexity in the rollout to meet different user requirements, and vendor/supplier capability and capacity issues.

Health entities need to dedicate sufficient resources to IT change management

eHealth NSW attributes delays to the complexity of implementing statewide programs across NSW Health. Continued investment in information technology change management programs within NSW Health entities is required.

Over the next eight years, eHealth NSW plans to spend more than $250 million completing the nine projects, which are summarised in the table below:

Project description	Original budgeted cost	Revised budgeted cost	Costs at 30 June 2017	Original estimated completion	Revised completion
	$m	$m	$m	Year	Year
Electronic Medication Management	170.3	170.3	119.3	2018	2018
Whole-of-System Digital Platform	113.0	113.0	34.1	2025	2025
Rostering (HealthRoster)	94.8	89.6	89.6	2014	2019
Digital Patient Records	91.1	91.1	3.7	2023	2023
Corporate System 2B	77.0	77.4	66.7	2017	2018
Electronic Record for Intensive Care	43.1	43.1	39.9	2016	2019
Whole-of-Government Data Centre Migration	34.6	31.4	31.4	2017	2017
Incident Management System	22.2	22.2	12.8	2016	2019
HealtheNet Pathology Results Repository	10.5	10.5	0.9	2018	2018
Total	**656.6**	**648.6**	**398.4**		

Source: NSW Ministry of Health.

The Auditor-General is currently undertaking a performance audit on the effectiveness of the HealthRoster system in delivering business benefits.

2.7 Human resources

At 30 June 2017, NSW Health employed around 116,100 full time equivalent employees (112,500 at 30 June 2016), 72.5 per cent (72.3 per cent) of whom were clinical staff. The statewide percentage of employee related expenses compared to total expenses was 59.6 per cent in 2016–17 (61.1 per cent in 2015–16).

Managing excess annual leave

Managing excess annual leave is a continual challenge for health entities

Recommendation (repeat issue)

Health entities should further review the approach to managing excess annual leave in 2017–18. They should:

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

The number of NSW Health employees with annual leave balances above target has decreased from 45,541 at 30 June 2016 to 44,985 at 30 June 2017 due to efforts to monitor and reduce annual leave balances. Some employees accrue four weeks annual leave each year, while those working a seven day roster can accrue up to seven weeks per year.

The health and wellbeing of staff can be adversely affected if staff do not take sufficient leave. Excess leave entitlements also negatively impact the cash flow of an organisation as leave liabilities generally increase over time in line with salary increases. Further, fraud is more likely to be detected when staff are on leave, particularly if they perform key control functions.

Thirty–five per cent of NSW Health's workforce have excess annual leave balances

The table below shows the number of employees in NSW Health with excess leave.

Excess annual leave balances

At 30 June	2017	2016	2015	2014	2013	Trend
Number of employees with excess leave*	44,985	45,541	45,240	34,999	28,707	**Decreasing**
Percentage of workforce	35.0	35.9	36.4	28.7	23.8	**Decreasing**

* 2017, 2016 and 2015 figures based on 30 days or more, 2014 figures based on 35 days or more, 2013 figures based on 40 days or more.

Source: NSW Ministry of Health.

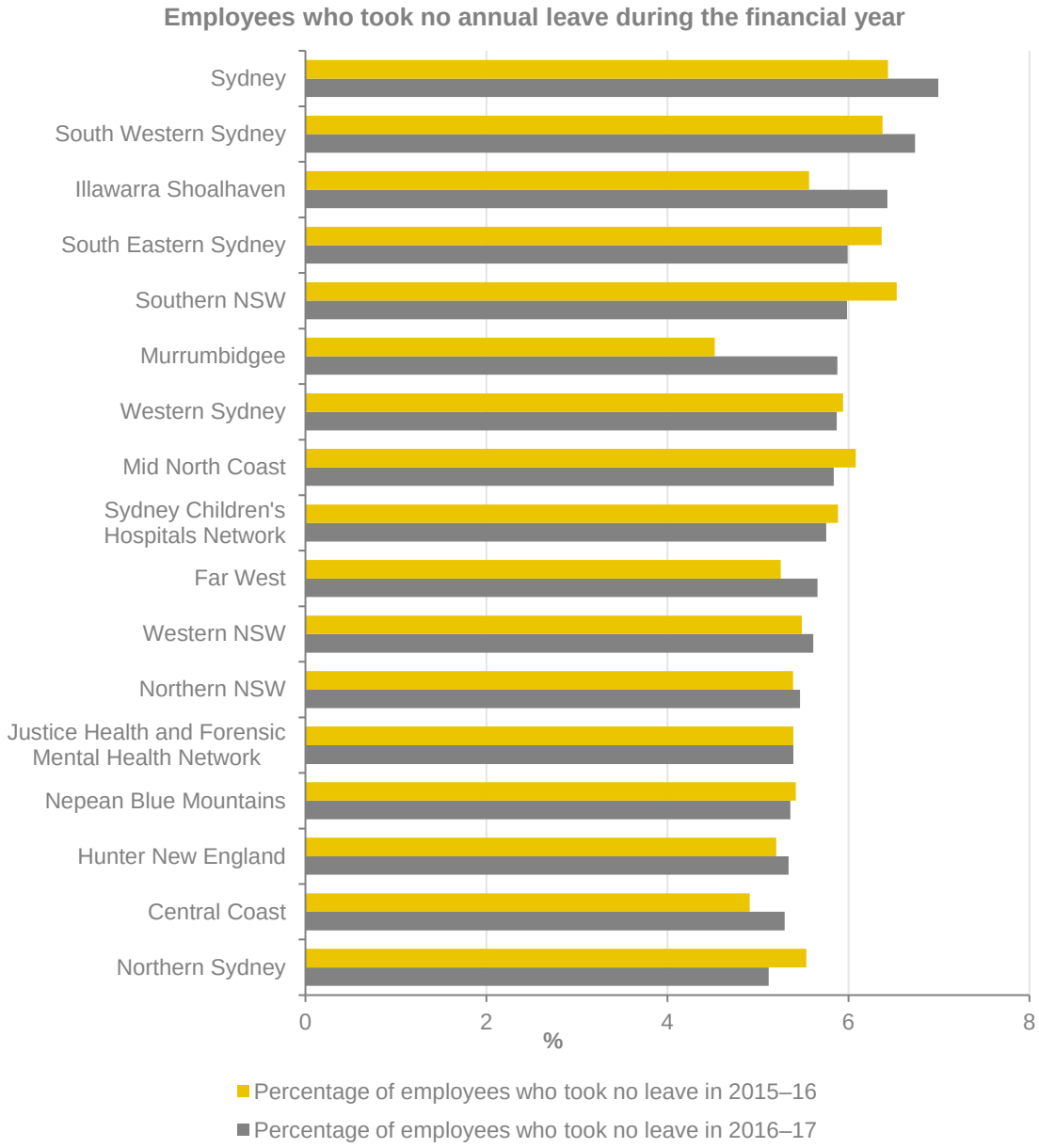
At 30 June 2017, South Western Sydney Local Health District once again had the highest percentage of employees with balances exceeding 30 days (48.8 per cent). The Bureau of Health Information had the lowest percentage (2.6 per cent).

Most health entities report they monitor current and projected leave balances on a monthly basis, and measure excess leave balances as part of their service agreements with the Ministry. The 2016–17 audits found some health entities have not agreed formal leave plans with employees to reduce their balances to acceptable levels. This contributed to more employees with excess leave balances at these health entities.

More employees did not take annual leave in 2016–17

The number of employees at local health districts/specialty networks who did not take annual leave during the year increased from 5,541 in 2015–16 to 5,835 in 2016–17. Previous Auditor-General's Reports to Parliament recommended all health entities monitor employees who take no or very little annual leave in a rolling 12 month period.

The chart below shows the percentage of employees at local health districts/specialty networks who took no annual leave during the financial year.



Source: NSW Ministry of Health.

Around half of local health districts and specialty networks have not reduced the percentage of employees who took no annual leave in 2016–17.

Sydney Local Health District had the highest percentage of employees who took no leave with 7.0 per cent (Southern NSW Local Health District had 6.5 per cent in 2015–16). Northern Sydney Local Health District had the lowest percentage of employees who took no leave with 5.1 per cent (Murrumbidgee Local Health District had 4.5 per cent in 2015–16).

Managing sick leave

Sick leave at NSW Ambulance

Sick leave taken by NSW Ambulance employees is above the health sector average

Recommendation (repeat issue)

NSW Ambulance should further implement and monitor targeted human resource strategies to address high rates of sick leave taken.

NSW Ambulance continues to have the highest sick leave rate in NSW Health with an average 85.2 hours per FTE in 2016–17 (78.7 hours in 2015–16). This was once again higher than the NSW Health average of 62.1 hours (62.0 hours in 2015–16).

Last year's Auditor-General's Report to Parliament recommended NSW Ambulance continue to implement and monitor targeted human resource strategies to address the challenges it faces managing sick leave. Despite significant efforts, NSW Ambulance continues to experience challenges managing sick leave.

NSW Ambulance attributes the higher rates of sick leave taken to longer shift lengths compared to other health entities.

Sick leave at other NSW Health entities

NSW Health employees took an average of 62.1 hours of sick leave in 2016–17

Health entities should continue to monitor and reduce the amount of sick leave taken. In 2016–17, each full time equivalent (FTE) employee in NSW Health took an average of 62.1 hours sick leave (62.0 hours in 2015–16). The Ministry had previously set a target of 50.0 hours of sick leave per FTE. It is now the responsibility of health entities to set local targets.

Employees are eligible for sick leave when ill or injured or, in certain cases, when looking after ill or injured family members. High levels of sick leave can have adverse operational and financial impacts if fewer employees are available to deliver services, and overtime is paid at premium rates for other employees to maintain minimum staffing levels.

Overtime payments

Overtime at NSW Ambulance

NSW Ambulance's overtime payments remain significant

Recommendation (repeat issue)

NSW Ambulance should further review the effectiveness of its rostering practices to identify strategies to reduce excessive overtime payments.

NSW Ambulance's overtime continues to be significantly higher than other health entities. In 2016–17, its overtime payments of $74.6 million were $2.8 million more than 2015–16. Six NSW Ambulance employees were paid more than $100,000 in overtime in 2016–17 (five in 2015–16).

In 2016–17, 93.7 per cent (78.0 per cent in 2015–16) of NSW Ambulance's employees received overtime payments. NSW Ambulance employees were paid an average of $15,600 ($14,700 in 2015- 16) for overtime, the highest average in NSW Health. This is attributed to employee award provisions, the nature of its operations and the number of staff on call, particularly in rural areas that do not have enough staff for a 24 hour roster.

Overtime is paid at premium rates and, if not effectively managed, can result in higher costs and work, health and safety issues, particularly when fatigued employees perform high-risk tasks.

NSW Ambulance has different categories of overtime including:

- Call Out – planned overtime used to maintain service delivery in regional and remote NSW where there is low demand, a 24-hour roster is not economically viable or for additional supervisory support
- Drop Shift – unplanned overtime to cover staff absences
- Extension of Shift – unplanned overtime when paramedics are on an active incident beyond their rostered finish time.

The table below shows the breakdown of overtime for NSW Ambulance.

NSW Ambulance overtime payments

	Overtime payments $m	Percentage of salary and wages expense	Overtime payments $m	Percentage of salary and wages expense
Year ended 30 June	**2017**		**2016**	
Call Out	38.6	9.1	36.7	8.9
Drop Shift	19.8	4.7	21.0	5.1
Extension of Shift	14.7	3.5	13.1	3.2
Other	1.5	0.4	1.0	0.2
Total overtime payments	**74.6**	**17.7**	**71.8**	**17.4**

Source: NSW Ambulance.

Call Out payments remain the most significant category representing 51.7 per cent of all overtime payments (51.1 per cent in 2015–16), followed by Drop Shift payments at 26.5 per cent (29.2 per cent), and extension of shift payments at 19.7 per cent (18.2 per cent).

Last year's Auditor-General's Report to Parliament recommended NSW Ambulance implement strategies to reduce the different overtime categories. NSW Ambulance advises the strategies implemented vary depending on the reasons for the overtime. Strategies include:

- Call Out – reviewing 24-hour rostering requirements at key locations where demand has increased with more full time employees introduced to reduce high rates of Call Out payments.
- Drop Shift – reviewing alternative staffing practices and workforce, in particular the increased use of casual staff to cover unplanned absences.
- Extension of Shift – reviewing staff rostering and deployment model as part of the Paramedic Response Network in the Sydney region. Whole of health program improvements in patient flows and time spent by paramedics transferring care at emergency departments is helping reduce Extension of Shift overtime.

Overtime at other NSW Health entities

Other NSW Health entities are generally managing overtime well. Total overtime increased to $418 million in 2016–17 ($394 million in 2015–16), but overtime as a percentage of salaries and wages remained stable at 4.2 per cent.

Time recording

Unapproved employee timesheets continue to be a problem for health entities

Recommendation

Health entities should conduct a risk-based review of time and leave recording practices to ensure control weaknesses are identified and fixed.

Supervisors failing to approve employee timesheets continue to be an issue in most health entities. Weak timesheet approval controls increase the risk of staff claiming and being paid for hours they have not worked.

Some timesheets were approved before the work was performed or 'force approved' by system administrators so pay runs could be finalised on a timely basis. Processes are not in place to follow up or subsequently review pre-approved timesheets.

The approval of timesheets outside authorised delegations (including self-approved timesheets) was also identified as a common issue and instances of late approval of annual leave requests or no requests were identified.

Stronger controls over the approval of timesheets before submission for payroll processing would reduce the volume of roster adjustments, manual pays, salary overpayments and leave not recorded accurately in the system.

All health entities should conduct a risk-based review of time and leave recording practices to ensure they do not have similar issues.

Workplace Health and Safety

NSW Health's workers' compensation claims continue to fall

NSW Health paid $151 million in workers' compensation insurance premiums in 2016–17 ($148 million in 2015–16) despite the number of claims falling over the last four years.

Workers' compensation claims

Service measure – year ended 30 June	2017	2016	2015	2014	Trend
Total number of claims	4,399	4,552	4,612	4,821	Reducing

Source: NSW Ministry of Health.

The most common injury to health employees is body stress, which includes muscle strains from the high frequency of lifting, carrying, putting down and handling patients and objects, and repetitive movements. Nurses are most likely to be injured, accounting for 36.7 per cent (36.4 per cent in 2015–16) of all claims.

Workers' compensation claims by injury type are shown in the table below.

Workers' compensation claims by injury type

	No. of claims	Cost of claims $m	No. of claims	Cost of claims $m	No. of claims	Cost of claims $m	No. of claims	Cost of claims $m
Year ended 30 June	**2017**		**2016**		**2015**		**2014**	
Body stress	1,908	13.2	2,110	24.2	2,183	24.8	2,303	25.2
Slips and falls	791	5.4	780	8.2	830	9.1	819	7.8
Mental stress	400	4.2	357	8.9	328	11.9	370	8.2
Hit by objects	607	2.9	644	5.2	600	3.6	229	0.9
Other causes	693	2.7	661	4.9	671	6.0	1,100	8.1
Total	**4,399**	**28.4**	**4,552**	**51.4**	**4,612**	**55.4**	**4,821**	**50.2**

Source: NSW Ministry of Health.

The Ministry attributes the large fall in claim costs to new claims management processes. This includes early intervention, and returning people back to work with less time on workers' compensation. The Ministry advises workers' compensation claims are taking longer to develop, with costs accumulating in the following financial years.

The Lost Time Injury Frequency Rate increased in 2016–17

The Lost Time Injury Frequency Rate (LTIFR) is the number of lost-time injuries relative to total hours worked. The rate is reported as the number of lost-time injuries per one million hours worked.

The table below shows the LTIFR for NSW Health.

Lost time injury frequency rate

Year ended 30 June	2017	2016	2015	2014
Whole of Health	23.0	15.5	24.6	25.0

Source: NSW Ministry of Health.

Despite the declining trend in workers' compensation claims, LTIFR increased in 2016–17. The LTIFR remains lower in 2016–17 than 2014–15 and 2013–14.

2.8 Internal controls

One in four internal control issues reported were repeat issues

The 2016–17 financial audits of health cluster entities reported 123 internal control issues to management. By comparison, 126 were identified in 2015–16 and 164 in 2014–15. Around 24 per cent of issues reported in 2016–17 were unresolved from previous years' audits.

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. We report deficiencies in internal controls, matters of governance interest and unresolved issues identified to management and those charged with governance. We do this through our Management Letters, which include our observations, related implications, recommendations and risk ratings.

Appendix three of this report provides information on Management Letter findings for health cluster entities.

The table below summarises Management Letter issues across health cluster entities by risk rating.

Category	Risk Rating	Issue
Information technology	Moderate: 4 new, nil repeat Low: 4 new, nil repeat	Issues included: • weak user administration processes.
Internal control deficiencies or improvements	Moderate: 24 new, 13 repeat Low: 33 new, 6 repeat	Issues included: • instances of manual journals recorded without independent review • the need to review inventory management and stocktaking processes. Repeat issues included: • the need to manage excess annual leave balances • instances of timesheets not approved, approved by staff without delegation, approved before the roster date, and self-approved. Further details on managing excess annual leave and time recording are provided in section 2.7.

Category	Risk Rating	Issue
Financial reporting	Moderate: 8 new, 3 repeat Low: 15 new, 4 repeat	Issues included: • the need to improve fair value assessments of property, plant and equipment revaluations. Repeat issues included: • opportunities to improve financial reporting, including reconciliation of key account balances and clearing reconciling items in a timely manner.
Governance and oversight	Moderate: 2 new, nil repeat Low: 2 new, 1 repeat	Issues included: • the need to review compliance with policies and policy directives • the need to improve management of conflicts of interest.
Non-compliance with key legislation or central agency policies	Moderate: 1 new, 1 repeat Low: 1 new, 1 repeat	Issues included: • not complying with the requirements of the *Government Information (Public Access) Act 2009* (GIPA Act). The 2016 Auditor-General's Report to Parliament on Agency compliance with the GIPA Act found some NSW Government agencies, including health cluster entities, were not publicly releasing all the required information on contracts with the private sector, nor were they publishing it in a timely manner.

High risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.

2.9 Internal audit

Use of internal audit

Internal audit resourcing varies across NSW Health

Health entities spent $12.4 million on internal audit activities in 2016–17 ($11.6 million in 2015–16). A common measure of the sufficiency of investment in internal audit is to compare total internal audit costs to total expenses. On average, local health districts and specialty networks spent $59 for every $100,000 of expenses in 2016–17 ($56 in 2015–16).

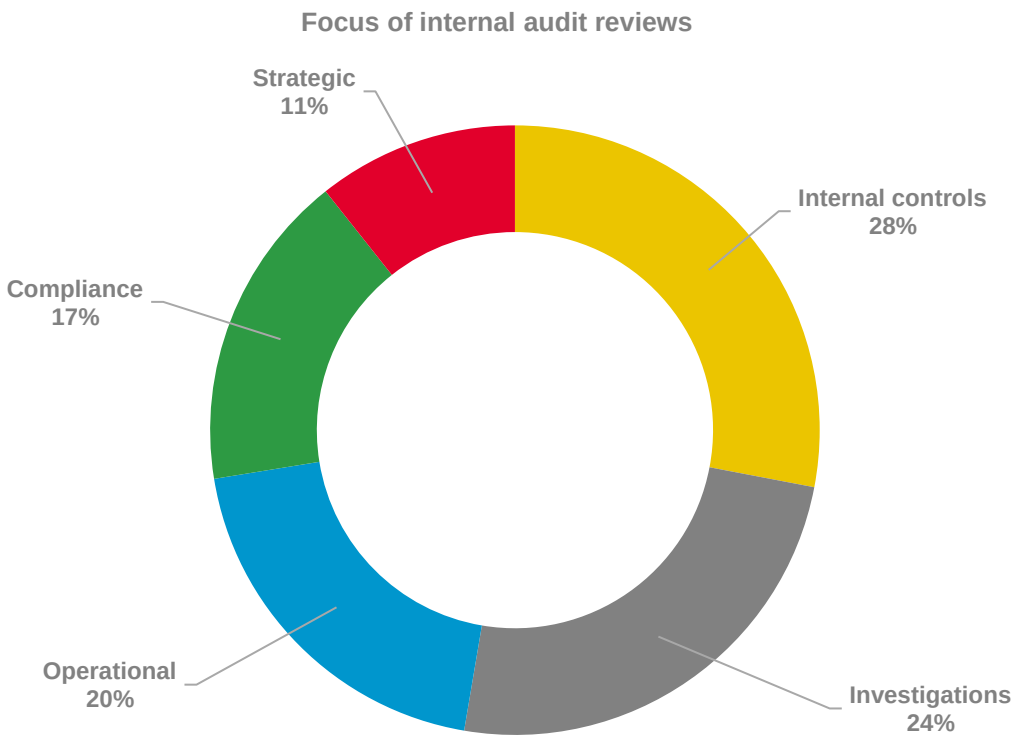
Four local health districts/specialty networks spent substantially more on internal audit per $100,000 of expenses in 2016–17 compared to the average: Southern NSW ($161), Far West ($147), Murrumbidgee ($93) and Justice Health and Forensic Mental Health Network ($89).

Three local health districts spent substantially less on internal audit per $100,000 of expenses in 2016–17 compared to the average: Western NSW ($28), Northern NSW ($30) and Hunter New England ($33).

An appropriately resourced internal audit function allows a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Most internal audit reporting related to the evaluation of internal controls

The graph below shows the focus of internal audit reviews in 2016–17 across NSW Health.



Source: NSW Ministry of Health.

NSW Health entities spent a large proportion of time (28 per cent) evaluating and reporting on internal controls. Internal controls are safeguards designed to support entities achieve their objectives through effective and efficient operations, reliable financial reporting and in compliance with applicable laws and regulations. Evaluating internal controls is a core function of internal audit.

One–quarter of internal audit reporting relates to investigations

In 2015–16, NSW Health entities spent the largest proportion of time (27 per cent) on investigations including reporting on suspected corrupt conduct, public interest disclosures and breaches of policies. While conducting investigations is a normal role for internal audit, it can reduce resources available for other core functions.

Operational reviews focus on non-financial functions, such as theatre booking and utilisation, and medication management reviews. Compliance reviews focus on compliance with laws, regulations, and statewide policies. Strategic reviews focus on the design, implementation and effectiveness of governance functions and whole-of-entity issues.

3. Service delivery

This chapter outlines our audit observations, conclusions and recommendations relating to service delivery for 2016–17.

Observation	Conclusion or recommendation
3.1 Service agreements in NSW Health	
Most of the service agreements between the Secretary of NSW Health and health entities were signed earlier than prior years. **Thirteen local health districts/specialty networks signed their service agreements by the 31 July 2017 due date. This is a significant improvement with only seven local health districts/specialty networks meeting the date in 2015–16.**	Having service agreements signed as close as possible to the start of each year provides the Ministry and NSW Health entities with clarity around roles, responsibilities, performance measures, budgets, and service volumes and levels.
3.2 Performance of NSW Health entities	
Five NSW Health entities were not meeting the Ministry's performance expectations at 30 June 2017.	The Ministry is managing the five entities in accordance with its performance review process.
3.4 Emergency department response times	
Data provided by the Ministry indicates NSW Health again, on average, met emergency department triage response time targets across all triage categories for the fourth consecutive year. **The Ministry manages performance across NSW Health to ensure patients presenting at emergency departments receive care in a clinically appropriate timeframe.**	Based on the Ministry's data, local health districts/specialty networks are, on average, meeting triage targets despite increasing emergency department attendances. The data shows eleven local health districts met all triage targets in 2016–17, compared to eight in 2015–16.
3.5 Emergency treatment performance	
The Ministry manages public patient access to emergency services in public hospitals. **It has an emergency treatment performance target of 81 per cent of patients leaving emergency departments within four hours.**	Data provided by the Ministry indicates NSW Health maintained its overall emergency treatment performance in 2016–17, but did not achieve its target. The State average emergency treatment performance was 74.2 per cent (74.2 per cent in 2015–16). Based on the Ministry's data, only four local health districts achieved the target in 2016–17, five in 2015–16.
3.6 Ambulance response times	
NSW Ambulance has a response time target of 10.0 minutes for imminently life-threatening incidents in New South Wales.	Data provided by the Ministry indicates NSW Ambulance response times for imminently life-threatening incidents of 7.5 minutes in 2016–17 was within the Ministry's target.

Observation	Conclusion or recommendation
3.7 Transfer of care	
The Ministry has a target of 90 per cent for the number of ambulance arrivals within a 30 minute 'transfer of care' timeframe.	Data provided by the Ministry indicates the rate of ambulance arrivals within a 30 minute 'transfer of care' timeframe improved from 87.6 per cent in 2015–16 to 91.7 per cent in 2016–17, exceeding the Ministry's target.
3.8 Average length of stay in hospital	
Based on the Ministry's 2016–17 data, the average length of stay for acute episodes was 3.0 days. The average length of stay in New South Wales hospitals is lower than the national average of 3.2 days (in 2015–16).	The Ministry's data shows the average length of stay by patients for acute episodes has remained stable in New South Wales hospitals for four years.
3.9 Elective surgery access performance	
Data provided by the Ministry indicates NSW Health continues to manage waiting times for elective surgery in public hospitals.	The Ministry's data shows NSW Health improved on-time admission of patients for elective surgery in 2016–17 despite a 1.8 per cent increase in admissions. While the result improved, only one of the three targets for elective surgery waiting times was met in 2016–17.
3.10 Unplanned hospital re-admissions	
Data provided by the Ministry indicates NSW Health, on average, did not reduce the rate of unplanned hospital re-admissions in 2016–17. The Ministry has a target of reducing unplanned hospital re-admissions compared to the previous financial year. **Low re-admission rates may indicate good patient management practices and post-discharge care.**	The Ministry's data shows eight local health district met the target to reduce the rate of re-admissions compared to the previous financial year. The statewide average rate increased from 6.3 per cent to 6.4 per cent.
3.11 Post discharge care for acute mental health patients	
NSW Health has a goal to increase community-based care to acute mental health patients after they are discharged. Continuity of care in the community can lead to reduced symptom severity, lower re-admission rates, and improved quality of life.	The Ministry's 2016–17 data shows the statewide average for post discharge follow-up of acute mental health patients within seven days was 70.0 per cent (66.0 per cent in 2015–16). The statewide average improved and met the NSW Health target of 70 per cent. Nine local health districts exceeded the NSW Health target.
3.12 Mental health acute re-admissions	
NSW Health has a goal to reduce acute public sector mental health re-admissions. High re-admission rates may indicate deficiencies in inpatient treatment and follow up care.	The Ministry's data shows twelve local health districts did not achieve the NSW Health target of 13 per cent mental health acute re-admissions in 2016–17.

Observation	Conclusion or recommendation
3.13 Unplanned and emergency re-presentations	
NSW Health aims to reduce the number of unplanned and emergency re-presentations to emergency departments. **The Ministry's 2016–17 data shows the State average of emergency department re-presentations decreased marginally from 5.0 per cent in 2015–16 to 4.9 per cent.**	Patients attending rural emergency departments are more likely to re-present within 48 hours of being discharged than those in regional or metropolitan emergency departments.
3.14 Healthcare associated infection	
The national target for the rate of *Staphylococcus aureus* (golden staph) bloodstream infection is two cases per 10,000 bed days.	Data provided by the Ministry indicates the rate of golden staph bloodstream infection in New South Wales hospitals continues to be well below the target and national benchmark at 0.72 cases per 10,000 bed days in 2016–17 (0.75 in 2015–16).
3.15 Patient experience and satisfaction	
The Bureau of Health Information analyses and reports on the results of patient surveys. **The Bureau's survey shows 65 per cent of adult admitted patients rated the care they received in hospital as 'very good' and 29 per cent rated it as 'good'.**	NSW Health recognises that patient surveys are an important feedback mechanism on the health care system that can only come from personal experiences.

3.1 Service agreements in NSW Health

The Secretary of NSW Health has service agreements with local health districts/specialty networks and NSW Ambulance which outline performance requirements for safety and quality, service access and patient flow, finance and activity, population health, people and culture. Similarly, the Secretary of NSW Health has performance agreements with Pillar agencies and statements of service with shared statewide service agencies which detail service responsibilities and accountabilities.

The Secretary agrees to provide funding and other support to health entities and they agree to meet the service obligations and performance requirements in the agreements. The NSW Health Performance Framework outlines how the Ministry monitors performance and holds health entities to account.

Most local health districts/specialty networks' service agreements were signed earlier

The 2017–18 service agreements were sent to the seventeen local health districts/specialty networks and NSW Ambulance on 20 June 2017 and were due to be signed by 31 July 2017. Thirteen local health districts/specialty networks met this date. This is a significant improvement with only seven local health districts/specialty networks meeting the date in 2015–16.

Of the seventeen local health districts/specialty networks and NSW Ambulance, thirteen signed the service agreements in July 2017 and five in August 2017. By comparison, seven signed their 2016–17 service agreements in July 2016, eight in August 2016, one in September 2016, one in October 2016, and one in November 2016.

Local health districts/specialty networks and NSW Ambulance should sign service agreements with the Secretary of NSW Health as close as possible to the start of each year as they clarify roles, responsibilities, performance measures, budgets, and service volumes and levels.

Agreements for other health entities were signed earlier than prior years

Three of the five performance agreements between the Secretary of NSW Health and other health entities were signed by the due date. The remaining performance agreements were signed in August 2017. While not meeting the due date, this is an improvement compared to last year where agreements were not signed until September 2016.

3.2 Performance of NSW Health entities

Five NSW Health entities are not meeting the Ministry's performance expectations

At 30 June 2017, five NSW Health entities (three at 30 June 2016) were not meeting the performance expectations in the service agreements with the Secretary of NSW Health.

The Ministry rates health entities as performing, under review, underperforming, serious underperformance risk or challenged and failing. The Ministry's performance framework and service agreements clearly set out performance expectations to ensure NSW Government and national health priorities, services, outputs and outcomes are achieved.

The Ministry of Health's most recent performance assessments of the fifteen local health districts, two specialty networks and NSW Ambulance are shown below.

Performance Measure

Quarter ending	Jun 2017	Mar 2017	Dec 2017	Sep 2016	Jun 2016	Movement in Escalation Level
Level 4 – Challenged and failing						
None	--	--	--	--	--	~
Level 3 – Serious underperformance risk						
NSW Ambulance	3	3	3	3	3	~
Western Sydney	3	1	1	1	1	↑
Level 2 – Underperforming						
Nepean Blue Mountains	2	2	2	2	2	~
South Eastern Sydney	2	2	2	2	2	~
South Western Sydney	2	2	2	2	--	↑
Level 1 – Under review						
Central Coast	1	1	1	1	--	↑
Level 0 – Performing						
Far West	--	--	--	--	--	~
Hunter New England	--	--	--	--	--	~
Illawarra Shoalhaven	--	--	--	--	--	~
Justice Health and Forensic Mental Health Network	--	--	--	--	--	~
Mid North Coast	--	--	--	--	--	~
Murrumbidgee	--	--	1	1	1	↓
Northern NSW	--	--	--	--	--	~
Northern Sydney	--	--	--	--	--	~
Sydney	--	--	--	--	--	~
Southern NSW	--	--	--	--	--	~
Sydney Children's Hospitals Network	--	--	1	1	1	↓
Western NSW	--	--	--	--	--	~

Level 4: Challenged and failing when the recovery strategy has failed and changes to the governance of the health entity may be required.

Level 3: Serious under performance risk when the recovery plan is not progressing well and is unlikely to succeed without additional support from the Ministry.

Level 2: Underperforming when the Ministry considers that the original performance issue that triggered a Level 1 response warrants a formal recovery plan and/or other performance issues emerge warranting level 2.

Level 1: Under review when a performance issue is identified.

Key: ↑ Performance escalated (deteriorated) since prior year; ↓ Performance de-escalated (improvement) since prior year; ~ No change.

Source: NSW Ministry of Health (unaudited).

NSW Ambulance and Western Sydney Local Health District were assessed as a serious underperformance risk (NSW Ambulance at 30 June 2016) due to financial concerns. Whilst recovery plans are in place, both fell short of achieving expenditure and revenue strategies in 2016–17. Further detail on health entities' financial performance is provided in the financial reporting and controls chapter.

Central Coast and Western Sydney local health districts' performance assessment deteriorated during the year due to concerns with 'transfer of care' and 'emergency treatment performance'. South Western Sydney Local Health District's performance assessment deteriorated due to issues around quality and safety at Bankstown Hospital.

Murrumbidgee Local Health District and the Sydney Children's Hospitals Network's performance assessment improved because recovery plans were progressing well and previous performance issues were being resolved.

3.3 State Priorities

The NSW Government released its new State priorities 'NSW: Making it Happen' in September 2015. It outlines two key priorities to improve health services in New South Wales including one priority of the Premier.

The two priorities are to:

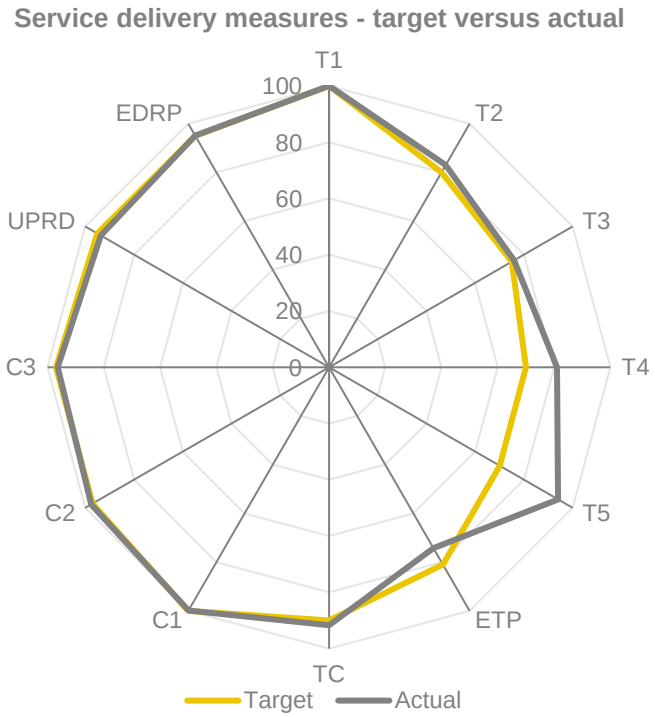
- improve service levels in hospitals – 81 per cent of patients through emergency departments within four hours
- cut waiting times for planned surgeries – increase on-time admissions for planned surgery.

The performance of NSW Health against these priorities, and a range of other targets and measures, is discussed in this chapter.

Data provided by the Ministry indicates NSW Health, as a whole, is performing well against key service delivery measures

NSW Health is a large and complex health system. Measuring and managing service delivery performance across NSW Health ensures resources can be appropriately deployed to meet the demands placed on the health system.

The chart below shows statewide performance against target in 2016–17 for a range of key service delivery measures.



Key: T1-T5 Triage response time categories.
ETP Emergency treatment performance.
TC Transfer of care.
C1-C3 Elective surgery waiting time categories.
UPRD Unplanned hospital re-admissions.
EDRP Emergency department re-presentations.

Source: NSW Ministry of Health (unaudited).

The chart shows, except for emergency treatment performance, NSW Health met or nearly met key service delivery measures in 2016–17. The key service delivery measures are analysed through the rest of this chapter.

3.4 Emergency department response times

Emergency department attendances are increasing across most New South Wales hospitals

In 2016–17, there were 2,784,700 emergency department attendances at New South Wales hospitals compared to 2,733,900 in 2015–16, an increase of 1.9 per cent. Emergency department attendances have increased 9.7 per cent over the past five years.

In 2016–17, the largest increases were at: Murrumbidgee (4.8 per cent); Hunter New England (3.6 per cent); and Northern Sydney (3.1 per cent) local health districts. The three largest decreases in emergency department attendances were: Western NSW (2.5 per cent) and South Eastern Sydney (1.6 per cent) local health districts and the Sydney Children's Hospitals Network (1.3 per cent).

NSW Health again, on average, met targets across all triage categories

Data provided by the Ministry shows NSW Health, on average, met the targets across all five triage categories for the fourth consecutive year. This indicates NSW Health, on average, continues to provide clinically appropriate access to services in emergency departments.

The table below shows statewide emergency department triage performance over the last four years.

NSW State average triage category	Percentage of patients treated within clinically appropriate timeframes				
Year ended 30 June	**Target**	**2017**	**2016**	**2015**	**2014**
T1	100	100	100	100	100
T2	80	83	82	83	84
T3	75	76	76	76	76
T4	70	81	80	80	79
T5	70	94	94	94	93

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).

Emergency department response times are equal to or better than the national average

Based on 2015–16 statistics, New South Wales emergency department triage performance is equal to or better than the national average.

Triage category	T1	T2	T3	T4	T5
NSW	100	82	76	80	94
National	100	77	67	74	93

Source: Australian Institute of Health and Welfare - Australian Hospital Statistics 2015–16 (unaudited).

Emergency departments use triaging to ensure patients receive care in a clinically appropriate timeframe. NSW Health uses triage targets recommended by the Australasian College for Emergency Medicine as a measure of local health districts' and specialty networks' performance.

More triage targets were met by local health districts/specialty networks in 2016–17

2016–17 data provided by the Ministry shows more triage targets were met by local health districts/specialty networks, on average, than in 2015–16. Eleven local health districts met all triage targets (eight in 2015–16) - Far West, Hunter New England, Mid North Coast, Murrumbidgee, Northern NSW, Northern Sydney, South Eastern Sydney, South Western Sydney, Southern NSW, Sydney and Western NSW local health districts.

Some health entities are challenged in meeting triage targets with increasing demand

The Ministry's data indicates Central Coast, Nepean Blue Mountains and Western Sydney local health districts did not achieve the imminently life-threatening (T2) and potentially life-threatening (T3) targets for the third consecutive year. All three local health districts continued to experience increases in emergency departments attendances during the year. The Ministry continues to manage the performance of these local health districts which are experiencing increasing demand for their services.

The table below shows performance against the five triage targets.

Percentage of patients treated within clinically appropriate timeframes

Triage category	T1		T2		T3		T4		T5	
Target	**100%**		**80%**		**75%**		**70%**		**70%**	
Year ended 30 June	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Central Coast	100	100	! 79	! 79	! 68	! 67	78	76	96	96
Far West	100	100	89	92	84	88	89	91	96	96
Hunter New England	100	100	83	83	75	! 74	78	79	92	93
Illawarra Shoalhaven	100	100	87	87	! 74	! 73	81	79	96	95
Mid North Coast	100	100	85	87	81	84	83	85	93	94
Murrumbidgee	100	100	84	84	85	81	91	89	98	98
Nepean Blue Mountains	100	100	! 77	! 77	! 73	! 67	81	78	93	90
Northern NSW	100	100	86	83	79	78	82	81	95	95
Northern Sydney	100	100	85	84	83	82	86	84	95	95
South Eastern Sydney	100	100	83	84	77	78	87	88	96	96
South Western Sydney	100	100	83	81	81	80	84	84	94	94
Southern NSW	100	100	86	84	80	75	82	77	94	92
Sydney	100	100	85	81	75	! 74	82	80	94	93
Sydney Children's Hospitals Network	100	100	82	87	! 72	! 71	! 63	! 62	87	89
Western NSW	100	100	94	92	82	80	86	83	95	93
Western Sydney	100	100	! 61	! 70	! 53	! 60	! 68	73	91	92
NSW State Average	100	100	83	82	76	76	81	80	94	94

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.

! Below target.

Source: NSW Ministry of Health (unaudited).

The Ministry's historical data shows:

- all local heath districts and the Sydney Children's Hospitals Network achieved the T1 target of 100 per cent for the sixth consecutive year
- three local health districts did not achieve the T2 target (the same three in 2015–16)
- four local health districts and the Sydney Children's Hospitals Network did not achieve the T3 target (six local health districts and the Sydney Children's Hospitals Network in 2015–16)
- Western Sydney Local Health District and the Sydney Children's Hospitals Network did not achieve the T4 target in 2016–17 (Sydney Children's Hospitals Network in 2015–16)
- all local heath districts and the Sydney Children's Hospitals Network achieved the T5 target (all in 2015–16).

3.5 Emergency treatment performance

The rate of patients leaving emergency departments within four hours did not improve

One of the Premier's priorities is to ensure 81 per cent of patients leave emergency departments within four hours. 2016–17 data provided by the Ministry shows NSW Health did not meet the target. The statewide average for 2016–17 was 74.2 per cent (74.2 per cent in 2015–16). The ability to achieve the target is challenging the sector when faced with increasing emergency department attendances.

While the Ministry's data indicates NSW Health's emergency treatment performance did not improve, data reported by the Productivity Commission shows its performance in 2015–16 was above the national average of 73.2 per cent.

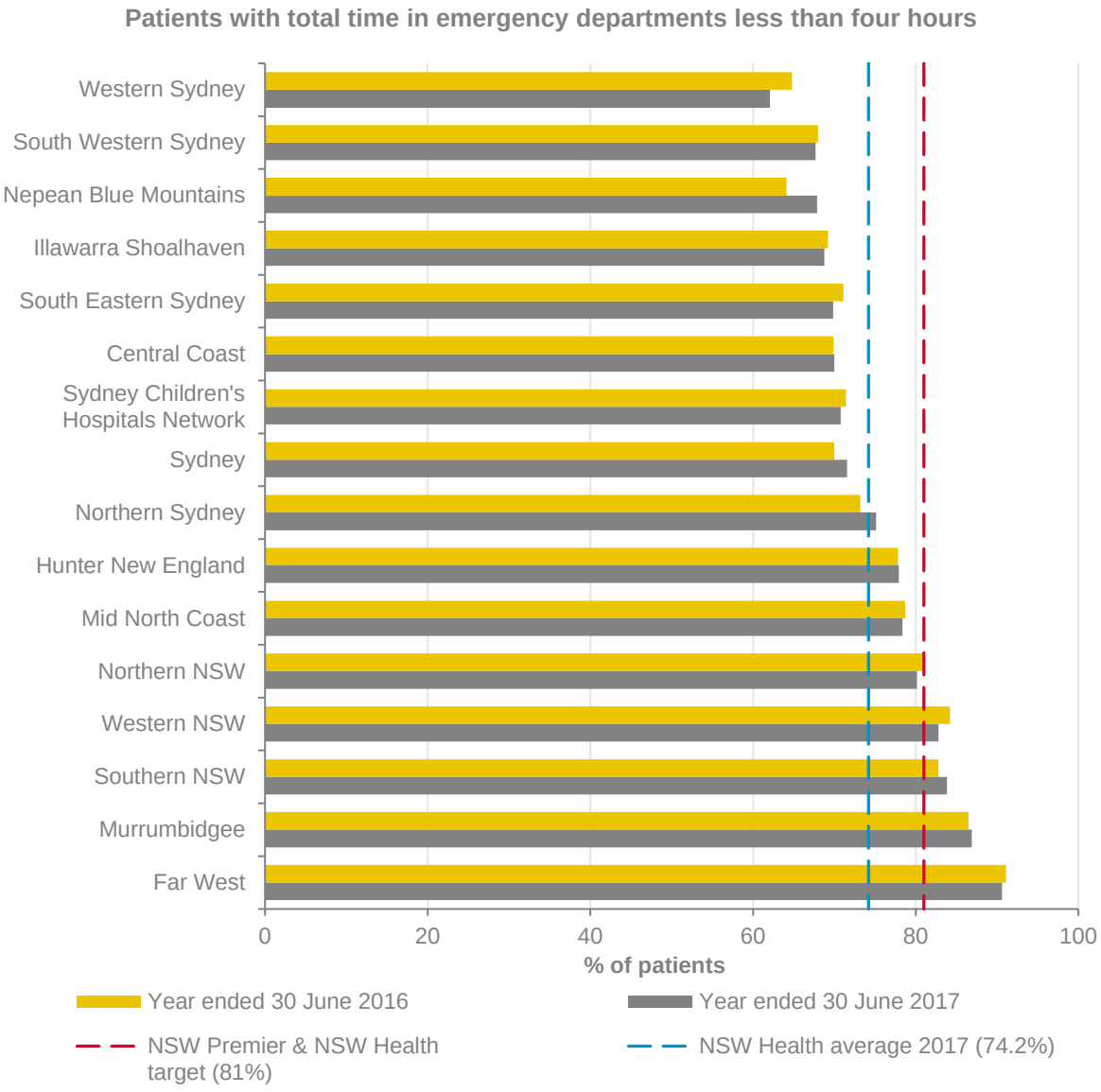
NSW Health aims to increase the number of patients who stay less than four hours in the emergency department to improve access to public hospital services and patient satisfaction.

Seven health entities did not meet emergency treatment performance expectations

2016–17 data provided by the Ministry shows only Far West (90.6 per cent), Murrumbidgee (86.9 per cent), Southern NSW (83.8 per cent) and Western NSW (82.8 per cent) local health districts met the Premier and NSW Health's priority target of 81 per cent. Five local health districts achieved the target in 2015–16.

The Ministry considers local health districts and specialty networks are not meeting expectations when less than 71 per cent of patients leave emergency departments within four hours. Seven health entities did not meet the Ministry's emergency treatment performance expectations in 2016–17 (six health entities in 2015–16). The Ministry is working with these health entities to improve performance in this area and provide more timely access to care in emergency departments.

The chart below shows the percentage of patients that left emergency departments within four hours for each local health district and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

The Ministry advises that each health entity has an agreed trajectory to achieve the target by 2019.

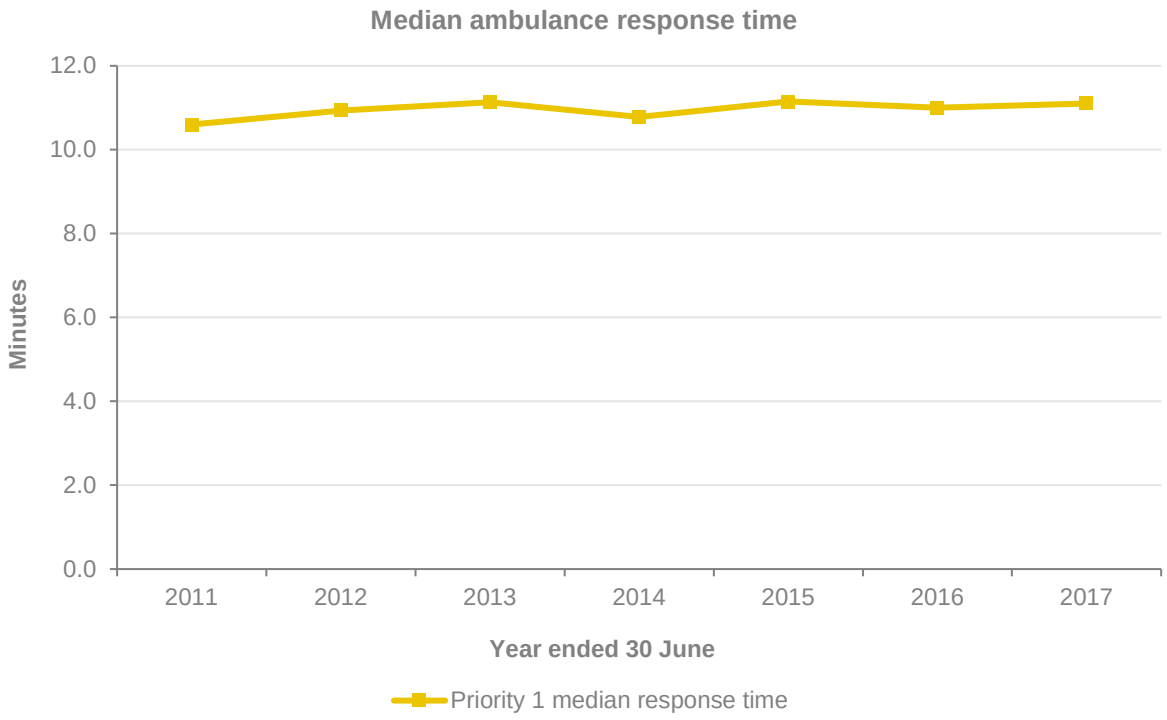
3.6 Ambulance response times

NSW Ambulance response times for potentially life-threatening incidents did not improve in 2016–17

Data provided by the Ministry shows the median ambulance response time for potentially life-threatening incidents (Priority 1) in New South Wales increased slightly from 11.0 minutes in 2015–16 to 11.1 minutes in 2016–17. This was despite the number of Priority 1 responses reducing by 4.3 per cent, from 519,550 in 2015–16 to 497,380 in 2016–17.

NSW Ambulance implemented strategies to improve ambulance response times, including changes to how it prioritises triple zero calls. This resulted in a decrease in the overall proportion of Priority 1 responses from 46.6 per cent in 2015–16 to 44.3 per cent in 2016–17.

The graph below shows NSW Ambulance response times for Priority 1 incidents.



Source: Report on Government Services 2017, Volume E: Ambulance Services, Table 11A.14 and NSW Ambulance (unaudited).

The ambulance emergency response time is the period from when a triple zero potentially life-threatening case is recorded to the time the first ambulance resource arrives at the scene.

NSW Ambulance response times for imminently life-threatening incidents was within the Ministry's target

Data provided by the Ministry shows ambulance response times for imminently life-threatening incidents (Priority 1A) in New South Wales was 7.5 minutes in 2016–17 (7.6 minutes in 2015–16). The Ministry's target for Priority 1A response times is 10.0 minutes.

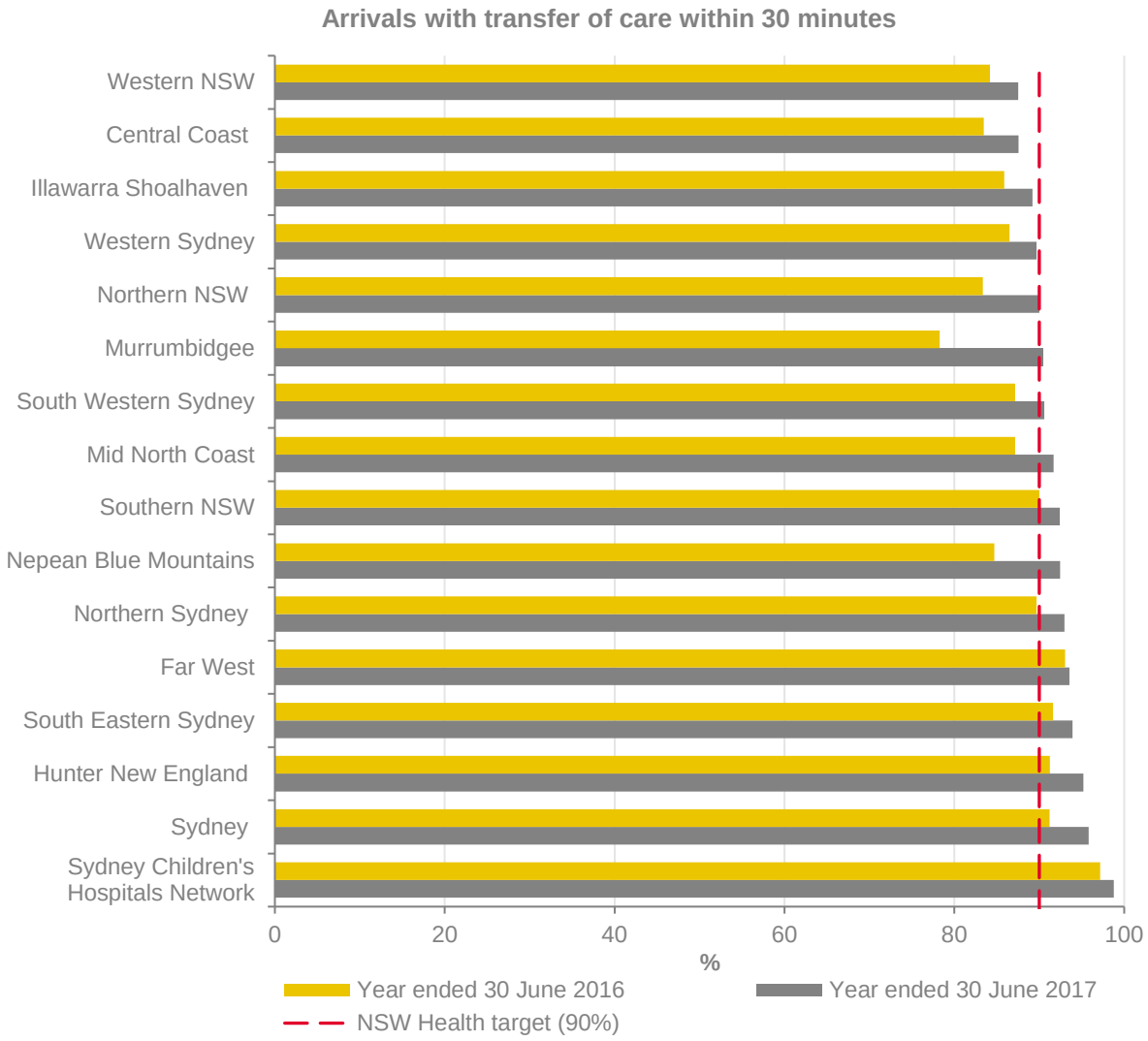
3.7 Transfer of care

Patient transfers from ambulances to emergency departments were faster in 2016–17

In 2016–17, there were 547,850 ambulance arrivals at NSW hospitals compared to 586,030 in 2015–16, a 6.5 per cent decrease. 2016–17 data provided by the Ministry shows the number of patients transferred into the care of hospital emergency departments within 30 minutes increased to 91.7 per cent (87.6 per cent in 2015–16).

The timely transfer of patients from ambulances to emergency departments, known as 'transfer of care', is an important measure. Timely treatment is critical to emergency care, and improves health outcomes and patient satisfaction. Effective coordination between ambulance services and emergency departments allows patients to be treated quickly.

The chart below shows arrivals with 'transfer of care' within 30 minutes for each local health district and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

Based on the Ministry's 2016–17 data, the Sydney Children's Hospitals Network recorded the highest percentage of arrivals with transfer of care within 30 minutes at 98.8 per cent.

In contrast, Western NSW Local Health District recorded the lowest percentage of arrivals with transfer of care within 30 minutes at 87.5 per cent. It had 25,740 ambulance arrivals at hospitals and 3,210 (12.5 per cent) patients waited for more than 30 minutes to be transferred from ambulance staff to emergency department staff.

Transfer of care time is measured from the time an 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.

3.8 Average length of stay in hospital

The average length of stay for patients in NSW hospitals was 3.0 days in 2016–17

2016–17 data provided by the Ministry shows the average length of stay for patients with acute episodes was 3.0 days (3.1 days in 2015–16). The Ministry advises there are no set targets or benchmarks for this measure because it is dependent on clinical variations in the types of episodes, the procedures undertaken and the patients' condition.

The average length of stay is a key driver of hospital costs and affects the capacity of the health system in terms of bed availability. NSW Health seeks to minimise the time patients spend in hospital, without compromising health outcomes.

Variations exist between the lengths of stay at local health districts/specialty networks

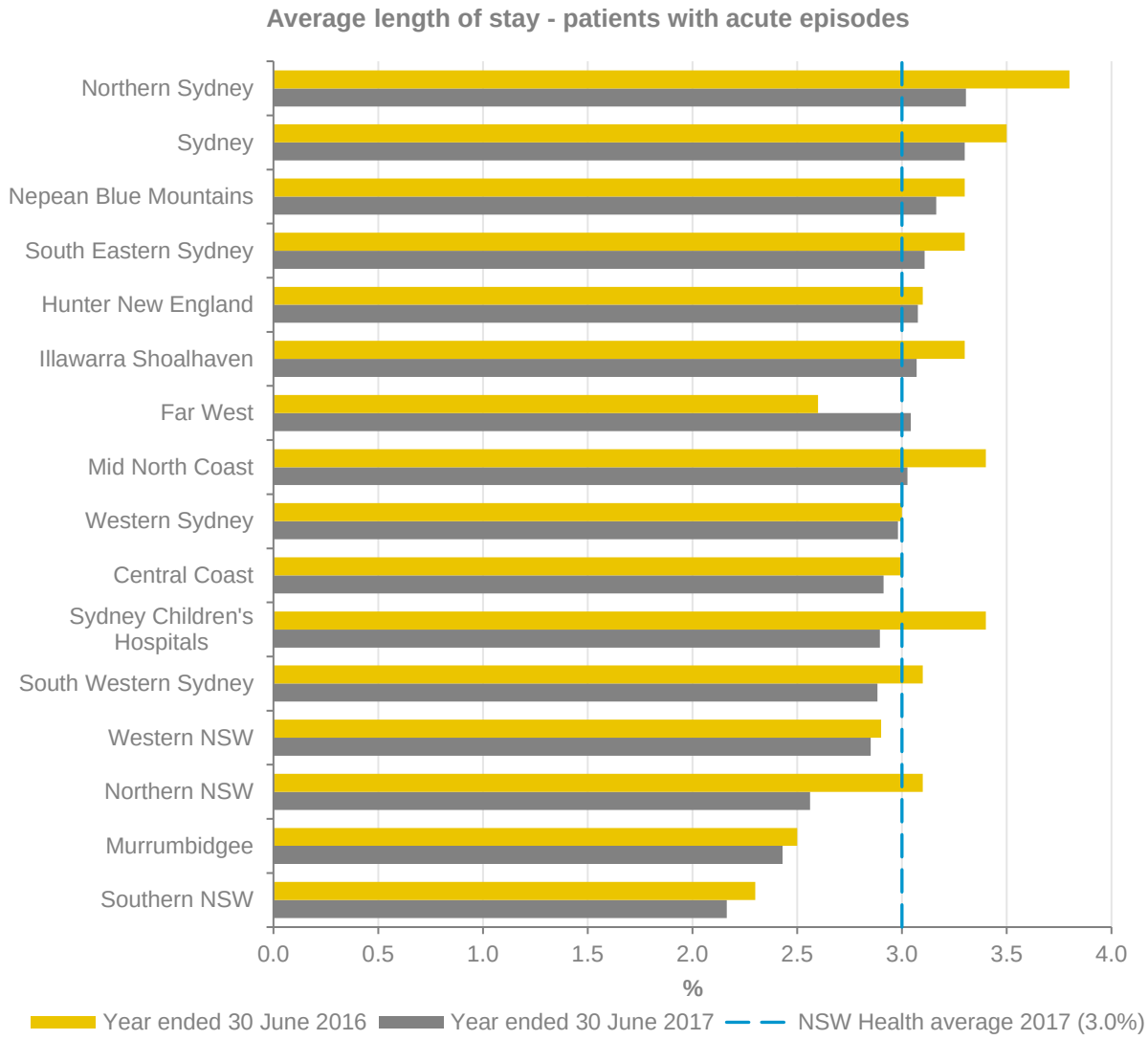
The variation in the average length of stay for patients with acute episodes between local health districts/specialty networks decreased from 1.5 days in 2015–16 to 1.1 days in 2016–17. The variation may be greater when considered at an individual hospital level.

The Ministry's 2016–17 data shows Northern Sydney and Sydney local health districts shared the highest average length of stay at 3.3 days. Southern NSW Local Health District had the lowest at 2.2 days. This means, on average, patients spent 1.1 days longer in Northern Sydney and Sydney hospitals compared to Southern NSW.

The Ministry's 2015–16 data shows Northern Sydney Local Health District had the highest average length of stay at 3.8 days. Southern NSW Local Health District had the lowest at 2.3 days.

Local health districts/specialty networks in metropolitan areas may have a slightly higher average length of stay than rural areas, because they deal with more complex patient conditions requiring longer periods in hospital.

The chart below shows the average length of episode stay in days for each local health district and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

In 2016–17, Far West Local Health District had the largest increase in average length of stay of 0.4 days. Northern Sydney Local Health District had the largest decrease of 0.5 days.

Patients continue to stay longer in New South Wales hospitals than the national average

In 2015–16, the average length of stay in New South Wales hospitals continued to be higher than other jurisdictions. The following information, based on 2015–16 statistics, compares New South Wales 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.

	VIC	QLD	NSW	National	NSW	National
Year ended 30 June	**2016**	**2016**	**2016**	**2016**	**2015**	**2015**
Average length of stay including day surgery (days)	3.0	3.1	3.6	3.2	3.6	3.2

Source: Australian Institute of Health and Welfare - Australian Hospital Statistics 2015–16 (unaudited).

The Australian Institute of Health and Welfare regards the average length of stay as an indicator of the efficiency of hospitals.

3.9 Elective surgery access performance

On average, NSW Health improved on-time admission of patients for elective surgery

One of the State priorities is to increase on-time admissions for elective surgery, in accordance with medical advice. In 2016–17, there were 222,893 admissions (218,944 in 2015–16) for elective surgery in NSW public hospitals, representing a 1.8 per cent increase. 2016–17 data provided by the Ministry shows NSW Health met one of the three targets for elective surgery waiting times.

NSW Health is attempting to reduce waiting times for elective surgery in public hospitals. Cutting waiting times is important to reduce the burden of disease and injury on patients and their carers.

The table below shows the statewide average percentage of elective surgery patients treated on time over the last four years.

NSW State average	**Percentage of elective surgery patients treated on time**				
Year ended 30 June	**Target**	**2017**	**2016**	**2015**	**2014**
Category 1 (1)	100	99.8	99.8	99.8	99.7
Category 2 (2)	97	97.6	97.1	97.1	96.9
Category 3 (3)	97	96.4	95.6	96.1	95.9

1 Surgical procedure to occur within 30 days of booking for surgery.

2 Surgical procedure to occur within 90 days of booking for surgery.

3 Surgical procedure to occur within 365 days of booking for surgery.

Source: NSW Ministry of Health (unaudited).

The Ministry's 2016–17 data shows ten local health districts and a specialty network did not meet the Category 1 target (seven in 2015–16). Far West Local Health District had the lowest percentage with 99.4 per cent of elective surgery admissions completed within 30 days of the surgery booking (Murrumbidgee had the lowest with 98.9 per cent in 2015–16).

The Ministry's 2016–17 data shows four local health districts did not meet the Category 2 target (seven in 2015–16). Northern Sydney local health district had the lowest percentage with 89.8 per cent of elective surgery admissions completed within 90 days of the surgery booking (Sydney Children's Hospitals Network had the lowest with 87.1 per cent in 2015–16).

The Ministry's 2016–17 data shows six local health districts and a specialty network did not meet the Category 3 target (nine in 2015–16). Once again, Nepean Blue Mountains Local Health District had the lowest percentage with 88.1 per cent of elective surgery admissions completed within 365 days of the surgery booking (85.9 per cent in 2015–16).

The table below shows there has been a constant increase in the number of admissions for elective surgery since 2013–14.

Year ended 30 June	Target	2017	2016	2015	2014
Elective surgery admissions in NSW public hospitals	222,250	222,893	218,942	217,727	216,678

Source: NSW Ministry of Health (unaudited).

Elective surgery wait times do not include the time it takes for patients to see a specialist and get onto the waiting list because data on surgical access times are not recorded.

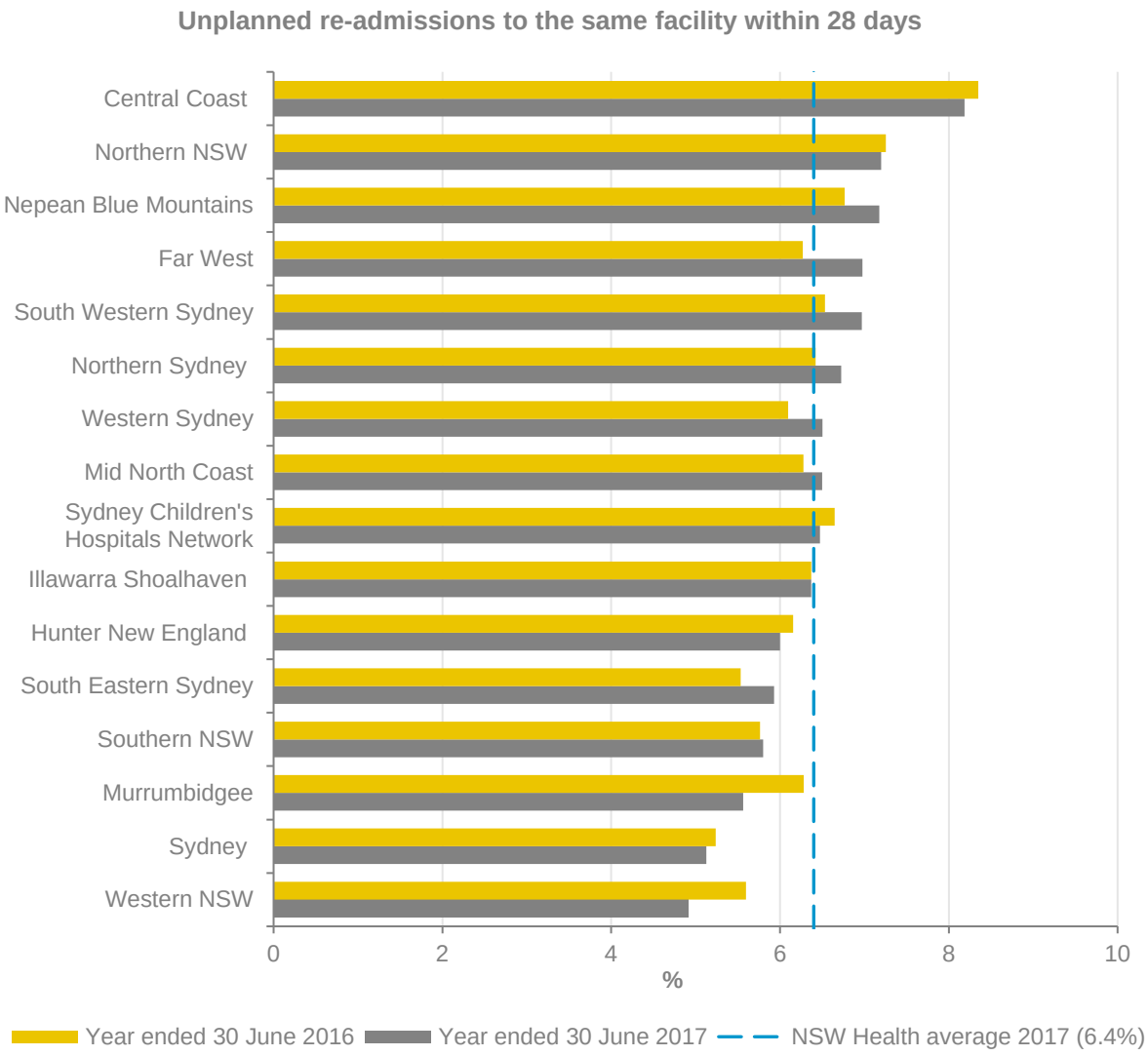
3.10 Unplanned hospital re-admissions

NSW Health, on average, did not reduce the rate of unplanned hospital re-admissions in 2016–17

2016–17 data provided by the Ministry shows the statewide average unplanned hospital re-admissions rate was 6.4 per cent (6.3 per cent in 2015–16). The Ministry's target is to reduce the rate of re-admissions compared to the previous financial year. The Ministry changed the target in 2016–17. The previous target was for re-admission rates to be less than or equal to five per cent. Based on the data, only one local health district would have achieved the previous target in 2016–17.

The data shows that, once again, Central Coast Local Health District recorded the highest rate at 8.2 per cent (8.3 per cent), while Western NSW Local Health District recorded the lowest at 4.9 per cent (Sydney Local Health District at 5.2 per cent in 2015–16).

The chart below shows unplanned hospital re-admissions for each local health district and the Sydney Children's Hospitals Network .



Source: NSW Ministry of Health (unaudited).

Unplanned hospital re-admissions occur when discharged patients return to the same hospital within 28 days. Low re-admission rates may indicate good patient management practices and post-discharge care but can also indicate challenges in accessing services. High re-admission rates may indicate a problem with a clinical care pathway or the effectiveness of inpatient care.

3.11 Post discharge care for acute mental health patients

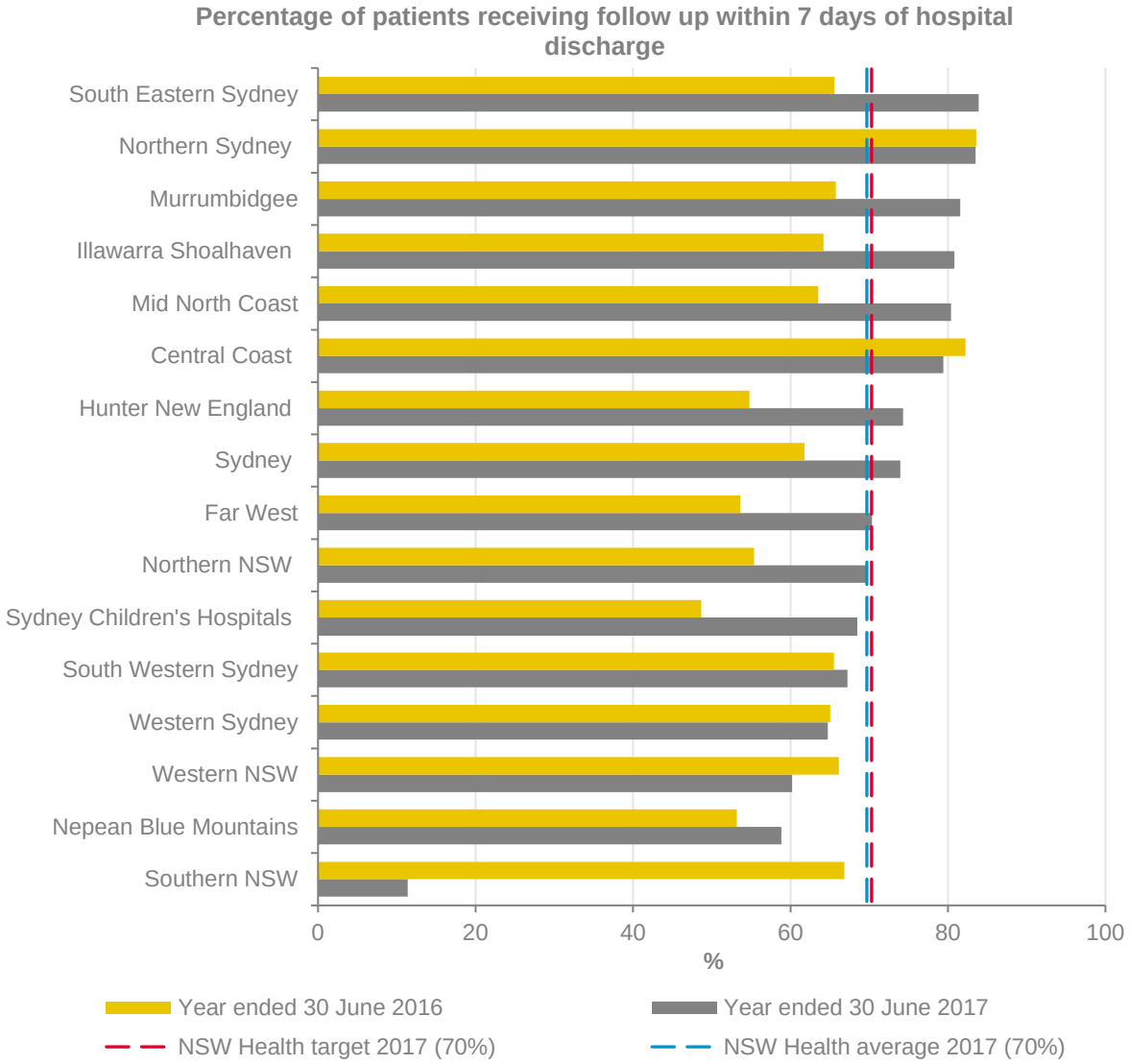
On average, NSW Health improved the post discharge follow-up of acute mental health patients

Most people with chronic and recurring mental illnesses are cared for in the community. Continuity of care (including follow up and support by professionals and peers) in the community for mental health patients after they have been discharged can lead to reduced symptom severity, lower re-admission rates, and improved quality of life.

2016–17 data provided by the Ministry shows the statewide average for post discharge follow-up of acute mental health patients within seven days was 70.0 per cent (66.0 per cent in 2015–16). The statewide average improved in 2016–17 and met the NSW Health target of 70 per cent.

The Ministry's 2016–17 data shows the Sydney Children's Hospitals Network had the greatest improvement from prior year with an increase of 19.8 percentage points. The data shows Southern NSW Local Health District had the largest reduction in performance, dropping 55.5 percentage points to 11.4 per cent of post discharge follow-up within seven days. The Ministry attributes the reduction to data quality issues because of problems extracting data from a new system.

The chart below shows the post discharge follow-up of acute mental health patients within seven days for each local health district and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

Discharge from hospital is a critical transition point in the delivery of mental health care. People leaving hospital after an admission for an episode of mental illness have a heightened level of vulnerability and, without adequate follow-up, may relapse or be readmitted.

Continuity of care includes prompt community follow-up in the vulnerable period following discharge from hospital (within seven days is the common benchmark). The effectiveness of continuity of care is usually measured by the rate at which discharged patients are readmitted to hospital within 28 days.

3.12 Mental health acute re-admissions

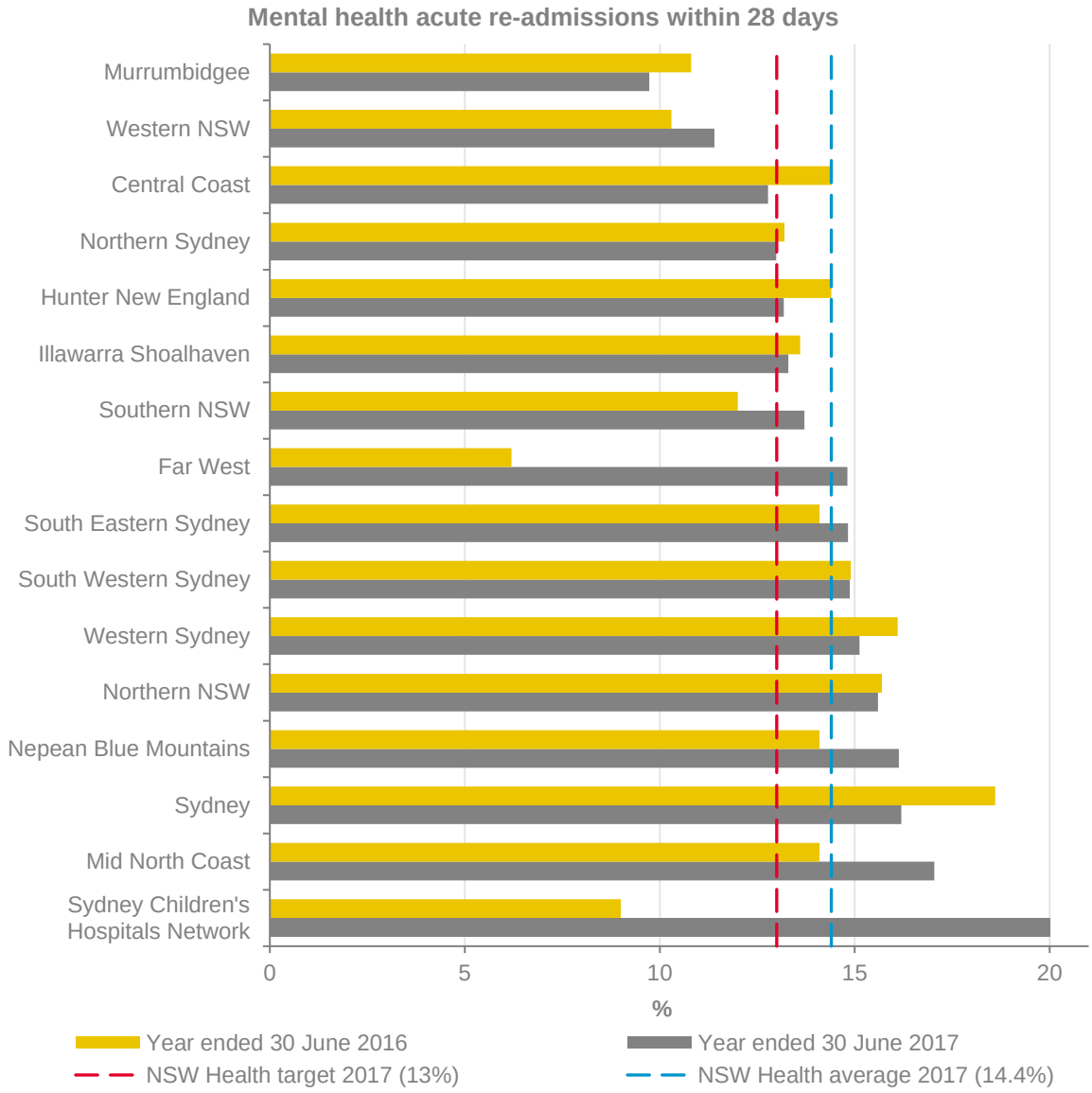
Most health entities did not achieve NSW Health's mental health acute re-admissions target

2016–17 data provided by the Ministry shows the statewide average mental health acute re-admissions rate was 14.4 per cent (14.6 per cent in 2015–16). Sydney Children's Hospitals Network recorded the highest mental health acute re-admissions rate at 20.0 per cent (Sydney Local Health District at 18.6 per cent in 2015–16), while Murrumbidgee Local Health District recorded the lowest at 9.7 per cent (Far West Local Health District at 6.2 per cent in 2015–16).

The data shows the Sydney Children's Hospitals Network and Far West Local Health District experienced large changes in their performance compared to 2015–16. The Ministry attributes the movement to low volumes of acute mental health patients creating greater volatility in the results. The Ministry also advise of potential data quality issues impacting the Sydney Children's Hospitals Network result.

The Ministry's data shows twelve local health districts did not achieve the NSW Health target of 13 per cent in 2016–17 (11 local health districts in 2015–16). High re-admission rates may indicate deficiencies in inpatient treatment and follow up care.

The chart below shows mental health acute re-admissions within 28 days of being discharged for each local health district and the Sydney Children's Hospitals Network.



Source: NSW Ministry of Health (unaudited).

Mental health acute hospital re-admissions occur when patients discharged from an acute mental health unit return within 28 days. NSW Health has a goal to reduce the number of acute public sector mental health re-admissions.

3.13 Unplanned and emergency re-presentations

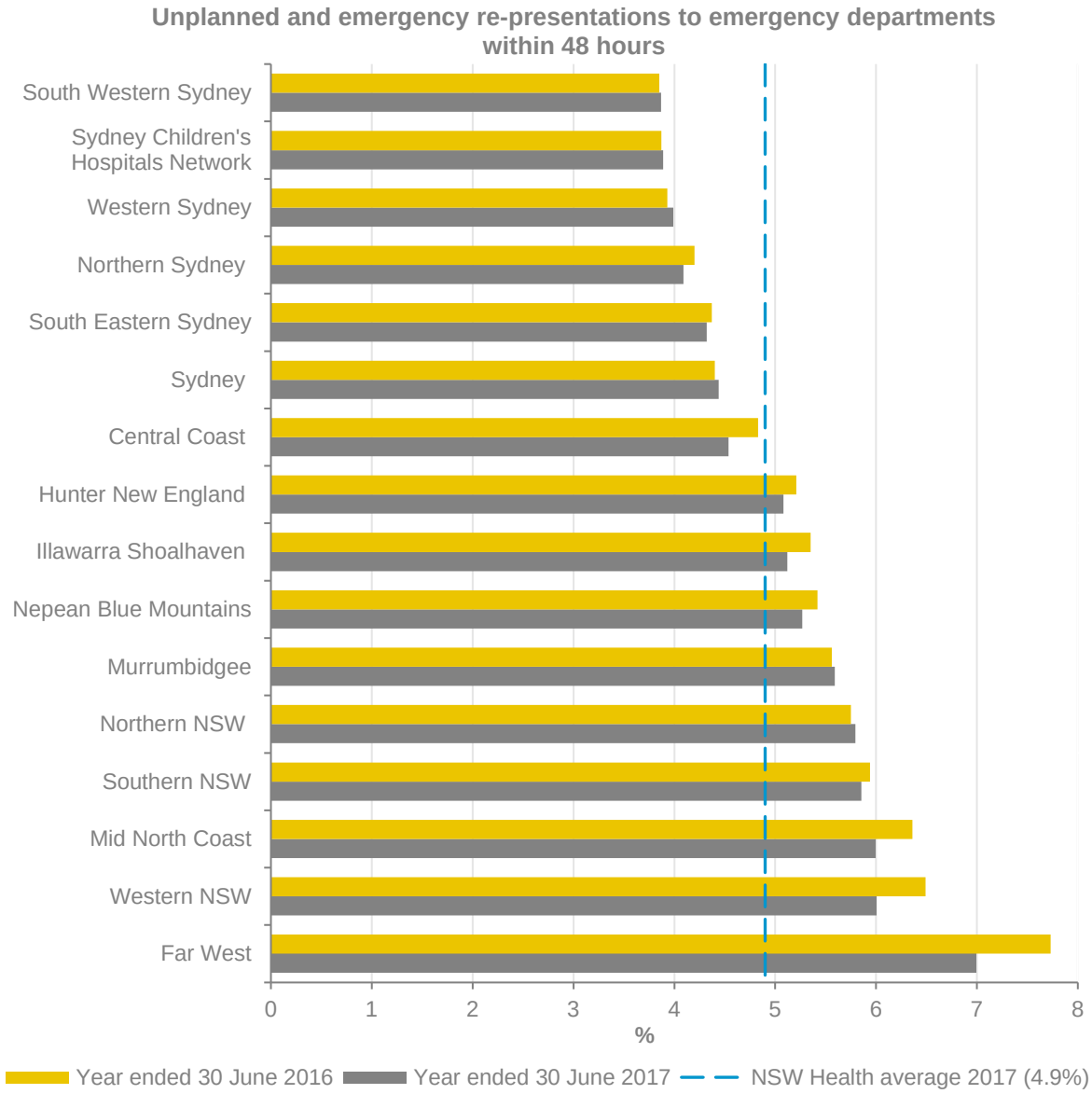
Most health entities reduced unplanned and emergency re-presentations in 2016–17

2016–17 data provided by the Ministry shows the statewide average unplanned and emergency re-presentations rate fell to 4.9 per cent from 5.0 per cent in 2015–16. The data shows Far West Local Health District recorded the highest unplanned rate of re-presentations at 7.0 per cent (7.7 per cent in 2015–16). The data shows South Western Sydney Local Health District and the Sydney Children's Hospitals Network had the lowest rate of 3.9 per cent (3.9 per cent in 2015–16 respectively together with Western Sydney Local Health District).

The Ministry's 2016–17 data shows ten local health districts reduced the number of unplanned and emergency re-presentations to the same emergency department within 48 hours of being discharged.

NSW Health's target is to reduce the number of unplanned and emergency re-presentations to emergency departments.

The chart below shows New South Wales hospitals unplanned and emergency re-presentations to emergency departments within 48 hours of being discharged.



Source: NSW Ministry of Health (unaudited).

Unplanned and emergency re-presentations occur when a patient returns to the same facility within 48 hours of leaving the emergency department. The Ministry advises unplanned re-presentations should be interpreted with caution, particularly in regional and rural hospitals, because they may reflect clinical models of care where emergency departments provide primary healthcare services due to the lack of other services in those communities.

3.14 Healthcare associated infection

'Golden staph' infection rates remain well below national standards

Staphylococcus aureus bloodstream infection (SA-BSI), also called 'golden staph', is a common cause of healthcare associated infections. The incidence of healthcare associated SA-BSI is used as a measure for the hygiene compliance of healthcare workers.

Data provided by the Ministry shows SA-BSI rates across NSW Health were below the national benchmark of less than two cases per 10,000 bed days. In 2016–17, the average SA-BSI was 0.72 cases per 10,000 bed days (0.75 in 2015–16). NSW Health's 2015–16 result is consistent with the national average SA-BSI rate.

NSW Health minimises the risk of unnecessary injury and mortality from healthcare associated infections in healthcare facilities through infection control practices.

Details on each local health district's and specialty network's average SA-BSI rate are included in appendix seven.

3.15 Sentinel events

Data provided by the Ministry indicates thirty-four events led to patient deaths or serious harm in New South Wales hospitals in 2015–16

Sentinel events are those which result in death or very serious harm to patients. Even a small number of isolated sentinel events have the potential to seriously undermine public confidence in the healthcare system.

In 2015–16, there were 34 sentinel events in New South Wales hospitals compared to 50 in 2014–15 and 53 in 2013–14. Details on sentinel events for the previous financial year are not available at the time of writing this report.

In 2015–16, on average, one sentinel event occurred for every 85,893 patients admitted to a New South Wales hospital.

The table below summarises the number of sentinel events over the three years to 2015–16 for the eight nationally agreed sentinel events.

Number of sentinel events in NSW

Year ended 30 June	2016	2015	2014
Retained instruments or other material after surgery requiring re-operations or further surgical procedure	9	20	18
Suicide of a patient in an inpatient unit	9	15	18
Maternal death associated with pregnancy, birth and the puerperium	6	9*	3
Medication error leading to the death of a patient reasonably believed to be due to incorrect administration of drugs	4	3	12
Intravascular gas embolism resulting in death or neurological damage	3	3	2
Procedures involving the wrong patient or body part resulting in death or major permanent loss of function	3	--	--
Haemolytic blood transfusion reaction resulting from ABO (blood type) incompatibility	--	--	--
Infant discharged to the wrong family	--	--	--
Total	**34**	**50**	**53**

* Updated from six reported in last year's Auditor-General's Report to Parliament.

Source: NSW Ministry of Health – 2015–16 (unaudited); Productivity Commission's annual Report on Government Services – 2013–14 and 2014–15 (unaudited).

In 2015–16, the most commonly reported sentinel events were where instruments or other materials were retained in the patient after surgery and required re-operation or further surgical procedures (9 events) and suicide of a patient in an inpatient unit (9 events). These two categories are consistently the most common sentinel event over the three years to 2015–16.

From 1 July 2017, the Independent Hospital Pricing Authority will not fund public hospital episodes that include a sentinel event.

3.16 Patient experience and satisfaction

NSW Health monitors patient experiences through surveys

NSW Health has a patient survey program which collects feedback on various aspects on the patient experience. This includes the physical environment of the hospital, safety and hygiene, accessibility and timeliness and communication and information. Patients are asked if they were treated with respect and dignity during their admission.

The Bureau of Health Information reports on the overall NSW Health system. Local health districts and specialty networks can compare their performance against others.

Survey results provide valuable insights into how well the healthcare system in New South Wales is functioning and where there are opportunities to improve and help healthcare professionals and policy makers deliver safe, quality care.

The Bureau of Health Information reports most NSW patients rate the care they received as 'very good' or 'good'

In 2015, the Bureau of Health Information surveyed over 27,000 adult admitted patients in NSW. The survey collected information about the care patients received while admitted in hospital. Overall, 65 per cent of patients rated the care as 'very good' and 29 per cent rated it as 'good'. The results were consistent with the 2014 results when 63 per cent rated their care as 'very good' and 30 per cent as 'good'.

During April 2014 to March 2015, the Bureau of Health Information surveyed around 18,000 emergency department patients. Overall, 58 per cent of patients rated the care while in the emergency department as 'very good' and 38 per cent as 'good'. In comparison, 52 per cent surveyed during April 2013 to March 2014 rated their overall care as 'very good' and 30 per cent care as 'good'.

The service agreements between the Secretary of NSW Health and local health districts/specialty networks include a target to increase the percentage of patients rating care as 'very good' or 'good'. On average, NSW Health achieved the target for emergency department patients and adult admitted patients based on the latest published data.

The table below shows the overall results for NSW Health.

Percentage of patients who rated the care they received as 'very good' or 'good'

NSW State average	2015	2014
Adult admitted patients*	94.0	93.0
Emergency department patients**	89.0	82.0

* Adult admitted patient results over the period January 2015 to December 2015 (January 2014 to December 2014).

** Emergency department patient results over the period April 2014 to March 2015 (April 2013 to March 2014).

Source: Bureau of Health Information (unaudited).

3.17 Non-Government Organisation funding

Reforms are being implemented to NGO funding processes to increase accountability

In 2016–17, NSW Health allocated around $155 million ($153 million in 2015–16) in Ministerial grant funding to over 310 Non-Government Organisations (NGOs) across the State. Ministerial grant funding is provided for programs addressing women's health, aged care, palliative care, chronic care and aged disability, community transport, population health, drug and alcohol, mental health, kids and families, aboriginal health, and other state-wide issues.

NSW Health is implementing reforms to existing frameworks and systems that manage NGO funding to:

- strengthen partnerships and service outcomes through longer term agreements that promote greater sustainability of services
- better align NGO services funded by NSW Health with NSW Government priorities
- reflect enhanced performance frameworks
- demonstrate effectiveness and value for money.

The reforms have progressed in a staged approach. During 2014–15 and 2015–16 (Phase One), NSW Health:

- completed service evaluations and introduced streamlined funding and reporting arrangements for NGOs
- delivered a training and education program to build skills and capabilities of NGOs, which reached over 250 participants across the State.

In 2016–17 (Phase Two), NSW Health:

- assessed existing arrangements with NGOs to identify those suitable to be transferred to longer term funding agreements with enhanced performance indicators from 1 July 2017
- will continue to fund and review the remaining agreements with NGOs until 30 June 2018 which may, in the future, be more appropriately funded under other arrangements, such as the National Disability Insurance Scheme.

Section two

Appendices

Appendix one – List of 2017 recommendations

The table below lists the recommendations made in this report.

1. Financial reporting and controls

1.1 Managing excess annual leave	Health entities should further review the approach to managing excess annual leave in 2017–18. They should: • monitor current and projected leave balances to the end of the financial year on a monthly basis • agree formal leave plans with employees to reduce leave balances over an acceptable timeframe.	✓
1.2 NSW Ambulance sick leave	NSW Ambulance should further implement and monitor targeted human resource strategies to address high rates of sick leave taken.	–
1.3 NSW Ambulance overtime payments	NSW Ambulance should further review the effectiveness of its rostering practices to identify strategies to reduce excessive overtime payments.	–
1.4 Time and leave recording practices	Health entities should conduct a risk-based review of time and leave recording practices to ensure control weaknesses are identified and fixed.	–

Key ✓ **Low risk** – **Medium risks** ! **High risks**

Appendix two – Status of 2016 recommendations

Last year's Auditor-General's Report to Parliament on the Health cluster included 11 recommendations for the cluster entities.

Recommendation	Current status
Ministry of Health and NSW Health entities	
The Ministry should issue guidance as soon as possible and work with each health entity to determine what should be done with dormant Restricted Financial Assets or funds whose purpose is unclear. Health entities should arrange appropriate approvals to move funds from Restricted Financial Assets to the Public Contributions Trust Fund.	The Ministry issued guidance in October 2017 to help determine what should be done with dormant Restricted Financial Assets or funds whose purpose is unclear. The Ministry has requested health entities provide quarterly status reports on applications it has made to use dormant Restricted Financial Assets for other purposes.
NSW Health entities	
Health entities should ensure they have appropriate information technology controls including: • establishing formal IT policies and periodic reviews of accounts with access to critical financial systems • approving IT policies with guidance on password parameters • ensuring all sensitive information is encrypted.	Health entities continue to implement policies and periodic reviews to target information technology access controls. Weak user administration processes at health entities accounted for most IT issues identified in 2016–17, however the number of IT issues has decreased. Refer to the financial reporting and controls chapter.
Health entities should continue reviewing the approach to managing excessive annual leave in 2016–17. They should: • monitor current and projected leave balances to the end of the financial year on a monthly basis • agree formal leave plans with employees to reduce leave balances over an acceptable timeframe.	In 2016–17, the number of employees with excess leave decreased. NSW Health advise they implemented State-Wide Management Reporting Services to monitor employees' current and projected leave balances. Managing excess annual leave is raised at statewide Executive Forums and reported regularly as part of health entities' service agreements with the Ministry. The 2016–17 audits identified some health entities have not agreed formal leave plans with employees to reduce leave balances to an acceptable level. Refer to the financial reporting and controls chapter.
Health entities should: • ensure timesheets are approved by supervisors before pay runs are completed • subsequently approve timesheets that were pre-approved or force approved • ensure access rights to approve and amend timesheets is only granted to delegated officers • review rostering and leave recording practices and address control weaknesses.	With the implementation of HealthRoster, health entities have established practices to ensure access rights to approve and adjust timesheets are only granted to delegated officers. Despite of this, unapproved employee timesheets continue to be a problem for health entities. The 2016–17 audits identified many timesheets were not approved before pay runs were completed in some health entities. Refer to the financial reporting and controls chapter.
Health entities should discourage Visiting Medical Officers (VMOs) from submitting claims late by discounting them as allowed under the VMO pay determination.	Most health entities advise they are discounting late claims as allowed under the VMO pay determination.

Recommendation	Current status	
Health entities should work with eHealth NSW to ensure sufficient resources are dedicated to information technology change management.	Most major IT projects have not experienced further delays to completion. However, continued investment in information technology change management programs within health entities is required. Refer to the financial reporting and controls chapter.	
The Secretary of NSW Health and health entities should finalise service agreements by 31 July each year.	Most of the service agreements between the Secretary of NSW Health and health entities were signed earlier than prior years. Refer to the service delivery chapter.	
Health entities should take action to fully comply with the NSW Health Enterprise Risk Management policy directive. Progress should be reported to Audit and Risk Management Committees.	Most NSW Health entities report full compliance with the NSW Health Enterprise Risk Management policy directive.	
Relevant Chief Audit Executives should review their health entity's 2015–16 conflict of interest registers to ensure they are complete, all actions have been addressed, trends analysed, and instances requiring action followed up.	Health entities reported the Chief Audit Executive has reviewed their health entity's conflicts of interest register.	
NSW Ambulance		
NSW Ambulance should continue to implement and monitor targeted human resource strategies to address the challenges it faces managing sick leave.	NSW Ambulance continues to implement and monitor targeted human resource strategies to reduce sick leave taken. Despite significant efforts, it continues to have the highest average sick leave rate, across the health sector, higher than the NSW Health average**.** Refer to the financial reporting and controls chapter.	
NSW Ambulance should continue to review the effectiveness of its strategies and rostering practices to reduce excessive overtime payments.	NSW Ambulance advises it is reviewing the effectiveness of its strategies and rostering practices to reduce the different overtime categories. Despite significant efforts, overtime payments continue to be significantly higher than other health entities. Refer to the financial reporting and controls chapter.	

 **Fully addressed**  **Partially addressed**  **Not addressed**

Appendix three – Timeliness of financial and audit reporting

Cluster agencies	Timeliness of financial reporting and audit reporting			Management Letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat
Principle department/Lead agency								
Ministry of Health	✓	✓	✓	--	6	4	**10**	7
Local health districts and specialty health networks								
Central Coast[#]	✓	✓	✓	--	2	1	**3**	3
Far West[#]	✓	✓	✓	--	2	1	**3**	--
Hunter New England[#]	✓	✓	✓	--	1	2	**3**	1
Illawarra Shoalhaven[#]	✓	✓	✓	--	1	3	**4**	--
Justice Health and Forensic Mental Health[#]	✓	✓	✓	--	--	--	**--**	--
Mid North Coast[#]	✓	✓	✓	--	1	1	**2**	1
Murrumbidgee[#]	✓	✓	✓	--	2	1	**3**	1
Nepean Blue Mountains[#]	✓	✓	✓	--	4	--	**4**	--
Northern NSW[#]	✓	✓	✓	--	4	1	**5**	2
Northern Sydney[#]	✓	✓	✓	--	3	--	**3**	2
South Eastern Sydney[#]	✓	✓	✓	--	4	9	**13**	5
South Western Sydney[#]	✓	✓	✓	--	--	2	**2**	--
Southern NSW[#]	✓	✓	✓	--	2	1	**3**	1
Sydney[#]	✓	✓	✓	--	1	3	**4**	1
Sydney Children's Hospitals[#]	✓	✓	✓	--	3	1	**4**	--
Western NSW[#]	✓	✓	✓	--	4	--	**4**	--
Western Sydney[#]	✓	✓	✓	--	4	1	**5**	--

Cluster agencies	Timeliness of financial reporting and audit reporting			Management Letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat
Pillar agencies								
Agency for Clinical Innovation[#]	✓	✓	✓	--	--	3	**3**	--
Bureau of Health Information[#]	✓	✓	✓	--	1	1	**2**	--
Cancer Institute NSW[#]	✓	✓	✓	--	--	--	**--**	--
Clinical Excellence Commission[#]	✓	✓	✓	--	1	2	**3**	--
Health Education and Training Institute[#]	✓	✓	✓	--	1	3	**4**	--
Shared statewide services								
Health Administration Corporation[^]	✓	✓	✓	--	4	16	**20**	1
Other controlled health entities								
Albury Base Hospital	✓	✓	✓	--	--	--	**--**	--
Albury Wodonga Health Employment Division	✓	✓	✓	--	--	--	**--**	--
Graythwaite Charitable Trust	✓	✓	✓	--	--	--	**--**	--
Other entities in the cluster								
Health Care Complaints Commission[#]	✓	✓	✓	--	1	3	**4**	--
Mental Health Commission of NSW[#]	✓	✓	✓	--	--	1	**1**	--
NSW Health Foundation	✓	✓	! [1]	--	--	--	**--**	--

Cluster agencies	Timeliness of financial reporting and audit reporting			Management Letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat
Health Professional Councils:	--	--	--	--	4	7	**11**	4
• Aboriginal and Torres Strait Islander Health Practice Council	N/A	✓	✓	--	--	--	**--**	--
• Chinese Medicine Council	N/A	✓	✓	--	--	--	**--**	--
• Chiropractic Council	N/A	✓	✓	--	--	--	**--**	--
• Dental Council	N/A	✓	✓	--	--	--	**--**	--
• Medical Council	N/A	✓	✓	--	--	--	**--**	--
• Medical Radiation Practice Council	N/A	✓	✓	--	--	--	**--**	--
• Nursing and Midwifery Council	N/A	✓	✓	--	--	--	**--**	--
• Occupational Therapy Council	N/A	✓	✓	--	--	--	**--**	--
• Optometry Council	N/A	✓	✓	--	--	--	**--**	--
• Osteopathy Council	N/A	✓	✓	--	--	--	**--**	--
• Pharmacy Council	N/A	✓	✓	--	--	--	**--**	--
• Physiotherapy Council	N/A	✓	✓	--	--	--	**--**	--
• Podiatry Council	N/A	✓	✓	--	--	--	**--**	--
• Psychology Council	N/A	✓	✓	--	--	--	**--**	--

✓ Statutory financial reporting deadline was met.

N/A Agency not required to complete early close procedures.

Each entity controls a special purpose service entity or staff agency that prepares separate financial statements.

^ Controls four special purpose service entities that prepare separate financial statements.

1 The audit opinion for the NSW Health Foundation was not signed by the due date because of a delay receiving the signed certification from the agency head required by the *Public Finance and Audit Act 1983*.

Source: Early Close Procedures Letters, Client Service Reports, Independent Auditor's Reports and Management Letters issued by the Audit Office.

Appendix four – Financial indicators

Indicator	Formula	Description
Net result - surplus/(deficit) ($)	Net result from the statement of comprehensive income	A positive result indicates a surplus, while a negative result indicates deficit. Operating deficits cannot be sustained in the long term.
Expense growth rate (%)	(Total expenditure 2017 less total expenditure 2016) / total expenditure 2016	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2016–17, compared to 2015–16. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to prior year.
Capital replacement (ratio)	Cash outflows for property, plant and equipment and intangibles / depreciation and amortisation	Comparison of the rate of spending on infrastructure, property, plant and equipment and intangibles with their depreciation and amortisation. Ratios greater than one indicate that spending is greater than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option. Cash outflows for infrastructure, property, plant and equipment and intangibles are taken from the cash flow statement. Depreciation and amortisation is taken from the Statement of Comprehensive Income.

Appendix five – Agencies selected for this report

Agency
Cluster lead entity
Ministry of Health
Local health districts and specialty health networks
Central Coast
Far West
Hunter New England
Illawarra Shoalhaven
Justice Health and Forensic Mental Health
Mid North Coast
Murrumbidgee
Nepean Blue Mountains
Northern NSW
Northern Sydney
South Eastern Sydney
South Western Sydney
Southern NSW
Sydney
Sydney Children's Hospitals
Western NSW
Western Sydney
Pillar agencies
Agency for Clinical Innovation
Bureau of Health Information
Cancer Institute NSW
Clinical Excellence Commission
Health Education and Training Institute

Agency
Shared statewide services
Health Administration Corporation • eHealth NSW • Health Infrastructure • Health System Support Group • HealthShare NSW • NSW Ambulance • NSW Health Pathology
Other controlled health entities
Albury Base Hospital
Albury Wodonga Health Employment Division
Graythwaite Charitable Trust
Other entities in the cluster
Health Care Complaints Commission
Mental Health Commission of NSW
NSW Health Foundation
Health Professional Councils: • Aboriginal and Torres Strait Islander Health Practice Council • Chinese Medicine Council • Chiropractic Council • Dental Council • Medical Council • Medical Radiation Practice Council • Nursing and Midwifery Council • Occupational Therapy Council • Optometry Council • Osteopathy Council • Pharmacy Council • Physiotherapy Council • Podiatry Council • Psychology Council

Appendix six – Financial information

Local Health District	Central Coast		Far West		Hunter New England		Illawarra Shoalhaven		Mid North Coast	
Year	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Abridged statement of comprehensive income (year ended 30 June)										
Employee related expenses	539,846	520,077	68,493	65,303	1,227,709	1,211,589	588,024	579,527	355,497	343,570
All other expenses excluding losses	269,162	262,354	45,040	44,884	897,754	864,856	322,298	299,067	242,603	239,663
Total expenses	**809,008**	**782,431**	**113,533**	**110,187**	**2,125,463**	**2,076,445**	**910,322**	**878,594**	**598,100**	**583,233**
Government contributions	772,305	675,169	95,845	96,300	1,765,413	1,761,229	766,241	710,600	511,500	501,290
Other revenue	145,018	134,250	15,528	17,702	338,866	329,881	139,231	125,996	85,313	90,636
Total revenue	**917,323**	**809,419**	**111,373**	**114,002**	**2,104,279**	**2,091,110**	**905,472**	**836,596**	**596,813**	**591,926**
Gains/(losses)	(1,333)	(720)	(107)	(136)	(2,495)	(2,636)	(2,116)	(8)	(941)	(667)
Net result - surplus/(deficit)	**106,982**	**26,268**	**(2,267)**	**3,679**	**(23,679)**	**12,029**	**(6,966)**	**(42,006)**	**(2,228)**	**8,026**
Other comprehensive income	9,143	--	2,270	1,172	1,302	13,950	1	--	37,846	--
Total comprehensive income/(expense)	**116,125**	**26,268**	**3**	**4,851**	**(22,377)**	**25,979**	**(6,965)**	**(42,006)**	**35,618**	**8,026**
Abridged statement of financial position (at 30 June)										
Current assets	51,376	51,405	7,893	8,626	161,646	166,318	70,047	63,560	41,598	44,607
Non-current assets	669,407	553,227	105,496	102,304	1,449,554	1,424,209	591,474	592,438	470,476	434,555
Total assets	**720,783**	**604,632**	**113,389**	**110,930**	**1,611,200**	**1,590,527**	**661,521**	**655,998**	**512,074**	**479,162**
Current liabilities	115,178	115,166	18,786	16,329	377,653	326,856	137,135	124,651	87,043	89,732
Non-current liabilities	789	775	102	103	88,613	96,360	963	959	543	560
Total liabilities	**115,967**	**115,941**	**18,888**	**16,432**	**466,266**	**423,216**	**138,098**	**125,610**	**87,586**	**90,292**
Net assets	**604,816**	**488,691**	**94,501**	**94,498**	**1,144,934**	**1,167,311**	**523,423**	**530,388**	**424,488**	**388,870**

Local Health District	Murrumbidgee		Nepean Blue Mountains		Northern NSW		Northern Sydney		South Eastern Sydney	
Year	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Abridged statement of comprehensive income (year ended 30 June)										
Employee related expenses	313,823	295,782	465,129	440,176	449,676	440,341	993,949	956,398	1,074,377	1,069,685
All other expenses excluding losses	275,272	252,392	318,864	291,460	330,037	299,075	600,132	621,539	647,813	588,636
Total expenses	**589,095**	**548,174**	**783,993**	**731,636**	**779,713**	**739,416**	**1,594,081**	**1,577,937**	**1,722,190**	**1,658,321**
Government contributions	469,397	496,275	660,533	625,529	686,751	727,571	1,281,849	1,267,659	1,484,638	1,409,660
Other revenue	110,433	109,709	106,330	101,935	133,686	109,881	301,043	298,289	366,227	337,767
Total revenue	**579,830**	**605,984**	**766,863**	**727,464**	**820,437**	**837,452**	**1,582,892**	**1,565,948**	**1,850,865**	**1,747,427**
Gains/(losses)	(63)	243	(968)	(804)	(1,486)	(392)	(4,275)	(2,026)	7,332	(1,488)
Net result - surplus/(deficit)	**(9,328)**	**58,053**	**(18,098)**	**(4,976)**	**39,238**	**97,644**	**(15,464)**	**(14,015)**	**136,007**	**87,618**
Other comprehensive income	--	(4,672)	--	--	15,179	(5,791)	269,861	--	(123)	(15)
Total comprehensive income/(expense)	**(9,328)**	**53,381**	**(18,098)**	**(4,976)**	**54,417**	**91,853**	**254,397**	**(14,015)**	**135,884**	**87,603**
Abridged statement of financial position (at 30 June)										
Current assets	21,877	27,099	71,541	69,329	38,956	34,741	196,833	197,843	198,206	184,977
Non-current assets	512,697	509,980	499,074	510,921	626,589	573,205	2,112,612	2,011,008	1,387,917	1,245,131
Total assets	**534,574**	**537,079**	**570,615**	**580,250**	**665,545**	**607,946**	**2,309,445**	**2,208,851**	**1,586,123**	**1,430,108**
Current liabilities	77,422	70,508	123,348	114,315	110,293	106,429	241,756	239,065	293,870	291,527
Non-current liabilities	811	902	945	1,515	6,620	7,302	749,370	750,864	28,484	10,696
Total liabilities	**78,233**	**71,410**	**124,293**	**115,830**	**116,913**	**113,731**	**991,126**	**989,929**	**322,354**	**302,223**
Net assets	**456,341**	**465,669**	**446,322**	**464,420**	**548,632**	**494,215**	**1,318,319**	**1,218,922**	**1,263,769**	**1,127,885**

Local Health District	South Western Sydney		Southern NSW		Sydney		Western NSW		Western Sydney	
Year	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Abridged statement of comprehensive income (year ended 30 June)										
Employee related expenses	1,089,483	1,055,892	233,265	226,259	1,009,384	988,848	495,238	482,698	1,129,639	1,081,906
All other expenses excluding losses	663,219	617,224	165,304	155,045	721,002	604,657	400,531	372,210	585,772	534,171
Total expenses	**1,752,702**	**1,673,116**	**398,569**	**381,304**	**1,730,386**	**1,593,505**	**895,769**	**854,908**	**1,715,411**	**1,616,077**
Government contributions	1,447,650	1,418,276	333,365	348,245	1,332,209	1,306,501	739,168	742,047	1,563,958	1,489,177
Other revenue	244,406	234,149	55,953	58,585	308,399	289,620	145,388	126,566	290,843	268,719
Total revenue	**1,692,056**	**1,652,425**	**389,318**	**406,830**	**1,640,608**	**1,596,121**	**884,556**	**868,613**	**1,854,801**	**1,757,896**
Gains/(losses)	(4,555)	(1,680)	(47)	(130)	(1,415)	(5,468)	(9)	(1,302)	(15,460)	(11,966)
Net result - surplus/(deficit)	**(65,201)**	**(22,371)**	**(9,298)**	**25,396**	**(91,193)**	**(2,852)**	**(11,222)**	**12,403**	**123,930**	**129,853**
Other comprehensive income	--	126,070	--	(1,495)	--	223,202	26,552	--	(78,844)	--
Total comprehensive income/(expense)	**(65,201)**	**103,699**	**(9,298)**	**23,901**	**(91,193)**	**220,350**	**15,330**	**12,403**	**45,086**	**129,853**
Abridged statement of financial position (at 30 June)										
Current assets	131,518	124,315	18,175	18,227	287,454	262,187	59,460	50,998	209,007	166,027
Non-current assets	1,325,594	1,335,376	359,260	366,825	1,221,887	1,218,882	1,002,621	979,868	1,320,854	1,276,627
Total assets	**1,457,112**	**1,459,691**	**377,435**	**385,052**	**1,509,341**	**1,481,069**	**1,062,081**	**1,030,866**	**1,529,861**	**1,442,654**
Current liabilities	313,014	267,378	48,279	46,585	394,684	281,525	126,156	114,400	325,041	280,886
Non-current liabilities	77,641	60,655	342	355	8,304	1,998	166,975	162,846	3,124	5,158
Total liabilities	**390,655**	**328,033**	**48,621**	**46,940**	**402,988**	**283,523**	**293,131**	**277,246**	**328,165**	**286,044**
Net assets	**1,066,457**	**1,131,658**	**328,814**	**338,112**	**1,106,353**	**1,197,546**	**768,950**	**753,620**	**1,201,696**	**1,156,610**

Specialty Health Network	The Sydney Children's Hospitals Network		Justice Health and Forensic Mental Health Network	
Year	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Abridged statement of comprehensive income (year ended 30 June)				
Employee related expenses	509,617	503,926	159,014	153,784
All other expenses excluding losses	239,714	216,119	98,199	55,198
Total expenses	**749,331**	**720,045**	**257,213**	**208,982**
Government contributions	566,060	549,750	201,494	158,690
Other revenue	194,858	157,206	56,659	16,300
Total revenue	**760,918**	**706,956**	**258,153**	**174,990**
Gains/(losses)	(468)	(386)	(408)	(219)
Net result - surplus/(deficit)	**11,119**	**(13,475)**	**532**	**(34,211)**
Other comprehensive income	--	(168)	--	--
Total comprehensive income/(expense)	**11,119**	**(13,643)**	**532**	**(34,211)**
Abridged statement of financial position (at 30 June)				
Current assets	134,124	138,918	7,329	8,039
Non-current assets	590,750	565,600	110,975	111,700
Total assets	**724,874**	**704,518**	**118,304**	**119,739**
Current liabilities	137,823	128,582	36,278	36,459
Non-current liabilities	979	983	73,808	75,594
Total liabilities	**138,802**	**129,565**	**110,086**	**112,053**
Net assets	**586,072**	**574,953**	**8,218**	**7,686**

Source: Audited financial statements.

Other entities	Total assets		Total liabilities		Total revenue		Total expenses		Surplus/(deficit)	
Year	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Consolidated entity										
Ministry of Health	18,612,405	17,554,613	4,850,963	4,511,595	21,295,592	20,330,060	20,888,204	20,006,808	407,388	323,252
Pillar agencies										
Agency for Clinical Innovation	2,563	2,069	5,006	5,137	33,932	20,921	33,307	32,254	625	(11,333)
Bureau of Health Information	818	782	759	783	8,027	7,916	7,967	8,478	60	(562)
Cancer Institute NSW	13,971	13,085	15,330	15,255	181,646	131,251	180,835	174,273	811	(43,022)
Clinical Excellence Commission	2,219	2,707	3,059	2,968	16,442	12,030	17,021	16,987	(579)	(4,957)
Health Education and Training Institute	8,406	4,283	6,023	7,355	46,457	33,096	45,056	42,012	1,401	(8,916)
Shared statewide services										
Health Administration Corporation	1,763,923	1,689,021	658,069	612,234	3,024,500	2,867,989	3,014,606	2,903,772	9,894	(35,783)
Other controlled health entities										
Albury Wodonga Health Employment Division	--	--	1,067	1,051	1,081	2,200	1,097	2,271	(16)	(71)
Albury Base Hospital	64,484	67,258	--	--	--	--	2,774	2,424	(2,774)	(2,424)
Graythwaite Charitable Trust	47,308	42,428	--	--	129	217	969	929	(840)	(712)

Other entities	Total assets		Total liabilities		Total revenue		Total expenses		Surplus/(deficit)	
Year	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Other entities in the cluster										
Health Care Complaints Commission	1,271	1,183	1,750	1,549	14,987	13,239	15,100	13,357	(113)	(118)
Mental Health Commission of New South Wales	750	707	1,106	1,339	10,898	10,658	10,622	10,361	276	297
NSW Institute of Psychiatry#	--	5,683	--	920	2,775	6,179	3,484	5,905	(709)	274
Health Professional Councils^	56,220	54,067	18,817	22,752	32,078	30,358	25,990	24,474	6,088	5,920
NSW Health Foundation	59,692	61,350	8	6	64	76	835	1,000	(771)	(924)

* Total revenue includes other gains, gains on disposal, and capital contributions which were shown separately on the financial statements.

** Total expense includes other losses, and losses on disposal which were shown separately on the financial statements.

Abolished effective 1 January 2017.

^ Health Professional Councils is the aggregate of the Psychology, Podiatry, Physiotherapy, Pharmacy, Osteopathy, Optometry, Occupational Therapy, Nursing and Midwifery, Medical Radiation Practice, Medical, Dental, Chiropractic, Chinese Medicine, and Aboriginal and Torres Strait Islander Health Practice Councils.

Source: Audited financial statements.

Appendix seven – Performance information

Local Health District	Central Coast		Far West		Hunter New England		Illawarra Shoalhaven		Mid North Coast	
Year	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Performance indicators (year ended 30 June)										
Emergency department attendances	131,001	128,234	27,750	26,339	410,418	396,110	152,800	152,228	122,386	116,362
Emergency department treatment completed within 4 hours (%)	70.0	69.9	90.6	91.1	77.9	77.8	68.8	69.2	78.4	78.7
Average length of stay (days) [(a)]	2.9	3.0	3.0	2.6	3.1	3.1	3.1	3.3	3.0	3.4
Elective surgery - booked surgery admissions	10,317	9,961	1,120	1,095	29,576	29,101	13,148	13,110	11,146	10,690
Unplanned re-admissions and re-presentations within 28 days (%)	8.2	8.3	7.0	6.3	6.0	6.2	6.4	6.4	6.5	6.3
Mental Health acute post discharge community care within 7 days (%)	79.4	82.2	70.4	53.6	74.3	54.8	80.8	64.2	80.4	63.5
Mental Health acute re-admissions within 28 days (%)	12.8	14.4	14.8	6.2	13.2	14.4	13.3	13.6	17.0	14.1
Emergency re-presentations to emergency department within 48 hours (%)	4.5	4.8	7.0	7.7	5.1	5.2	5.1	5.4	6.0	6.4
Average *Staphylococcus aureus* bloodstream infection (SA BSI) rate[(b)]	0.9	0.8	0.9	0.6	0.9	0.9	0.9	1.0	0.3	0.5

Local Health District	Murrumbidgee		Nepean Blue Mountains		Northern NSW		Northern Sydney		South Eastern Sydney	
Year	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Performance indicators (year ended 30 June)										
Emergency department attendances	145,913	139,202	121,772	119,545	198,644	194,618	209,122	202,739	219,686	223,245
Emergency department treatment completed within 4 hours (%)	86.9	86.5	67.9	64.1	80.2	81.0	75.1	73.2	69.9	71.1
Average length of stay (days) [(a)]	2.4	2.5	3.2	3.3	2.6	3.1	3.3	3.8	3.1	3.3
Elective surgery - booked surgery admissions	7,485	7,300	10,348	9,636	13,978	13,800	12,892	12,676	19,903	19,340
Unplanned re-admissions and re-presentations within 28 days (%)	5.6	6.3	7.2	6.8	7.2	7.3	6.7	6.4	5.9	5.5
Mental Health acute post discharge community care within 7 days (%)	81.6	65.7	58.8	53.2	69.7	55.4	83.5	83.6	83.9	65.6
Mental Health acute re-admissions within 28 days (%)	9.7	10.8	16.1	14.1	15.6	15.7	13.0	13.2	14.8	14.1
Emergency re-presentations to emergency department within 48 hours (%)	5.6	5.7	5.3	5.4	5.8	5.9	4.1	4.4	4.3	4.2
Average *Staphylococcus aureus* bloodstream infection (SA BSI) rate[(b)]	0.7	0.4	1.2	1.1	0.8	0.3	0.5	0.5	0.8	0.7

Local Health District	South Western Sydney		Southern NSW		Sydney		Western NSW		Western Sydney	
Year	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Performance indicators (year ended 30 June)										
Emergency department attendances	271,025	267,185	105,684	102,438	160,073	156,064	184,528	189,319	181,868	176,196
Emergency department treatment completed within 4 hours (%)	67.7	68.0	83.8	82.8	71.6	70.0	82.8	84.2	62.1	64.8
Average length of stay (days) [(a)]	2.9	3.1	2.2	2.3	3.3	3.5	2.9	2.9	3.0	3.0
Elective surgery - booked surgery admissions	22,621	21,872	5,968	5,828	9,199	24,587	10,517	10,042	17,843	17,373
Unplanned re-admissions and re-presentations within 28 days (%)	7.0	6.5	5.8	5.8	5.1	5.2	4.9	5.6	6.5	6.1
Mental Health acute post discharge community care within 7 days (%)	67.3	65.5	11.4	66.8	73.9	61.8	60.2	66.1	64.7	65.1
Mental Health acute re-admissions within 28 days (%)	14.9	14.9	13.7	12.0	16.2	18.6	11.4	10.3	15.1	16.1
Emergency re-presentations to emergency department within 48 hours (%)	3.9	3.9	5.9	5.6	4.4	4.4	6.0	6.5	4.0	3.9
Average *Staphylococcus aureus* bloodstream infection (SA BSI) rate[(b)]	0.6	0.7	0.5	0.1	0.8	1.1	0.3	--	0.7	0.9

Specialty Health Network	The Sydney Children's Hospitals Network		Justice Health and Forensic Mental Health Network	
Year	**2017**	**2016**	**2017**	**2016**
Performance indicators (year ended 30 June)				
Emergency department attendances	94,426	95,632	--	--
Emergency department treatment completed within 4 hours (%)	70.8	71.4	--	--
Average length of stay (days) [(a)]	2.9	3.4	--	--
Elective surgery - booked surgery admissions	23,442	9,164	--	--
Unplanned re-admissions and re-presentations within 28 days (%)	6.5	6.6	--	--
Mental Health acute post discharge community care within 7 days (%)	68.5	48.6		
Mental Health acute re-admissions within 28 days (%)	20.0	9.0	--	--
Emergency re-presentations to emergency department within 48 hours (%)	3.9	3.9	--	--
Average *Staphylococcus aureus* bloodstream infection (SA BSI) rate[(b)]	0.8	0.6	--	--

a Average length of stay (for acute separations) - average time patients spend when admitted to hospital.

b Average *Staphylococcus aureus* bloodstream infection (SA BSI) rate - the average number of SA-BSI cases per 10,000 bed days.

Source: NSW Ministry of Health (unaudited).

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