

**Submission  
No 2**

## **FOLLOW UP OF THE AUDITOR-GENERAL'S 2013 FINANCIAL AUDIT REPORTS**

**Organisation:** NSW Health  
**Name:** Dr Mary Foley  
**Position:** Secretary  
**Date Received:** 24/06/2014

D14/374

Mr Jonathan O'Dea  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr O'Dea

Thank you for your correspondence requesting a response to the Auditor-General's recommendations that have been identified by the Parliamentary Accounts Committee as a priority.

The NSW Ministry of Health is committed to implementing the Auditor-General's recommendations. Attached is the requested template containing NSW Health's response and details of actions taken to date.

Should you wish to discuss this matter further, please contact Mr [REDACTED] Chief Financial Officer, NSW Ministry of Health, on [REDACTED] or by email to [john.roach@moh.health.nsw.gov.au](mailto:john.roach@moh.health.nsw.gov.au).

Yours sincerely

[REDACTED]

Dr Mary Foley  
Secretary, NSW Health

18.6.14

## 2013 Financial Audits – Implementation of repeat recommendations

| Recommendation   | Accepted or Rejected | Actions Taken   | Due Date   | Status<br>(completed, on track, delayed) and Comment | Responsibility<br>(Section of agency responsible for implementation)   |
|--|----------------------|---|------------|--|--|
| 1<br>In addition to its payment performance indicator, the Ministry of Health should develop a liquidity ratio definition and target for local health districts, taking into account the nature of their operations and funding model.                                       | Accepted             | <p>The Ministry of Health has developed a proposed methodology to determine a reportable measure of each Local Health District's (LHDs) liquidity which can be compared to a Statewide measurement target. The Ministry has commenced discussions with the Audit Office (AO) to seek their input and comment as to the suitability of the target and the AO has also been advised how future reporting of the proposed ratio will be provided to the Ministry and LHD executives.</p> <p>The Quick ratio that is currently under discussion with the AO and selected LHDs aims to focus on the more directly controllable assets and liabilities of a LHD. To date positive informal feedback has been received from the AO and LHDs and it is expected that the ratio will form part of LHD financial reporting for 2014-15.</p>   | April 2014 | Completed  | Strategy & Resources Division: <ul style="list-style-type: none"> <li>• Finance Branch</li> </ul>                                  |
| 2<br>The Ministry should provide more guidance and feedback to health entities to help them: <ul style="list-style-type: none"> <li>• develop consistent, comprehensive asset maintenance plans</li> <li>• consistently identify and measure backlog maintenance.</li> </ul> | Accepted             | <p>The Ministry of Health is implementing a consolidated asset management system to provide a single registry and tracking system for the operation and maintenance of Health assets. The system will help the Health sector provide more reliable and consistent information on assets, their condition and the extent of backlog maintenance.</p> <p>The new State-wide system is now in its implementation phase with Project Acceptance Testing underway. The roll-out schedule to LHDs has been amended with the different modules planned to go live from August 2014 to March 2015. The eHealth Asset and Facilities Maintenance (AFM) Performance Improvement Program is currently undertaking individual readiness assessments of health entities to ensure that requirements for system implementation on the local level are met. In addition, since March 2014 the Ministry of Health has been in the process of supporting health entities to ensure that priority data, including data supporting the measurement of backlog maintenance, is captured in the new system.</p> <p>In March 2014, NSW Health engaged consultants, Everything Infrastructure to support the development of the overall NSW Health Asset Portfolio Management Strategy. The strategy covers priority business outcomes that are to be achieved with the support of the new consolidated asset management system. The strategy will map out the next steps required on state-wide and local health entity levels to realise priority outcomes, including consistent backlog maintenance reporting. Chief Executives across health entities have been engaged in line with this work and the strategy is estimated to be developed by end July 2014.</p> <p>The AFM Forum includes membership from health entities, Health Infrastructure and the Ministry. The AFM Working Party subgroup supports health entities in relation to asset maintenance. The AFM Working Party guides the further development of strategic maintenance plans and advises on the state-wide identification and measurement of backlog maintenance.</p> | March 2015 | On track   | Governance, Workforce & Corporate Division: <ul style="list-style-type: none"> <li>• Business and Asset Services Branch</li> </ul> |
| 3<br>The Ministry should establish a working group of finance and asset manager to review asset useful lives across the sector. The working group should report its findings to the Ministry by no later than 31 March 2014.   | Accepted             | <p>The Ministry of Health will utilise the existing AFM Working Party to ensure processes are in place through the AFM IT system for assessing useful life of plant and equipment (P&amp;E). However, given that the new system is scheduled to be progressively rolled out to February 2015 it will be necessary to carry this item forward to 2014/15 and revise the target completion date to 28 February 2015.</p> <p>The revised Financial Accounting Manual for Public Health Organisations (review currently taking place) will require annual assessment of the useful life for P&amp;E, in accordance with accounting standards.</p>   | Feb 2015   | On track   | Strategy & Resources Division: <ul style="list-style-type: none"> <li>• Finance Branch</li> </ul>                                  |

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| 4 | All local health districts should stocktake plant and equipment assets annually.   | Accepted | <p>This requirement is already in place with LHDs and Specialty Health Networks required to stocktake on a rolling basis each month so that all items are subject to stocktake once each year.</p> <p>The Auditor General's recommendation noted that 13 of the 15 LHDs (87%) were compliant with this requirement in 2012/13.</p> <p>The Ministry of Health has reinforced the need for full stock take coverage and this is a milestone item with which ongoing compliance is required.</p>   | June 2014                                  | Completed | <p>Strategy &amp; Resources Division:</p> <ul style="list-style-type: none"> <li>• Finance Branch</li> </ul>   |
| 5 | Each year, all health entities should identify the top one per cent of overtime earners (including call backs) and investigate whether excessive reliance on these employees represents value for money or compromises patient safety. | Accepted | <p>LHDs are fully responsible for their budgets and are required to ensure that any overtime payments are appropriate and that hours of work are consistent with safe practice. It should be recognised that for particular instances it can be more cost-effective to engage local clinicians with good local knowledge to work reasonable overtime rather than using contract medical locums.</p> <p>LHDs that have employees with excessive overtime and call backs payments were asked to indicate how they are addressing the problem including specific actions taken. The strategies being used include reviewing individual Career Medical Officer contracts, reviewing rostering practices, monitoring overtime worked and examining alternative models of service delivery. From 2011 to 2013 total overtime, including call backs, paid by NSW Health reduced by \$19 million.</p> <p>A new report has also been developed for LHD executives and the Ministry. The report indicates the number of staff, each month and by average Year to Date, who work more than 500 hours overtime and call backs per annum (reported on a pro-rata basis). However, as a result of upgrades to the State's SMRT software, to accommodate the Public Service Commission, existing reporting processes are temporarily being used with refinements to accommodate key indicators. Reports identify and prompt LHDs to resolve instances where excessive overtime/call backs occur.</p> | Ongoing Reporting                          | Completed | <p>Governance, Workforce &amp; Corporate Division:</p> <ul style="list-style-type: none"> <li>• Workforce Planning &amp; Development Branch</li> </ul>                                       |
| 6 | Health entities should monitor employees who take no or very little leave in a rolling 12 month period.  | Accepted | <p>Monitored and reported as part of Recommendation 14 (Annual Leave Balances) actions.</p> <p>Health entities have been actively managing staff with excess leave and the number of staff with excess leave who took no leave in 2012/13 reduced by over 10%.</p>  | 2013/14 result to be reported by Sept 2014 | Completed | <p>Governance, Workforce &amp; Corporate Division:</p> <ul style="list-style-type: none"> <li>• Workforce Planning &amp; Development Branch</li> <li>• Workforce Relations Branch</li> </ul> |