

**REPORT OF PROCEEDINGS BEFORE**

**PUBLIC ACCOUNTS COMMITTEE**

**INQUIRY INTO THE FOLLOW UP OF THE  
AUDITOR-GENERAL'S PERFORMANCE AUDITS  
SEPTEMBER 2010 TO FEBRUARY 2011**

---

**At Sydney on Monday, 18 June 2012**

---

**The Committee met at 8.15 a.m.**

---

**PRESENT**

Mr J O'Dea (Chair)

Mr B, E, Bassett  
Mr M. J. Daley  
Dr G. Lee  
Mr J. D. Williams

**PETER CHARLES ACHTERSTRAAT**, Auditor-General, Level 12, 1 Margaret Street, Sydney, and

**SEAN MICHAEL CRUMLIN**, Director, Performance Audit, Level 14, 1 Margaret Street, Sydney, sworn:

**CHAIR:** Would either or both of you like to make a brief opening statement before the commencement of questions?

**Mr ACHTERSTRAAT:** Thank you very much for the opportunity to follow up on this performance audit 12 months afterwards. A lot of work goes into performance audits at the time by the audit office and the agencies and it is good to have a reality check 12 months later. When this audit commenced approximately two years ago we were in a situation where central agencies often issued edicts from on high asking departments to comply with information security. That has been going since 2001. Invariably the issue we had in the audit office was that while they might be good directives, nobody seems to follow them up, whether they are being implemented or not.

I think what was happening after the 2007 edict was that the standard for the departments to comply, with international standard was, I think everyone accepts, quite a high bar and if every department was going to use standard 27001 it would be very expensive, so not a lot of departments used that standard and as a result not a lot happened. We are pleased to say that in the audit report the central agencies accepted most of our recommendations. What I would be keen to find out over the next 20 minutes or so, Mr Chair, is that we know there has been a new ICT strategy promulgated and it refers in there that by the middle of 2012 there will be an ICT security policy, so I would be interested to know will this policy be issued when they say and by who? Will it set minimum standards and what are they? From an auditor's point of view, who will be requiring departments to follow up and make sure that these standards are being used and who will report to the Parliament on the state of IT security in the NSW Government and when?

**CHAIR:** Thank you Mr Achterstraat. Mr Crumlin?

**Mr CRUMLIN:** No thank you, Chair.

**CHAIR:** I would now like to welcome witnesses from the Department of Premier and Cabinet and the Department of Finance and Services.

**PHILLIP GREGORY MINNS**, Deputy Director-General, Department of Premier and Cabinet, Level 39, Governor Macquarie Tower, 1 Farrer Place, Sydney, sworn and

**EMILY MORGAN**, Acting Chief Information Officer, Department of Premier and Cabinet, 4-6 Bligh Street, Sydney,

**MALCOLM CLIVE FREAME**, Acting Chief Information Officer, Department of Finance and Services, 2 Rawson Place, Sydney, and

**WILLIAM JAMES MURPHY**, Executive Director, ICT policy, Department of Finance and Services, 2 Rawson Place, Sydney, affirmed and examined:

**CHAIR:** The Auditor-General correctly indicated that the department has published a new information and technology strategy fairly recently. How will the new ICT strategy address electronic information security, or how does it?

**Mr MURPHY:** Thank you very much for the question. The Government in early May released a new whole of government ICT strategy. That strategy has been in development since the middle of 2011 and has been developed by a new governance structure in New South Wales around information and communications technology. That governance structure is lead by a new ICT board which comprises the directors general of seven cluster agencies. That board is supported by a new ICT leadership group which is comprised of the chief information officers from the cluster agencies and a number of other agencies, along with deputy directors general from business line areas of government as well. Underneath that leadership group a series of working groups were put together last year to develop the new whole of Government ICT strategy.

The commencement of the work on developing that strategy gave us an opportunity to examine the electronic information security arrangements in NSW Government afresh and also there was a working group put together to examine those and that working group was also tasked with having a look specifically at the recommendations from the Auditor General's report from 2010. Thinking about electronic information security in the context of the development of a whole of government ICT strategy gave us an opportunity to look at those issues in light of new commitments that the Government has now made around open government, open data and new whole of government arrangements for managing information more broadly.

The new strategy that was released in May commits the Government to having a new whole of government electronic information security policy and there is a number of timeframes in there for some specific actions to be taken. One is for the development of a draft policy by a working group to be completed by the middle of this year. That draft policy will then be considered by the ICT board and then hopefully be referred through to the Government for consideration. That should occur during the third quarter of this year.

The other timelines that are committed to in that strategy include facilitating a number of workshops across Government to bring ICT and information security experts together to share information and share best practice and to monitor progress in implementing the new electronic information security policy. The strategy also commits to a deadline of 1 December 2013 for all agencies to have completed the implementation of the new policy.

**CHAIR:** Just so we are tight on timeframes, the policy that was going to be completed by mid this year, is that by the end of this financial year, or is that in July, and then it is going to the board in quarter three, maybe if we firm up those timeframes a little bit?

**Mr MURPHY:** The specific timeframes articulated are that a working group would be established to develop a draft electronic information security policy by 30 June. That working group is on track to meet that target at this stage although, of course, the policy has not yet been considered by the ICT board or the Government.

**CHAIR:** You have obviously referred to the ICT board. Can you perhaps give us a little bit more information about the overall role of the ICT board and also the role in the context of that particular policy?

**Mr MURPHY:** The ICT board was tasked with developing and then driving and monitoring the implementation of a new whole of government ICT strategy. That development phase of the strategy for this year is now complete and the board is moving into a phase of implementation and strategy. In relation to electronic information security, the board considered the inclusion of some new commitments around electronic information security in the ICT strategy development itself. Those commitments are reflected in the final

strategy document that was publicly released in May.

The board is now moving into its implementation phase and in relation to electronic information security, that will have two main components. One will be to consider the draft policy that is produced by the ICT leadership group and, subject to its views on that policy, make recommendations to Government about what the Government's approach to electronic information security should be. The second will be to monitor the implementation of that policy and make sure that it meets the commitments that have been published.

**CHAIR:** In your written submission you said that you have implemented the Auditor-General's recommendation to ensure that the processes by which agencies understand and manage their information risks obviously are in place. Are you now perhaps saying that perhaps the Auditor-General's recommendation has not yet fully been implemented but has been partly but yet more work is to be done? Is that perhaps a fairer revisit of that assessment, or otherwise how has the recommendation actually been implemented to the extent that you have not already articulated?

**Mr MURPHY:** Can I just clarify, Chair, are you referring to the answer provided to recommendation 4 in which we refer to the New South Wales Treasury policy on internal audit and risk management?

**CHAIR:** I may need to clarify the exact recommendation number.

**Mr MINNS:** I think that is correct.

**CHAIR:** My understanding is that it is correct and I am getting affirmation from elsewhere.

**Mr MURPHY:** The recommendation was about making sure that the processes by which agencies understand and manage their information risks are standardised across Government. I suppose in this context there are two different ways in which that occurs. One is that there is already an existing policy in place called the internal audit and risk management policy, which puts in place a standardised framework for assessing risk in agencies and for dealing with it. That policy applies equally to information security as any other type of risk that agencies face.

There is another layer of detail which a new electronic information security policy can provide, by providing much more specific clarity about a common approach across Government to electronic information security which can help agencies to be clearer that what they are doing in that regard meets whole of government arrangements for security.

**Mr BASSETT:** Just in regard to whole of government approach on that, how is that information being disseminated throughout individual departments and are individuals in those departments aware of what sort of disciplinary action would be taken if they were found to have breached releasing that sort of information publicly?

**Mr MURPHY:** The existing policy, the internal audit and risk management policy, has been promulgated by Treasurer's circular, so that is a policy that is well-known and understood by agencies and has been implemented. The current electronic information security policy is still in place and is still formally the policy that is in place across Government and that is a known requirement.

In terms of disciplinary matters for breaches of that policy, I am not an expert on the Public Sector Employment and Management Act but my understanding is that breaches of codes of conduct and other sorts of requirements on public servants, which would cascade down from

those policies, depending on the nature of the breaches and, I guess, the circumstances in each case, ultimately the disciplinary arrangements that can apply to those under the public sector codes of conduct framework can extend to very significant consequences, including dismissal.

**Mr ACHTERSTRAAT:** Mr Chair, could I comment on that? The policy that Mr Murphy refers to, TPO 905, had been in place well before my report so I am not too sure exactly what has happened since my report. I think Mr Murphy has referred to a second set of requirements that are being worked on. In relation to TPPO 905, whether that has been followed or not nobody knows to a certain extent in relation to IT and that is one of the whole points of the report, because recommendations and edicts are issued but there is no timeframe, there is no suggestion who is going to monitor it and there are no direct consequences of following it up. What Mr Murphy says is accurate. TPO 905 is a whole level. We do not know if everyone follows it. I would be more interested once the secondary, more specific, requirements of IT security are implemented to make sure that it is specific, not over the top like some of the international standards but is specific and that someone is monitoring that departments are doing it and there are direct consequences for that.

**CHAIR:** I suppose in the absence of actually having a written policy before a set has been adopted it is a little difficult to actually explore some of those specific questions but can we be assured that that policy will address issues like minimum standards, issues of accountability, and responsibility in terms of who will follow up and monitor those issues, and ultimately transparency in reporting on those issues?

**Mr MURPHY:** As I said earlier, the policy is still in draft form and it is still being worked through by a working group that has been tasked to develop that. At this stage key elements of that policy framework include building on the internal audit risk management policy to require agencies to have in place an information security management system, which would put in place a minimum mandatory set of controls based on the international standard, ISO 27000 suite of standards. The working group is also discussing whether shared service providers in Government, who arguably face a different risk profile than many agencies, should actually be required then to be independently certified as compliant with 27001 and then the other component of the working group's consideration at the moment, which is based on recommendations from the Auditor-General, is around the processes for communicating to the community that these mandatory controls are in place.

The discussions at the moment are around agency heads making attestations to that effect, similarly as they do under the internal audit and risk management policy.

**CHAIR:** We will certainly follow those matters with interest and in fact I might foreshadow that the Committee may well recommend that those sorts of issues are in your policy when they come to the question of your board adopting them. I imagine our report will be out at about the same time as your board is considering these matters. I do emphasise that up-front now, given a sense that there is not a high level of confidence historically that these issues have been properly addressed.

**Dr LEE:** In your submission you advised that you will ensure that mandatory training is provided to staff with access to sensitive personal information. What progress has been made on this?

**Mr MURPHY:** Firstly, my understanding is that there is already training in place for people around their information security obligations in Government. I understand the working group has considered that point in more detail.

**Mr FREAME:** Certainly the provision will be that there is a requirement of agencies to have that as part of the overall policy. The actual implementation and execution of that policy will be at an agency level. We are aware that a number of agencies have already implemented awareness programs above and beyond the actual publishing of policies themselves, to ensure people are aware of their obligations under information and security requirements.

**Dr LEE:** My understanding from you is that will be implemented once the policy is finalised?

**Mr FREAME:** Correct.

**Dr LEE:** You mentioned the draft policy is due by the middle of this year. Is that on track?

**Mr FREAME:** Yes.

**Dr LEE:** So you have another 45 days. Is it the middle of the year, or this month?

**Mr MURPHY:** The working group that is developing the draft policy has a target of 30 June to develop that policy. My understanding is that is on track. There will then have to be a process where we take that policy to the board and where the board considers that policy and makes recommendations to Government about how the electronic information security policy should look. That is planned for the third quarter of this year, so I am expecting that to be completed over the next few months.

**Mr MINNS:** Mr Chair, if I could add a comment there about the process of accountability through directors general, the requirement and it is recommendation 6 from the Auditor-General's report, that CEOs or directors-general attests that they have met the standard which will be defined in the policy is a pretty high hurdle. It is not something that a CEO or a director-general would blithely sign away. It will have the same level of importance and magnitude in terms of their general accountability performance, as other requirements already in the system.

You could also expect that once Government has ruled on the policy to be adopted that the Senior Management Council, chaired by the Director General of the Department of Premier and Cabinet will discuss implementation and will discuss a framework of visibility about progress of implementation.

**CHAIR:** Are you comfortable with the Auditor-General's recommendation in that regard, or is there some need for, in your view, a tightening of it, or strengthening of it?

**Mr MINNS:** No, I think it is accepted and I think as part of a general suite of accountability measures as part of, if you like, the approach of the Director-General of Premier and Cabinet, the central agencies and the Senior Management Council, which is all the cluster directors general, I think there is a tightening involved in the culture of dealing with cross service issues that this matter will be an example of.

**Dr LEE:** In your submission you said that you are on track in ensuring the visibility of performance is increased. Can you firstly tell me what is visibility of performance? I know it is a word you used before and can you tell us what has been done in this regard? What is visibility of performance?

**Mr MURPHY:** Would you mind pointing me to the specific recommendation that you are referring to there?

**Dr LEE:** 10, I think it is.

**Mr MURPHY:** The recommendation, we feel, would be dealt with by the response to recommendation 6, which is the process around having agency heads signing an attestation to the implementation of the electronic information security policy in annual reports. That would provide more visibility over implementation than is currently in place under the current policy. The other thing that is being discussed by the working group, and this goes to part of the role of the board about monitoring the implementation of the ICT strategy as a whole, is whether or not we might actually provide interim progress reports to the board about agencies progressing, getting through the various elements of implementing the minimum control set and other elements of ISO 27,000 suite of standards. That would again provide another layer of visibility over performance here which we do not have today and I think would be a useful tool for identifying where there are opportunities to share some expertise across Government and leverage good performance in some areas to help other agencies get up to the mark.

**Dr LEE:** So my understanding is that it is about creating milestones or key performance indicators and it can report on those over regular timeframe and you are planning as part of that strategy to implement those?

**Mr MURPHY:** Yes.

**Mr FREAME:** Dr Lee, there are effectively two phases we are looking at. Firstly, once we release the policy we believe that agencies will need to then to self-assess against their compliance with that policy initially. We have allowed a period from the release of the policy to December 2013 for agencies then to develop an implementation program themselves to achieve those minimum standards. The monitoring will be in two stages. It will be firstly how are the agencies going against progressing towards the implementation of policy and then from December 2013 again it will be an affirmation against how they are going against continuing to monitor the policy.

**Mr BASSETT:** I know you have answered this in a number of ways so far but your submission also said that there would be an independent monitoring of compliance through the audit and technical testing to a defined standard. How is that going in achieving that and what has it been based on?

**Mr MURPHY:** You are referring to the Auditor-General's recommendation that there is independent monitoring of compliance?

**Mr BASSETT:** Yes, that is right, through monitoring technical testing to a standard.

**Mr MURPHY:** At this stage in the development of the policy the working group is considering, as I mentioned earlier, that shared service providers might be required to have independent third party certification compliance against the standard. There also may be other particular agencies or other parts of Government that should be exposed to that level of independent certification. Again, that will come down to a risk assessment to make sure that we are putting in place arrangements that are necessary and practical but cost effective, to demonstrate compliance.

**Mr BASSETT:** Just to follow on from that, because it has been done in the public sector and the private system, are there companies out there who do this for the private sector, do this independent auditing and is there expertise in that area?

**Mr FREAME:** Yes there are, certainly in large accounting firms and there are other independent information security firms who do this sort of attestation as well, in addition to the organisations that are certified to do the accreditation against 27001, of which there are a number of organisations now accredited.

**Mr BASSETT:** In the submission also it was stated the information security working group would recommend a minimum set of controls for electronic information security for adoption across the whole sector. Can you provide an update on that work and what will these minimum controls be based on?

**Mr MURPHY:** The international standard or suite of standards within the 27,000 suite of standards provides a framework of best practice controls around information security, of which there are many. 27001 has 133 separate controls under it alone. It would be unusual for all of those to apply to every organisation. Which controls would apply to a particular organisation depend on the nature of the information held, the nature of the IT environment for that organisation, the size of the organisation and other factors. The working group which is considering this minimum control set is comprised of some ICT and information security expertise from across Government but also has representatives of external expertise on there, including from the CSIRO and from Gartner, who is an international IT advisory firm.

What they are doing is applying a detailed understanding of the IT environment in New South Wales and the risk profile faced here, having a look at that against that minimum control set and seeing which is the minimum control set which could be considered to be a reasonable and practical minimum expectation across the sector, recognising that particular agencies may have a slightly different risk profile and they may need to apply more controls out of the suite on top of those. That minimum control set is an effort to identify the common core set that the community can expect that every public sector agency in New South Wales has complied with, regardless of their risk profile, but then with an expectation that higher risk environments would have more controls on top.

**CHAIR:** While I understand what you are saying in terms of different agencies taking different parts of the control set, are there any aspects of the international standard which you have explicitly rejected?

**Mr FREAME:** As William said, the international standard 27001 has about 133 categories. It is not a case of rejecting it, it is simply that certain agencies and certain organisations will not have certain aspects of that impact in their operations.

**CHAIR:** I understand that, but you will not be contrary to any of them?

**Mr FREAME:** No, absolutely not. I am the chair of that working group. One of common things that every agency and organisation will have is a requirement for business continuity, for example, and that is independent of the size and nature and structure of the organisation. There are other specific aspects which would be onerous to put on smaller agencies.

**Dr LEE:** I have a follow-up question. My understanding is that you are going to have a minimum set of standards based upon ISO 27002 and that they are the minimum. Some departments will adopt higher standards than that?

**Mr FREAME:** Correct.

**Dr LEE:** Depending upon their risk profile?



**Mr FREAME:** Correct.

**Dr LEE:** In previous questions you talked about service providers to the government service services and you said you are looking at whether they should comply with the same ISO standards.

**Mr FREAME:** In fact we are recommending for those providers they have to be certified to the 27001 standard.

**Dr LEE:** Why would you ask them to certify if you had to certify it too? Is that not a bit of overkill?

**Mr FREAME:** It was done premised on the fact that they are providing services to a number of different agencies, some of which might be inside or outside their cluster, so therefore the agency who is using their service has to rely on them to ensure that their information security standards meet that minimum requirement. Therefore we have put in a layered approach where an agency which is using those services is seeing attestation from them on their information security system for that source agency to be able to provide a total, if you like, end to end attestation for security.

**Dr LEE:** I understand why you would seek a higher level. Just always amazes me that in Government we do not do what we ask other people to do and it adds another layer of cost. I understand the risk and making sure your suppliers are accredited and follow best practice. I just seems like we cannot do it ourselves but we expect our suppliers to.

**Mr MURPHY:** I assume service providers we are referring to are within Government.

**Mr MINNS:** And I think it is the treatment, Dr Lee, of who holds the information, so in situations where there is a shared services centre, then they are holding sets of data and perhaps multiple sets of data that are the ones that attract the highest risk profile. The point I think that William is making is that if we look at all of the entities in NSW Government, some 4,000 plus, some of those towards the tail are quite small with quite specific roles. We would not try to put the same approach into those sorts of organisations, so hence the layering of a risk-based response.

**Mr DALEY:** In your submission you said that the information security working group is reviewing the proposal to report breaches or near misses to a coordinated body so that investigations are conducted and lessons are learned. Can you tell me where is the coordinated body going to reside and how is it progressing?

**Mr MURPHY:** At the moment there is no formal mechanism for central reporting or policing or sharing of information about those sorts of incidents. One of the things the working group is talking about is establishing an ongoing expert group in Government that would bring together expertise from across the Government to a central point which would be, I guess, hosted you could say by the Department of Finance and Services, but that would provide a vehicle for sharing information about those events when they occur and what responses have been made and that will hopefully leverage the expertise across Government that does exist in a more effective way so that we share some of that skill set more than we are now.

**Mr DALEY:** Have you got a timeframe?

**Mr MURPHY:** Again, that will be one of the elements of the policy framework which is taken to the ICT board soon.

**CHAIR:** I suppose, in summary, the public quite reasonably expects that their personal information will be safeguarded and certainly the Government will do that in performing its own functions, if not making sure that others do it as well in the private sector to the extent and through privacy commissioners and other roles. In terms of assuring the public that there are those standards and that people are held accountable for those standards and that there is some transparency about the reporting, how do you see, after this policy is formulated, it is best to communicate and strengthen the public's confidence that they are not going to suffer financial loss, or have damage to their credit rating, or identity stolen? What sort of communication strategy to the broader public do you think is appropriate and what sort of communication strategy back to Parliament on behalf of the people is there likely to be, perhaps on an annual basis?

**Mr MURPHY:** As I mentioned earlier, part of the draft policy at the moment is for agency heads to make attestation in their annual reports. Those documents are provided to Parliament every year, so that is a very public statement of compliance with the policy. One of the things that we will be doing as part of the overall implementation of the ICT strategy is to provide regular communications to the public about how we are going with the implementation of the strategy and hopefully that will give people an extra layer of comfort that we are meeting our obligations in relation to electronic information security as well.

**CHAIR:** When do you think the first of those public statements might be made?

**Mr MURPHY:** I cannot answer that question right now, I am sorry.

**CHAIR:** I might ask the Auditor-General if he has any issues that remain outstanding.

**Mr ACHTERSTRAAT:** Thank you very much, Mr Chair, and thank you to the panel. I am very encouraged to hear the words going forward. There is an element, no doubt that you might have picked up from my tone of frustration because we have been hearing since 2001 that electronic information security will be addressed. I am glad to hear some specifics. In the IT world we often travel at milliseconds and microseconds. This particular issue, I think, has been travelling at kilo-seconds or kilo-hours, if there is such a thing. I think that while past performance should not be a judge of future activity, I would encourage the departments to ensure that the commitment that they have given in the strategy, which is that by 30 June 2012 the electronic information security working group will have refined and agreed on key elements of the electronic information security policy. I would encourage the group to have done that. That will be a good line in the sand to say that over the last 11 years things have been going waist deep in water but we are on the sprinting track now and we are going to get this done by 30 June. I think that will send a very strong message to the Public Accounts Committee if that can be achieved.

**CHAIR:** Thank you, Auditor-General. Can I ask before closing that somebody reports or writes to this Committee please in early July, to indicate status of that policy? Is there somebody in particular who might volunteer to do that?

**Mr MINNS:** We can do that for you, Chair. I think that the letter in July may make the point that the 30 June deadline has been achieved by the working group. Then we will be in the hands of the schedule for meetings of the ICT board.

**CHAIR:** I understand. We are likely to be putting our report together and it would be nice to be able to refer to a milestone having been met.

**Mr MINNS:** The timeline that we know we will certainly share with the

Committee.

**CHAIR:** The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you all be happy to provide a written reply to any further questions? I note you are all nodding. Thank you very much.

**(The witnesses withdrew)**

**ROHAN JOHN HUNGERFORD HAMMETT**, Deputy Director-General, Strategy and Resources, NSW Ministry of Health, Level 11, 73 Miller Street, North Sydney,

**DAVID McGRATH**, Director, Mental Health and Drug and Alcohol Programs, NSW Ministry of Health, 73 Miller Street, North Sydney, and

**ROBYN BURLEY**, Director, Workforce Planning and Development, NSW Ministry of Health, 73 Miller Street, North Sydney, sworn and examined:

**CHAIR:** We now have Mr Rob Mathie with us from the Audit Office.

**ROBERT CAMERON MATHIE**, Assistant Auditor-General for New South Wales, NSW Audit Office, 1 Margaret Street, Sydney, sworn:

**CHAIR:** Going back to the Ministry of Health, would one or more of you like to make a brief opening statement before the commencement of the formal questions?

**Dr HAMMETT:** No, thank you.

**CHAIR:** The NSW Auditor-General highlighted some concerns in relation to data integrity. Can NSW Health now state the size and the profile of its mental health workforce with reasonable certainty?

**Dr HAMMETT:** Mr O'Dea, the data systems for the entire workforce, not just mental health workforce, within the New South Wales health system do not allow the level of detail and clarity that might perhaps be ideally sought and certainly which was commented on in the performance audit. NSW Health has been progressively rolling out an information system known as the statewide management reporting tool, which is designed to improve the level of data that we can gather about our workforce and about our financial and control systems.

The initial modules of that system have been rolled out across the State through the local health districts but the workforce modules will not be rolled out until the end of this calendar year. We are expecting a roll out in about December 2012. At this time we are not in a position to provide specific and accurate information about the size and nature of the mental health workforce but there are plans in track for the implementation of that system that will assist.

**CHAIR:** Is that at a function in NSW Health as a whole that has been driven, or is it across all the public service where that is an issue and NSW Health is implementing a system which is Government-wide and the second part of the question is are you confident that as of January next year we will be able to answer that question?

**Dr HAMMETT:** I think that I would perhaps couch my response with a degree of caution about the roll out of any information systems. Those of us who have been working in the public and indeed the private sector for many years are well aware of the challenges of implementing IT systems. While I would be cautiously confident that by January we will have better information to be able to answer that question, I do note that we are dependent on the successful roll out of the IT system. The SMRT tool is actually a NSW Health specific tool. It is something that we are implementing in our system to meet the reporting needs that we have from the local health districts up to the Ministry. I would be hopeful that should we be back in January, we would be able to give you some more information.

**CHAIR:** I note that you have made some progress in relation to the roll out of the statewide management reporting tool. Could you please outline the progress that has been made to date with the implementation of the human resources side of the project?

**Ms BURLEY:** To date the statewide management reporting tool has been rolled out for the finance sector of the tool, so the tool has to bring together the budget and finance expenditure components with the workforce components to be able to do the sort of reporting that is going to assist our managers manage that workforce more effectively and for us to pull out the reports we need.

The finance component has been rolled out and is being refined as has already been alluded to. There are always some issues with IT roll outs. The workforce component is in the process of being built. There has been a delay related to finding the critical staff that we needed to actually do the work on the workforce component. Those staff are now on board and a project plan is in place to finish those final components for the workforce tool. Then we will be able to pull out reports that go down to what we call cost centre level for the finance and the workforce components.

**CHAIR:** Thank you for that. Perhaps going to another level of detail, the mental health workforce strategy and plan, I understand, was endorsed about the Australian Health Minister's conference in September of 2011 and that an implementation committee was being established. Has that Committee been established? How is it working? Can you otherwise provide an update on the progress made so far?

**Mr McGRATH:** That Committee has obviously been organised on a national basis. It has been run through the Standing Committee on Health Structures under COAG. The Committee has only met on one occasion and that was a preliminary meeting. New South Wales has representation on that Committee. The implementation of the strategies is still being devised with the implementation plan associated with the strategy. There are specific actions to be identified from that particular strategy that have not as yet been progressed.

**CHAIR:** Is New South Wales still the lead state on health matters in COAG? I know that we were at one stage. It might be a different aspect.

**Dr HAMMETT:** We are not currently the chair of the Standing Committee on Health. That sits with Tasmania at the moment. It is a rotating chair, so New South Wales is not chairing that.

**CHAIR:** Mr McGrath, given that the Committee has only met once, is there a need to address that issue?

**Mr McGRATH:** Certainly advocacy, from our point of view, is something that is sensible thing to do to get the Committee meeting on a more regular basis. There has been some significant restructuring of the COAG arrangements over the last couple of years and that has filtered down through all the subcommittee structures that sit under COAG. This particular structure under AHMAC involves two reporting lines through a particular committee for the mental health workforce, advisory structures and a separate committee for mental health policy structures. Those two committees are soon to be merged into a single structure underneath AHMAC which will make it much more efficient, to make these sorts of decisions in moving these actions forward. That particular arrangement is being organised by the Chief Executive of Health in the ACT.

**CHAIR:** You are confident that things are on track in that regard?

**Mr McGRATH:** I have significant confidence in that particular lady.

**Dr LEE:** Can I quickly go back to the implementation of the human resources side of the project? Do you have a timeline and milestones that relate to the implementation of that, that you could share with us?

**Dr HAMMETT:** The implementation of the information system?

**Dr LEE:** The development of the information system and its roll out.

**Dr HAMMETT:** We anticipate having it rolled out to all the local health districts by December 2012. That is the timeline that we are currently working to.

**Dr LEE:** Are you on time? You just said you had problems fulfilling the developmental aspect.

**Dr HAMMETT:** We had initially indicated in our response to the Auditor-General that we were hoping to have that rolled out by 30 June, so we are in fact signalling that we are pushing that back six months, but we are quietly confident that by December we will have that system rolled out statewide.

**Dr LEE:** When will it provide effective data, do you think?

**Dr HAMMETT:** It is already currently providing effective data on the financial and resource issues and now it needs the workforce modules linked to that. Once those are rolled out it will immediately start providing effective data in terms of being able to link full-time equivalent numbers of employees with the cost centres from which they are being paid.

**Dr LEE:** So from day one I was wondering if there is any lag time.

**Ms BURLEY:** Could I just clarify a little on that? There is a component about having people trained to understand how to analyse and pull out the reports required. Whilst the system will be ready there will be a training component that will be rolled out within the next six to 12 months across the local health districts. The data will be available. The reporting will be available, but we then need to get the people up to speed to actually understand how to use it.

**Dr LEE:** So is that 12 months after that?

**Ms BURLEY:** You are talking about every head of a unit, so we are talking about a nurse unit manager, you are talking about a head of an ED department.

**Dr LEE:** There is a few of those.

**Ms BURLEY:** You are talking about tens of thousands of staff that actually need to be trained. It is a large commitment to get those people up to speed.

**Mr McGRATH:** If I could contextualise the question a little, there is an existing establishment of national minimum data set for mental health, which provides workforce information to NSW Health on the mental health workforce. The Auditor-General found two issues with that particular set of data. One was the consistency of the data entered by local health districts in terms of their workforce and how to corroborate that information with the establishment of the national minimum data set.

This particular project will allow us to corroborate more effectively because we are able to tie the employees to a particular cost centre, which means that the relationship between the establishment of the national minimum data set and the data that is recorded on the ground will be more tightly linked. The other issue was compliance with the entering of data by the local health districts and since the Auditor-General's report and the previous report that we undertook within NSW Health, compliance has improved significantly as a result of interventions by the Ministry, in particular local health districts that had significant errors in their data collections, so it is not that we do not have a sense of what is happening in the mental health workforce, it is a sense of being able to corroborate that information with a tool that ties directly to the source of funding. That was the Auditor-General's recommendation and that is what we are working towards.

**Dr LEE:** The Auditor-General found that the mental health workforce shortages are greatest in community and residential settings. Can you indicate the extent to which the gap has closed?

**Dr HAMMETT:** Perhaps I can come in initially and Mr McGrath or Ms Burley might wish to add to it. Again, because our historic data systems have not been ideally suited for capturing data related to workforce in the mental health sector and also because you are now talking in community settings where in fact much of the health activity and responsibility in community settings rests not with the New South Wales but with the Commonwealth Government, we are subject to constraints associated with information available out there in the community, so I cannot give you data showing that the numbers of community and residential mental health care workers has increased.

I can tell you that NSW Health is working actively with primary care providers, GPs and with community health organisations and the non-government sector to enhance the level of collaboration and cooperation between NSW Health and the primary and community care sector. We will get some information when the SMRT HR tool is rolled out but, again, probably not to the level of detail where we are reporting on actual numbers of full-time equivalents working in the community and residential sector.

There is likely to be changing levels of information about this in line with the national health reform arrangements. You may or may not be aware that from 1 July 2013 mental health funding under the National Health Reform Agreement moves to an activity based funding model which will make much more transparent where the dollars are actually being spent in mental health, including being able to capture how much is being spent in the community setting, so we will gather more information both through the SMRT IT tool and through the national funding reform arrangements, but I have not got numbers showing currently that that gap is being closed.

**Dr LEE:** Is there a recommendation from yourself about how we should measure it? If we cannot measure people is there something else or should we just wait for the activity based funding?

**Dr HAMMETT:** In this year's budget for the first time local health districts will actually be receiving information about the mental health dollars that are allocated under their budgets for expenditure. The \$1.41 billion that New South Wales has allocated this year for spending on mental health has been distributed amongst the local health districts and will appear as a line item in their budget. That is the first time that that has occurred. Previously the mental health spending was simply subsumed in the total budgetary allocation that the LHDs got.

This year we are being far more transparent about the dollars we are expecting you to spend

in your local health district on mental health. As the full reform arrangements are rolled out in 2013, an even greater level of granularity about exactly what those dollars will be buying in terms of mental health will be articulated in service agreements with the local health districts.

**Dr LEE:** Can you please outline what proportion of the mental health funding is spent on overhead charged by LHDs? Does NSW Health recommend a cap on overhead charges?

**Dr HAMMETT:** We do. In fact since 2007-08 financial year there has been advice to the former area health services and now the local health districts that any overheads charged by local health districts should not exceed 7.5 per cent of the total program expenditure and that is the upper limit of the cap on overheads, so overhead charges for mental health programs should be equal to or less than a 7.5 per cent overhead charge.

**CHAIR:** I would like to welcome Mr John Williams to the Committee's deliberations. We did note your apology that you were not able join us earlier. Mr Williams I know that there is a question there that particularly relates to your electorate and your representation of regional rural New South Wales.

**Mr WILLIAMS:** Can you please outline what has been done to improve mental health treatment in regional New South Wales?

**Mr McGRATH:** There has been a range of activities in rural New South Wales, particularly focussed in the early stages of the last period of time on farmers who have been struggling as a result of economic adversity associated with climate conditions. We have had a significant package which was previously targeted at the drought, the impact of drought on farming communities, rolled out through the Centre for Rural Remote Mental Health, providing mental health first aid in locations all across western New South Wales. That package has obviously morphed now with the change to some of the environmental conditions out in rural New South Wales with some of the floods having an impact on people's economic circumstances. Nonetheless, the package has been retained with the same sort of focus on being able to improve resilience in those communities and deal with an increase in prevalence of mental health related problems as a result of those circumstances.

Obviously the Bloomfield redevelopment comes on line in its full capacity this particular year. It has been growing over the last few years. The overall growth is 82 beds, to take the total number of beds out there to well over 200 beds. It will be the largest mental health facility in the southern hemisphere when it is completed and provides tertiary referral point to all rural local health districts and has the full range of mental health service provision, all the service elements, including older people's in-patient units, child and adolescent facilities, high risk facilities, as well as the normal adult and child facilities.

There has been work undertaken in growing community resources out in rural areas, particularly in collaboration with local divisions of general practice and ensuring that there is a focus both on the mental health care of individuals but also their physical health care. The life expectancy gap for those individuals with a mental health problem to the general population is roughly 20 years. It is not dissimilar to indigenous communities and, as a result, it is important to focus on looking at the physical health care needs of individuals with mental health care problems to improve that life expectancy gap.

As well as work in indigenous communities and growing traineeships with indigenous communities, we have increased the total number of Aboriginal health workers who are able to deal with mental health related problems. We have more than 100 trainees going through an undergraduate course at Charles Sturt University and those particular trainees are moving



into the mental health workforce at the end of next year when they have reached the end of a particular cycle.

That is just a smattering of particular initiatives but I would be happy to provide you with some more out of session if you would like.

**Mr WILLIAMS:** With the expansion of Bloomfield do you believe that there are any challenges in attracting permanent professional staff? At the moment the situation serviced by VMOs is that going to change with this redevelopment?

**Mr McGRATH:** In rural communities there is always a challenge in attracting a workforce and in mental health that is perhaps more acute than any in other parts of health. One of the things that makes a tremendous difference in being able to attract a workforce to a given area is critical mass. One of the benefits of Bloomfield is the substantial critical mass available in terms of workforce at that particular site.

I could not give any guarantees with regards to what will be the outcomes with regard to the treatment at Bloomfield, but you have many of the conditions that are necessary to attract a strong workforce. You have established clinical leadership out there in the medical fraternity, so you have staff specialists of suitable seniority which can attract trainees. You have a large variety in terms of the types of services available, which are helpful in attracting a substantial workforce. You have a university campus at Bathurst, which is close and available to generate training opportunities. You have got a very supportive local health district administrative infrastructure in terms of focussing on mental health because it makes up almost a third of their overall budget, therefore they are inclined to provide the sort of focus that is necessary.

There are certainly opportunities but there is likely to still be a requirement to rely on some fly in expertise with particular sub-specialties.

**CHAIR:** I understand that Mr Bassett has a follow-up question.

**Mr BASSETT:** I have two follow-up questions regarding your answer to that question. Regarding Bloomfield, I am aware that, that certainly is a point which has the specialty services that people have been referred to over the last few years that I am aware of. There were cuts in Bloomfield to some of those specialty services about two years ago. I will take it as part of your answer that with the increase in beds and services that some of those issues will be addressed, so it is more a statement than anything but I wanted to put it on the record that I am aware that specialty services were cut there about two years ago so I hope those sorts of things will be addressed as part of Bloomfield coming on line and being a major facility.

The other thing I have a concern about is that you answered about security over the safety for patients. I am aware of issues within the mental health area, especially at Parramatta, where there have been attacks from male patients on female patients. Has that been addressed by way of management in these facilities? If there is a staff shortage, is monitoring being addressed to make up for any shortfall of staff who are actually physically monitoring that and is there segregation of the sexes now at some of these locations where there could be personal safety issues?

**Mr McGRATH:** There is a number of elements to that question so I will try to address them. Obviously security in individual facilities is managed by local health districts and the arrangements are made by the local operational management for dealing with the security for a given configuration of patients in a given physical layout.

Within the Ministry of Health we do not make specific delineations around how individual units should undertake particular security arrangements. I will make obviously an explicit statement that there is a requirement to look after the safety of staff and the occupation health and safety legislation provides a framework for that. With regards to some of the incidents you have referred to dealing with sexual safety, we have been working on a sexual safety policy within the Ministry, which is currently due to go up through our chain for approval within the next couple of weeks. It has taken us some considerable time to develop that policy and I would have to be frank and say it is quite a vexed policy. There is differing range of views amongst consumers and staff around how to approach arrangements between patients in mental health facilities.

Part of that is to do with the fact that many mental health patients are in facilities for significant periods of time, even for many, many years in some circumstances and so they have a view that they should be able to interact and that interaction should be in a normal social way. Nonetheless, in the main where we create new facilities, the physical infrastructure is laid out so there are separate wings for males and females. Some of the old facilities have been reconfigured for that to occur but in many cases we have to make operational arrangements within those particular facilities to facilitate the safety of patients because the physical infrastructure obviously has been in place for some considerable period of time and therefore the chances to amend it are not there for us to undertake.

**Mr BASSETT:** I am pleased to hear that that is something that has been taken on board. It is a serious issue. Of course it has two sides to the argument but it is something that needs to be addressed.

**Dr HAMMETT:** Thank you.

**Mr BASSETT:** Are there any sanctions or penalties planned for local health districts which do not use the funds as intended, and that is mental health funding in those areas?

**Dr HAMMETT:** Mr Bassett, certainly there are provisions for the Ministry to take back funds from local health districts for various reasons. At a practical pragmatic level the implications of doing that are significant and obviously pulling resources out of budgets or local health districts and hospitals is potentially a very challenging and potentially deleterious exercise for people treated within those facilities. What we have sought to do in the last two years is to create a much more explicit service agreement that the Ministry actually stipulates a whole range of activities that we expect local health districts to ensure that they undertake as part of them being provided with resources. As I mentioned earlier and I would be delighted to table an example if you would like of a draft budget for this year showing it is different from the draft budget for the last year.

We are articulating in the budgets for local health districts this year how much they are expected to spend on mental health. The senior managers of local health districts are obviously subject to the management control of the Director-General and there is a clear expectation that those resources will be utilised in the mental health arena.

**CHAIR:** Just further to that, I understand the reluctance to withdraw the funding from a local health district. What sort of sanctions are there on some of those senior managers in terms of performance management if those guidelines or those directives are not followed, both in terms of overall dedication of funds towards mental health but also in terms of that 7.5 per cent cap that you talked about in relation to overheads in the mental health area? In other words, at a personal senior management level and also in terms of the local health district not having to exceed the 7.5 per cent overhead charge cap, and to what extent are the overhead charges – sorry to throw another question at you – monitored and reported

on in terms of its adherence?

**Dr HAMMETT:** Perhaps I could start by outlining some of the context in which our local health district managers are operating currently. The Committee may or may not be aware that over the last 12 months NSW Health has undergone a major structural reform. We have moved to a devolved governance structure with the creation of local health district boards and the senior managers within the local health districts are answerable both to their board and to the Director-General of the Ministry of Health. There is accountability both at a local devolved level with the boards ensuring that the resources that the managers are operating are spent in the right way and also back through the Director-General and the Ministry.

Part of what we are doing as this devolved government structure beds down is ensuring that there are clear expectations for districts and managers and boards about what they should be providing in terms of services while, at the same time, ensuring that there is truly a devolved system of health care delivery with local health districts and local boards ensuring that they are delivering the right services for the people of their local health district.

Historically it may well have been the case that Miller Street North Sydney may have monitored to the individual percentage level of overcharge or surcharge, and I am just looking for the right words, but administrative overhead. We are now in this devolved structure relying on health boards and their districts to ensure that they are delivering the right services with the right levels of overhead. We are also, as I mentioned earlier, developing quite specific service agreements. Those service agreements are due to go out for the forthcoming year in the next week to LHDs and they articulate expectations about what they are required to spend their money on in terms of acute in-patient facilities, in terms of emergency department facilities, in terms of their population and primary health and, as mentioned earlier, in terms of what they are to spend on mental health.

There are obviously, within the standard management requirements applying across the public sector in New South Wales, controls available to be exercised on the senior managers within those local health districts but, at this stage the Ministry has not been hauling senior managers in to Miller Street to ask them to explain what overhead levels they are charging. What we are doing is stating explicitly these are the mental health dollars you have to spend within your district and we will be monitoring with their boards the outcomes of that expenditure.

**CHAIR:** How specifically will you be monitoring that? Are you actually asking for KPIs which include that as a specific item and would that accountability flow back to the senior managers and the board?

**Dr HAMMETT:** Yes. Within our service agreement we have a number of schedules and schedule D outlines specific clinical services that the Ministry, as the purchaser of services for the State, purchases from a local health district. Within schedule D there are specific initiatives aligned to the mental health programs, requiring LHDs to actually deliver those services. As I flagged, under the National Health Reform Agreement there will be a much greater level of specificity of those services starting from 1 July 2013, where all mental health services that are in scope under the agreement will be covered under activity based funding. What that actually means is that for an individual clinical diagnosis there is a specific payment that is associated with that and there is an expected cost associated with the treatment of that condition.

It allows us then to be able to say well in this local health district you are seeing this number of patients with this clinical condition and it is costing this much to treat them. Over here in this other LHD they seem to be getting the same name and type of patients, treating them

with better outcomes at a lower cost, so can we have a look at why they are doing that and how they are doing it. It makes the system of funding much more transparent and much more accountable. .

**Dr LEE:** NSW Health have listed a number of projects it has in place to build partnerships and thereby enhance the delivery of mental health services. Does NSW Health have a strategy in place for building partnerships with stakeholders, consumers and carers?

**Dr HAMMETT:** The short answer is yes we do and have been actively engaged with the private sector, with primary health care providers, with the non-Government sector and indeed with multiple other departments across Government. We can point to a number of examples that we have referred to in our response. There is the HASI program, which is very much a partnership between the Ministry and other government departments and NGO providers, to make sure we have effective community support for people with mental illness. There are a number of examples we have alluded to in our response and the answer is yes.

**Dr LEE:** Are you genuinely in favour of those partnerships as a strategy for more effective, cost effective and outcome driven effectiveness?

**Dr HAMMETT:** We are, and we are actively exploring new opportunities for those partnerships. There are clearly significant challenges in dealing with the affordability of health care, not just within the mental health setting, but more broadly. The health care costs are a significant impost on the state budget as they are in every developed country around the world and we have to look at new ways of delivering health care more cost effectively and that will involve partnering with other sectors that in many cases provide as good or better outcomes at a more cost effective price.

**Dr LEE:** Why do they do that? Why can an NGO, in your opinion, deliver at a more effective cost or outcome than government?

**Dr HAMMETT:** I think it depends on the individual setting and I think it also reflects the fact that government, by view of the requirements that are placed upon it through legislative requirements, requirements to meet the Auditor-General's requirements do run at a level of overhead that smaller, perhaps more flexible and more nimble, organisations are able to take advantage of. The other point I would make is that local delivery by the non-government sector has also proved very effective and many communities around the State have chosen to support through local community initiatives particular programs that they know work in their local setting. That may not be suitable to be ramped up at a statewide level but do provide effective care locally.

**Mr WILLIAMS:** Can you please outline progress made in ensuring that mental health discharge summaries are provided to a patient's private doctor?

**Dr HAMMETT:** There is a policy requirement that discharge summaries for all patients are provided to their referring practitioner. I am a gastroenterologist by training and I know that for my patients unfortunately that does not always happen, nor does it always happen for mental health patients, despite the fact that it is the Ministry's policy that that should occur. We are updating our policy but, again, I would point to the new arrangements under activity based funding as an incentive to improve that practice so hospitals and local health districts are now having to capture data on exactly what conditions patients have and they have to do it for funding reasons, so there is a very strong lever that we can now apply to enhance the compliance of local health districts with the Ministry's policy.

It has long been our policy that patients should have a discharge summary. The fact that there will now be dollars resting on the accuracy of that discharge information will provide a significant incentive for that to occur.

**Mr WILLIAMS:** I want to ask a broad question in relation to the appointment of the Mental Health Commissioner. Do you have confidence that the terms of reference for the Commissioner are satisfactory to achieve a better outcome for mental health patients?

**Dr HAMMETT:** Again the short answer is yes. We have been working closely with a peak advisory group that involves stakeholders, clinicians, and the Government, on the role of the Mental Health Commission and Commissioner and we have great confidence that the Mental Health Commission will be a significant step forward for ensuring better mental health treatment for the people of New South Wales.

**Mr BASSETT:** Just a follow on from that in regard to the Commission, to what extent is the Commission addressing the Auditor-Generals's recommendation to use mental health funds as intended? I am guessing that what you have said in this year's budget may come from that where there is a specific mention, is that correct?

**Dr HAMMETT:** No, it has not specifically come out from that. It has more come out of the new activity based funding arrangements where for other parts of the health system we have been very specific about the line items in their budgets and we wanted to make transparent the mental health spend in anticipation of next year going forward to a much more detailed level of activity based funding. This was the first step before the new arrangements starting 2013–14.

Certainly one of the key roles of the Mental Health Commission is to identify what the resource requirements for treatment of mental health are within New South Wales and to provide advice to government around the need for additional resources, should that be required.

**Mr WILLIAMS:** Just talking about activity based funding, are you confident that there are sufficient benchmarks in mental health to measure outcomes? I think there are probably some real challenges in putting times and costs on treatment for mental health patients.

**Dr HAMMETT:** You are absolutely right, Mr Williams. There are enormous challenges in that space. I think the fact that the National Health Reform Agreement flagged that mental health activity based funding would not start at the same time as in-patient or emergency department funding was a reflection of that complexity. Indeed, it is certainly possible that the Independent Hospital Pricing Authority, which is a Commonwealth agency, may elect to defer the start of activity based funding for mental health until they are sure they can adequately deal with the complexity you are talking about. New South Wales is a key part of the work in advising the Independent Pricing Hospital Authority on mental health funding and we will be working with them to try to understand the complexity and a number of New South Wales leading clinicians are on key advisory groups setting up the activity based funding arrangements for mental health.

**CHAIR:** The Auditor-General made some recommendations in various areas for improvement, particularly improving planning, using mental health funds as intended, and improving continuity of care. We have endeavoured to try to pick up on some of those, Auditor-General, but is there anything you particularly wanted to highlight?

**Mr ACHTERSTRAAT:** Organisations generally can provide better services if they know what is going on in the organisation. Services they provide can be more effective and efficient if they know what is going on. I am on record as saying across the sector I am concerned about the sector's knowledge about their physical assets, real assets, real estate assets. I am on the record as saying that. As well as physical assets, human resources is

another area where if organisations know exactly where they are, what level they are, where they are located, they can be more effective.

I am encouraged that the department is looking at rolling out the second phase of SMRT on 30 June. One of the silver linings is that the Ministry can point to the fact that they have been able to roll that out in relation to the finance component, and the Ministry should be congratulated for that. Rather than wait until 31 December to say whether the human resource side has been rolled out, the ministry may wish to send the Committee an update by 30 September, for example, as to how progress is going and milestones that they are going to achieve over the next three months so that we are not in a position a week before 31 December, as we are now, before June where people are saying it is not going to happen.

I commend the Ministry for the actions so far, particularly in relation to the finance side and I am encouraged by its commitment and I guess now the rubber has to hit the road.

**CHAIR:** Thank you, Auditor-General. Mr Mathie, do you want to add anything?

**Mr MATHIE:** I have nothing further.

**CHAIR:** Just to pick up the Auditor-General's suggestion, I think 30 September is too late in the context of us drafting our report. Would you be happy to meet the request for an update as at the end of July?

**Dr HAMMETT:** Certainly we can write to you, outlining our progress and indeed our implementation plan in the lead up to December, so we can give you some specifics on that.

**CHAIR:** That will be appreciated and we can then incorporate that in our report, which at that stage will obviously be progressed but not finalised. Further to all those questions that have been asked, as usual the Committee may wish to send additional questions in writing and the replies to those questions will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Dr HAMMETT:** Absolutely.

**(The witnesses withdrew)**

**(Short adjournment)**

**MARK IAN PATERSON**, Director-General, Department of Trade and Investment, Regional Infrastructure and Services, affirmed and examined.

**CHAIR:** Would you like to make a brief opening statement before the commencement of questions? For your information, I will ask you to make your brief opening statement and then ask the Auditor-General to make a brief opening statement and then we will return to formal questions. I am conscious that there perhaps are some differences in terms of interpretation or perception in terms of this area, so it might be useful to have a little bit more exchange between yourself and the Auditor-General than I normally would have, because the Committee may be in a state where we would try to clarify some that of that perceived disagreement in terms of certain issues.

**Mr PATERSON:** Chair, it was not my intention to make an opening statement. I have written to you as Chair of the Committee and indicated where we are up to in terms of progress on implementation of the recommendations. We indicated at the time formally that whilst we accepted all of the recommendations and are working towards the implementation of those recommendations, we do not accept the tone and the nature of the commentary that went along with those recommendations.

That view was expressed by my predecessors because this is a report which goes back to 2010, as I recall it, which preceded my appointment, but we are working towards the implementation of all of the recommendations. All but two component pieces of the recommendations are already completed. There are two which have a due date of 2013 and those recommendations are on track for implementation at the time. There was one recommendation with respect to the transfer of collection responsibility from us to the Office of State Revenue. That is a matter for the Treasury and the Treasury has convened a working group of interdepartmental officers to examine that issue. It has not reached its conclusions as yet but I expect it will do so in the near future. I am happy to comment on that element of it if that is something that the Committee wants to draw out.

**CHAIR:** Thank you, Mr Paterson. I am not trying to facilitate any disagreement but, on reading the various materials, thought that that may come up but if we are focussed on implementing the recommendations and everyone agrees on them that may not be a focus of the discussions. Mr Auditor-General?

**Mr ACHTERSTRAAT:** Mr Chair, when I went to visit a mine site on this I was struck by the paper driven approach to filling out the royalty forms. Collections are over \$1 billion and a lot of it seemed to me could be improved in relation to data collection et cetera. I guess the main recommendation or area where I have come from is that generally the department which looks after the policy and encourages the industry of a particular sector does not get involved in collecting the tax. Generally there is a specialist tax collection area.

If we look at the Department of Lands, which monitor lands et cetera, land tax is collected by a specialist tax collector of the Office of State Revenue. If we look at payroll tax, the department which fosters employment and encourages activity in the state does not collect the payroll tax. It is done by the Office of State Revenue. Similarly with the parking space levy, it is not collected by the Department of Transport, it is collected by specialist tax collectors.

I guess the flavour that I have been left with when I was doing the report was that we have a department which looks after mines, the policy of mines, safety and all those sorts of issues, encourages mining and facilitates the regulation, but in this case they are also required to undertake the collection of the royalties. Our view was that may well be appropriate but let's ask Treasury and a working group to decide should specialist tax collectors be involved, or should the regulator also collect it, not so much regulator but administrator of the mine.

There are pros and cons.

If collections do not occur, if there is a tax gap, for example, and it has come to light all of this money was not collected, generally the specialist tax collector would have risk assessment processes and they specialise in how to do the audit and what systems to put in place, what education to put in place. Sometimes if a department has something tacked on to them, it is not their core business, they do not necessarily have the same systemic approach to collections.

The main point I want to make, Mr Chair, is that I would encourage this working group, which seems to be travelling at the speed of 1,000 tortoises, to start making some deliberations and if it is that it remains where it is, then I am encouraged by the work done by DII in relation to this but again, I have some minor questions in relation to 100 per cent coverage and things like that but I think they are all at the margin from the main philosophical point that I have.

**CHAIR:** Thank you. Mr Paterson, just moving to the formal questions stage, in your department's submission you say that you have documented risk based audit practices into a policy. Could you give us a little bit more idea of what this policy actually involves?

**Mr PATERSON:** Well, it was a structured approach in relation to the risk assessment. The Auditor-General made recommendations that we ought to develop a risk based audit program to better target resources and to satisfy that we were adequately addressing the risks we had documented those risks. We believe that, notwithstanding the observations that have been made, there are good reasons as to why this revenue stream is administered by a specialist agency. There are five separate royalty regimes that operate in New South Wales and they are all complex. Whilst I cannot speak for what the Treasury report might conclude, it does seem to me that if we were to go down the path of having that revenue collection undertaken in another specialist agency, it would increase the costs of collection over and above the costs incurred by the State at the present time because of the specialist nature of the area that operates, the nature of the risks, the nature of the engagement, means that you would need to duplicate people with that specialist understanding both in my portfolio and in a revenue collection agency.

It is interesting to observe, and this has been observed previously, that no other state has its royally regime collected by its state revenue office. If New South Wales were to go down this path, it would be stepping out from the activity, or the comparative activity that is undertaken in a lot of states. Other states have offices of state revenue that collect the sorts of revenue that the Auditor-General has outlined to the Committee, but none of those states require the collection of royalties through that state revenue office. They do it through the relevant industry department by whatever name, as we do in New South Wales.

The Auditor-General has raised concern, both in his report and in the observations he has made today, about some of the processes in place, paper based regimes and the like. We are working towards implementation of a regime that will focus more on using new technologies and integrating those systems, but we have to do that on a step by step basis. We have to do it within the limited resources that are available to us.

We believe that we are managing the regime in a prudent way, that we are doing so within the resources that are available to us and that we have applied an appropriate risk framework to that and, as a result of one of these recommendations, we have documented that risk framework.

It is worth noting that when the audit was done it estimated that it might be possible that in something in excess of \$1 billion being collected annually that there may be \$8 million over



five years that was being missed in this opportunity, in terms of the way we are administering the royalty regime. That would be 0.27 per cent of revenue collections that is being missed. Now, the Auditor-General's assumption to get that \$8 million calculation is that all audits will produce additional revenue. I think that is a heroic assumption. We do not accept that as a matter of course, but even if we did accept it, 0.27 per cent potential under-collection over a period of five years is something that, if I read the press correctly in terms of the current level of outstanding penalties by specialist collection agencies, I would suggest that if they had a 0.27 per cent record they would be patting themselves on the back rather than us hand over a regime that is meeting that target to such a specialist agency.

That is not a pass judgment on the specially agency, but just to say that the agency that is administering it is doing so appropriately.

**CHAIR:** Perhaps we should have an amnesty for leaseholders so that they can pay up voluntarily before we come after them.

**Mr PATERSON:** You would have to assume that there is something outstanding to be paid up on that basis, Chair.

**CHAIR:** I think on the evidence that there is something outstanding, even if we did not discuss what that level of non-compliance is. It certainly is disturbing, and I know you do not have to answer to New South Wales Treasury, although you did say that you were in a place to make a comment, it is disturbing that NSW Treasury has not yet progressed its working parties to a stage where it seems to have properly considered the issue and made recommendations. My understanding is that NSW Treasury initially advised that it was going to review the potential transfer of minerals royalty collection to the OSR by June 2011. There is now a working party which is progressing more slowly than anticipated and recommendations will be made at some stage this year.

Do you know when the recommendation or the consideration will be complete and why there has been a delay which is longer than anticipated ?

**Mr PATERSON:** I cannot comment on the time taken. I am advised that whilst I would not describe it as imminent, I do expect them to reach a conclusion in the near future. Certainly the committee has met. My department has been represented on that committee and I expect them to reach conclusions. I cannot speak for them and comment on why it has not occurred. The recommendations that we have responsibility for, with the exception of the two elements that are due to be implemented by June 2013, all of the other elements of the Auditor-General's recommendations have been completed.

**CHAIR:** We will progress our other questioning on the basis that obviously the function does reside within your department now?

**Mr PATERSON:** Yes.

**CHAIR:** I think we need to continue on the assumption that it continues to be there, otherwise we might have further questions of other agencies in due course.

In your submission you say that by June 2011 the department would be auditing 100 per cent of annual coal returns. Was this done and did it lead to a change in the amount of royalties collected?

**Mr PATERSON:** I do not have anything before me which suggests that that produced any substantive alteration in relation to the audit regime. We did not previously audit 100 per cent. We had committed to do so and we review the validation reports on an

annual basis.

**CHAIR:** So you are doing 100 per cent now?

**Mr PATERSON:** Pretty much. Obviously there is a timing issue, so what constitutes 100 per cent at a particular point in time, but certainly that was the commitment, to seek to do an audit on the full range of potential.

**CHAIR:** What is the 100 per cent over what time period? Three years, two years, one year, every year? You can take it on notice if you like.

**Mr PATERSON:** I will take it on notice. I do not recall that element of it. I will reflect on the question whilst we are dealing with the others and maybe I can answer it while I am here.

**CHAIR:** In his report the Auditor-General stated that the department could not demonstrate that all of the information that supports the collection of royalties is accurate and current. Could you indicate what data quality assurance standards and procedures have been developed?

**Mr PATERSON:** In all of these things, Chair, and the benefit of an audit is to highlight deficiencies of systems, not to suggest that we or any other public entity could ever absolutely guarantee 100 per cent accuracy 100 per cent of the time. We could try to aspire to 100 per cent accuracy 100 per cent of the time, but we would consume so many resources in doing that, that it would be a counter-productive exercise. We strive to ensure that the data we have is accurately collected and that we put in place appropriate risk management strategies to deal with it. Am I a technical expert in relation to every element of the operation of this regime? No I am not, and nor would I pretend to be.

I am satisfied that on the basis of the material provided to me that we do have adequate risk management frameworks in place. We have looked at those again. We have accepted the recommendations but, as I said, we do not accept the tenor and the tone that stood behind the recommendations and I think in part the observation that I have just made is reflective of that. The Auditor-General's report indicated that he was not satisfied that we could guarantee 100 per cent accuracy. Well, yes, I accept that conclusion. Do I believe that as a result of that conclusion that we should commit so much resource to that task to guarantee 100 per cent accuracy 100 per cent of the time? As I have already indicated, I think that would be a counter-productive exercise. It is a risk management exercise and we are satisfied that we have appropriate regimes in place to collect the appropriate royalties from each of those entities that are obligated to pay.

**CHAIR:** I take your point. I do not think the Committee, or indeed if I can speak for the Auditor-General, I do not think anyone expects everyone to be perfect 100 per cent of the time. My experience is that the Audit Office does not highlight these things on an absolute exception type basis but rather of a general observation that they were not satisfied that perhaps the accuracy level was of the standard that they would expect. They do look across a number of agencies.

Having said that, I do also acknowledge your comments in terms of the quantum as a percentage of your overall royalties and do not discount that that is a fairly small figure, looking at that in isolation. To give us some better sense of the information that leaseholders have to provide from their own resources and own initiatives, what sort of supporting evidence are leaseholders required to provide with their annual reports to you?

**Mr PATERSON:** Sorry, Chair, I had not appreciated that you or the Committee

would want to burrow into that level of detail on this issue. I had, I think, fairly looked at the material that was before me. Having completed every recommendation bar two that need to be introduced by June of next year and one with Treasury, I looked at the material and satisfied myself that we had appropriately responded to the recommendations. Did I prepare myself to be able to disentangle all of the elements of the operation in Maitland, no, I did not.

**CHAIR:** Are you happy to take the question on notice?

**Mr PATERSON:** I am happy to. If you ask me to comment in relation to the preparatory material which was sent out, certainly the preparatory material being sent out did not suggest to me that the Committee would want to get into that level of the detail. I am happy to take any questions that the Committee has on the actual operational detail levels on notice and we can respond to those. I do not know that it would be productive for me to speculate on some of them. I am certainly, at a policy level, happy to observe that I am satisfied that we have a risk management framework in place in this area that will meet the standards that would be expected of this Committee, or of the general public in relation to the collection in these areas. If there are questions of minute detail I will take those questions on notice.

**CHAIR:** I note that, but the question I am asking is not one of minute detail, it is a question in relation to supporting evidence that leaseholders might be required to provide with their annual reports. I hear what you are saying in terms of a level of detail which might be beyond what you expected and I think, by agreement, we can have that question taken on notice and indeed any other question which is asked in the course of today, if it proves more productive to take it on notice we are happy to acquiesce to that approach.

**Mr PATERSON:** Thank you, Chair.

**CHAIR:** Thank you for your flexibility in agreeing with that.

**Dr LEE:** What is the status of the on-line royalty return system?

**Mr PATERSON:** It is being developed at the present time. That regime is not due to be in place until June 2013. That was the recommendation that it be done by –implement an on-line royalty system by June 2013. We accepted that recommendation. It is on track in terms of its development but we do not expect it to be developed prior to that time.

**Dr LEE:** Is there a timeline besides the June 2013 in terms of roll out and development?

**Mr PATERSON:** No, it is not expected to be rolled out prior to June 2013.

**Dr LEE:** So June 2013 is its release date, is it?

**Mr PATERSON:** That is my expectation.

**Dr LEE:** So June 2013, it will be operational by then?

**Mr PATERSON:** I expect it to be operational by then. We are talking systems. You would know that in almost every development of systems people over-promise and under-deliver. On the basis of that general observation it is still our intention to have the system in place by June 2013. Is it going to be in place by the end of this year? I do not expect so.

**Dr LEE:** You must have some milestone about its roll out in June 2013?

**Mr PATERSON:** And I am indicating to you that we expect it to be rolled out on time by June 2013. If you want me to give a different date to that, I can.

**Dr LEE:** I just thought for major roll outs.

**Mr PATERSON:** I do not know that it is a major roll out. It is certainly implementation of an on-line royal return system and it needs to be done in conjunction with all of the other systems' enhancements that we need to undertake. We have a very significant number of change processes that we are going through at the present time. This is but one of them. We are on track to deliver it on time, but we are not on track to deliver it early.

**Dr LEE:** What do you think it will achieve in terms of efficiencies?

**Mr PATERSON:** Well, it will take time to bed down, to work out what efficiencies it might deliver. With any new systems development you actually have to commit new additional resources on the implementation. People are generally satisfied with existing regimes and we have systems in place which enable the existing regimes to be managed and we have to continue to manage that regime up until we move over and then have to commit additional resources to enable a new regime to operate and we have to assist those who lodge royalty regimes with us.

Initially it will consume more resources but it take time to work out whether the new lodgement regime is a more efficient regime than we have been operating under. That will in large measure depend on the quality of the on-line regime that is implemented.

**Dr LEE:** Can you take it on notice? I take on board your comments about June 2013. Can you provide the Committee with milestones of the development of that system so that we may be able to keep track of that, to see whether it is implemented on time and what the expected results are? I understand there will be a development phase and then a beta test phase and then a full implementation phase and then the roll out phase.

**Mr PATERSON:** You would expect that those are the normal circumstances but I would have thought that the Committee's interest was in whether we implement or not, not whether we meet each step along the way. If it is the practice of this Committee to look at that level of detail, then I am happy to take the question on notice. My expectation would have been that we would have been reporting to the Committee whether we had met the commitment that we had made.

**Dr LEE:** My concern is not purely around whether you are hitting the individual milestones, it is that come June 2013 that it is operational and launched and implemented.

**Mr PATERSON:** And how will you be able to make the judgment if I provide additional material to you, whether we have delivered it by June 2013 or not? I am happy to provide the information. It is not clear to me where that takes the Committee. If I say it has to be beta tested in February, it still does not tell you whether it is going to be implemented by June.

**CHAIR:** I might just add that I suppose the Committee routinely, when there are recommendations where we receive assurances that something will be implemented, and we do not doubt that you are working towards that, that there is a level of comfort or assurance if milestones, project methodology, timeframe, are met along the way it gives us greater confidence in saying yes, we are comfortable that the implementation of that recommendation is on track. I think that is where the Deputy Chair is going, if you could provide us some indication according to your project timeframe that the status of that project

is on track.

**Mr PATERSON:** And I would have thought that, given the nature of the recommendations and the number of those recommendations that have already been completed, that that would have at least in principle given the Committee some satisfaction that we do what we say we are going to do.

**CHAIR:** It may well. Providing that information would give us even more satisfaction.

**Mr PATERSON:** I am happy to take that on notice, Chair.

**Mr BASSETT:** Following on from the Deputy Chair, trying to get a response, it may well be implemented in June 2013. That was part of your answer back to us. Could you outline as to whether all the returns will be done on-line in the 2013-14 financial year? In other words, will all people paying royalties be doing it on line from, say, from July 1, 2013?

**Mr PATERSON:** I am happy to include that in the response to the question.

**Mr WILLIAMS:** I read the Auditor-General's report and I looked in relation to the \$8 million of revenue leakage. While it seems an insignificant amount of money and, understanding the scope and timing for the Auditor-General to perform his audit, I was led to believe there may be a bigger problem than \$8 million. Are you confident that \$8 million is the maximum amount of leakage?

**Mr PATERSON:** I am satisfied, on the material available to us, that we believe we are collecting the overwhelming majority of royalties that people are obligated to pay. I do not accept the \$8 million number, nor do I say it is an insignificant amount. I think we need to deal with these things on a relative basis. Relative to what is collected, it is relatively insignificant. \$8 million is a significant amount of money in any assessment, except when you compare that we have a regime that is collecting in excess of \$1 billion over five different royalty regimes. Am I satisfied that we are hitting the mark? Yes I am. Do I believe we have a bigger problem than was identified by the Auditor-General? No I do not.

**Mr WILLIAMS:** Can you outline the penalties for late or incorrect payment of royalties and do you currently have a compliance and enforcement policy in place?

**Mr PATERSON:** I will take that on notice, Mr Chairman.

**Mr WILLIAMS:** Can you provide data on how many leaseholders have been penalised for late or incorrect payments?

**Mr PATERSON:** I am happy to take that on notice.

**CHAIR:** I note that we will take that one on notice as well. Mr Paterson, are you happy to provide answers to all of these questions on notice by the middle of July?

**Mr PATERSON:** Happy to attempt to, Chair.

**CHAIR:** That is four weeks away. I am sure that someone who is as adept and efficient as you would be able to compile that information within four weeks.

**Mr PATERSON:** It is only a question of access to the data. It will not be a lack of attention on our part.

**Mr WILLIAMS:** The Auditor-General recommended that collection of coal mining royalties be transferred to the Office of State Revenue. We have gone through your views on transferring of revenue collection. Are there any early indications of the direction or the outcomes that might be achieved by this recommendation?

**Mr PATERSON:** Well, as I have already indicated I think, I am not in a position to indicate where that Treasury review will end up. I am advised that we should expect to receive or that they should finalise their position shortly but I cannot tell the Committee whether shortly means imminently or some other timeframe. We have been involved in it but it is not something that is lead by us. It is nearing a conclusion but, as I have observed, it is a specialist regime. There are five separate royalty regimes. By their very nature and their development over time they are complex and there is a question as to whether that could more efficiently be undertaken by a revenue collection office. No other state has found that that is the most efficient way to do it, or no other state has done it in that way. They have followed the same path that New South Wales has followed. I do not know whether that will be the Treasury conclusion at the end of this.

**Dr LEE:** The department's submission is based upon accepting all or most of the Auditor-General's recommendations but obviously there was some disagreement. I think you said that some of the Auditor-General's statements are incorrect. Which statements are those?

**Mr PATERSON:** I did not say they were incorrect. I said that we were concerned about the tone and the commentary in relation to it and that is the way that we reported back to the Auditor-General at the time and I think he included those comments in his report, that we accepted the recommendations but we did not believe that the tone of the commentary in each of those sections was appropriate to the method of operation of the royalty regime. I did not say that they were inaccurate. It is the tone. It is a question of how you view these observations.

Sometimes Auditors-General might want more rigorous regimes than the resources provided by the state allow, and we live within the resources that are available to us to undertake the tasks and we have to make balancing judgments about the extent to which we can apply resources in an unlimited way, to undertaking risk mitigation strategies. I am satisfied that on the nature of the risk that we experience here, that we have appropriate mechanisms in place but, as I have observed, I was not around at the time that the report was undertaken. Those observations in relation to the tone of the commentary were made by my predecessors, but they are views that I support.

**CHAIR:** Just going back to the quantum, the \$8 million figure obviously relates to coal mining royalties. The \$1 billion figure you quote, I take it, relates to the five different areas. What is the overall quantum in relation to coal mining royalties, which is probably more reflected in terms of a proportional figure that we should focus on?

**Mr PATERSON:** The overwhelming majority of royalties that we collect are coal mining royalties and they do vary from time to time. I can, on notice, come back to you with the proportions at a particular date, if that was helpful. Maybe for completeness if we provided you with an answer on notice which gave you the breakdown as at, say, 30 June last year, all returns would be in. That is a number that the Committee could then reasonably rely on. It varies at the margins, between the percentages. Coal is the overwhelming component of it.

**CHAIR:** Auditor-General?

**Mr ACHTERSTRAAT:** We have appreciated the robust audit we have had on this

one. We do acknowledge that there were differences of views. I think that Mr Paterson has said that he supports his predecessor's view that the tone may have been an issue. I would be happy to work with Mr Paterson off-line to see if he still shares those views.

As Mr Paterson said, the role of an audit recommendation is to look forward, to look into the future, rather than look into the minutiae. I am very pleased that the department has accepted a number of our recommendations, particularly in relation to penalties. Up until the audit, the persons who did not pay the correct amount of royalties were, as it were, generally not penalised at all. There was no great incentive to pay the right amount. After the audit we had a commitment from the department that a penalty regime would be implemented. That is a wonderful step forward.

We are also very pleased that the paper-based system will be phased out and replaced by an on-line system. We have heard over the last few sessions that sometimes it is a binary issue where various departments, maybe with not the same track record as this department, but various departments tell the PAC that computer systems will be in by a certain date and when the date comes we have heard evidence this morning and other days where events have occurred and they have not been able to produce that. This department has a track record of other recommendations having been implemented but, again, I would be encouraged to see the format, if only to be consistent with what other departments have failed to do.

In relation to the \$8 million, I guess that is based on audits currently done by DII in their current format elucidated an amount of approximately \$4 million and there was an extrapolation, if that same approach was taken across a broader spectrum it may be \$8 million outstanding. It is quite rightly pointed out by Mr Paterson and others that under risk management we may in fact do the audits in a different way. If a specialist tax collection agency did the audits they may have been done in a different way and may in fact have come up with a different amount of money.

I would like to pay credit to the staff of DII up in Maitland who provided us with excellent service and were very diligent. I would be keen to follow up on the details of my major recommendation.

**CHAIR:** We have no other questions. Mr Paterson, is there anything else you wanted to add?

**Mr PATERSON:** I have nothing to add, Chair.

**CHAIR:** The Committee, in addition to those matters already agreed to be taken on notice, may wish to send you some additional questions in writing, the replies to which would also form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Mr PATERSON:** Happy to, Chair, on the understanding that the timing of receipt of the questions and the timing of your expected responses, if I have got until the middle of July to respond to the questions that I have taken on notice today if I get subsequent questions—

**CHAIR:** I think it is reasonable that we would give you at least an fortnight to reply to any written questions.

**Mr PATERSON:** Thank you, Chair.

**(The witness withdrew)**

**MICHAEL DEAN WILLIS**, Acting Chief Executive, Ambulance Service of New South

Wales, Locked Bag 125, Rozelle,

**RONALD JOHN MANNING**, Director Statewide Services, Ambulance Service of New South Wales, Locked Bag 105 Rozelle, and

**KAREN JANE CRAWSHAW**, Deputy Director-General, Governance, Workforce and Corporate, New South Wales Ministry of Health, sworn and examined:

**CHAIR:** Would any or all of you like to make a brief opening statement before the commencement of questions and indeed I will ask the Auditor-General to perhaps make some comments if he wishes after your opening statement.

**Mr WILLIS:** Thank you for the opportunity to address the Committee today. We appreciate that and, with your permission, Chair, I would like to give a brief outline. Most people are aware of the foundation and understanding of Ambulance Service NSW but again I would like to repeat our particular role in regards to aero medical services. As you are probably aware, there is a robust medical retrieval system which has been established in New South Wales for some time and its principal purpose is the provision of pre-hospital and also inter-hospital transfer of the critically ill patient, so it has two roles.

The medical retrieval system is essential for the proper functioning of critical care services within New South Wales and it is an important role that medical retrieval in the sense sits under ambulance as the principal provider of health related transport. The model of care ensures that patients with acute illness get the right care by the right team and at the right place, and it is fundamental to the retrieval system and how it operates. A central component of the model of care is of course the use of rotary wing as part of our fleet, part of the fleet of health, and its primary concern is with the transport of critically ill patients under that medical retrieval system I referred to.

To ensure we have our planning right, we have undertaken comprehensive reviews of rotary wing aero medical services in 1994, 1999, 2004, each informing the direction for the following seven to ten years. You can see a pattern of reviewing of how we are doing things and where we are going.

All current contracts and service agreements with our current helicopter providers conclude between December 2012 and May 2014, excluding any extension options that may be available at the time. To this end the Committee may be aware that the Minister of Health has asked that an assessment of the current aero medical rotary wing part of aero medical retrieval services be undertaken and recommendations provided for any changes, looking forward again a decade ahead.

This strategic planning is to include the future of critical care transfer requirements of the now local health districts. The optimum rotary wing service configuration to support the medical retrieval system and consideration of the models of care, such as the use of specialist medical teams, including models used for the head injury retrieval trial. The Director-General of Health has asked Dr Peter Sharley, an interstate intensive care and medical retrieval expert, to be the independent chair of the aero medical rotary wing subcommittee of that review. It forms part of a larger strategic review of NSW Ambulance overall.

Stakeholder engagement has commenced with past and present helicopter providers, the critical care health system employees, interested groups and, of course, unions and I guess in New South Wales we look forward to the outcome of that review which due in September of this year.



In closing, Mr Chair, if I can, it is worth reiterating the strength of NSW Ambulance and the strength of our paramedics, doctors, nurses and all of our corporate staff who together ensure that we continue to meet the rightly high community expectations of this service. I thank you for the opportunity, Chairman.

**CHAIR:** Would either of the other witnesses wish to add anything?  
Auditor-General?

**Mr ACHTERSTRAAT:** At the outset could I take the opportunity on behalf of the Auditor-General's office to congratulate Ms Crawshaw on her Public Service Medal.

**Ms CRAWSHAW:** Thank you very much.

**Mr ACHTERSTRAAT:** As Mr Willis has said, we are in a time critical point here where some of the contracts are due for renewal or renegotiation, so it is important that any learnings from the past be reflected on and be implemented when the new contracts come up. It is pleasing to see the strategic approach that Ambulance have when looking forward.

I must say that when I did the report and found all the checks and balances appeared to have been followed, but the costs were significantly higher than in the past. There was a sort of disconnect in my own mind on that. However, the processes were followed although the cost, I think, was double or triple what it was in the past. That is an area where I am not sure of the precise answer but Mr Willis may be able to help us on that.

I am also interested in relation to the paper-based system for the helicopter timing, whereas the road fleet, I understand, has a completely electronic one and I would be keen to find out the progress in relation to that area as well.

I think that is about all I would like to say at this stage, Mr Chair.

**CHAIR:** Mr Willis, the cost issue is one which, albeit not inherently an issue with the audit, is an interesting observation. Obviously the service standards appear to be significantly higher but the cost is obviously a multiple of what it used to be. Do you feel as though there was a properly competitive process? Sometimes these things cannot be controlled in terms of those that come to the party, but I cannot let that go without comment, albeit not something that necessarily we can control in what appears to be a competitive process.

**Mr WILLIS:** Mr Chair, if I can answer that in two ways: One is confidence in the procedure and the processes that went before us. I can confirm that we are certainly confident about that and in a sense we are alluding to no difficulties with that process. I might ask Dr Manning to comment on the appropriateness and maybe a little bit of history on how costs may have seemed to have changed. I can inform the Committee that we are very comfortable with the process that was undertaken.

**Dr MANNING:** I guess by way of a little bit of background to try to give some background to the change in costs, is that the principal driver for the procurement process in 2005-06 really stemmed from the really urgent need to upgrade our service delivery capabilities. The nature of the aircraft that we had, particularly in Sydney, at the time was not suitable for the clinical requirements of patients. We were in fact holding back service delivery in regional areas. For example, the roll out of the cardiology, cardio catheter suites and rural cardiology program was really being held in an investigative cardiology mode, rather than an interventional mode and the reason for that is, just by one example, if you do a cardiac cat procedure on a patient and it does not go quite right, they have to have urgent and quick access to not only cardiothoracic surgery but a life saving piece of equipment called an

intra-aortic balloon pump which is a large piece of gear and our aircraft simply were not capable of transporting that piece of equipment.

In addition, patients were getting larger and patients above a weight of 120 kilograms were becoming increasingly difficult for us to transport, to the point where in particularly in the Orange area, the nature of the aircraft in the Orange aircraft was a non all weather capable aircraft. It did not have instrument flight capability, which meant that its ability to fly patients urgently from Orange over the Blue Mountains was limited and in the final six months of 2006 we were having an adverse patient outcome –I should not say adverse outcome, but we were clearly not doing the right thing by patients to the tune of about three to six a month because of that, so there was an urgent need to upgrade our capability.

One of the key indicators in the contract was that we needed bigger aircraft with more capability and with much better availability, and that comes with a significant cost.

**CHAIR:** I will hand to Mr Bassett who has some follow up questions and some past experience and expertise, I believe, in the area.

**Mr BASSETT:** I will start by declaring I do have an interest in this, having been a co-founder of the Child Flight Helicopter Service and having been involved from single engine aircraft right up to twin engine and other capabilities. I understand exactly what you were just talking about.

However, what you are saying is accurate regarding the medical need and regarding new aircraft but, as part of the tender process CareFlight did bid for the new Augusta aircraft and they had forward purchasing arrangements in place for five of those aircraft. I am still curious as to why, when there was a more cost effective outcome from a NGO, not for profit organisation, in a position to being able to fly those same types of aircraft, why the decision was taken to use CHC, the Canadian based operator and post the tender, those aircraft were found maybe not to be suitable and so the tender requirements may not necessarily have been technically adhered to because of operational reasons. In other words, why when there was a cheaper, more cost effective operator, not for profit, why was the profit company chosen?

**Mr WILLIS:** Mr Chair, if I could just ask for clarification, if I can. The current aircraft were not found to be suitable?

**Mr BASSETT:** The new Augusta aircraft that were proposed to be purchased, of which CHC purchased one, and then there were issues regarding heat and lack of air conditioning on board that particular aircraft type. The ongoing purchase of that aircraft type, I understand, was not completed and other aircraft were chosen instead. So there was the ability, I understand, that during the tender process that a not for profit organisation was in the same position to provide the required aircraft type as CHC. Is that true or false?

**Dr MANNING:** Let me answer that. It is not a simple yes or no answer, I am afraid. Two things: Firstly, the procurement process was managed by the Department of Commerce and in terms of its probity et cetera, I can only stand on that and the other audits that have been done to say that that would appear it be appropriate; secondly, as I have just indicated, we had an urgent need to increase our patient carrying capability and whilst CareFlight and CHC and other tenderers bid for the AW139, the AgustaWestland 139, CHC were in a position to provide near conforming aircraft i.e. Bell 412, Bell 412eps within six months. Given our urgent need to address the patient safety issue, that did lead very heavily to that option. CareFlight and other tenderers were not in a position to provide aircraft of anywhere near that capability. I am getting off my memory now but it was at least 18 months, up to two years, I think.

Just to follow on, the AW139 was a tendered aircraft and that has not changed. We have not changed model or type. The aircraft, we accepted at the time of tender, the acceptance of the tender from CHC was three AW139s and two EC 145s and we have not changed from that and those aircraft are operational today.

**Mr BASSETT:** Do you have any pre and post change of contract regarding medical outcome data to show that there have been improvements in both response times and maybe patient outcomes? Are there any comparisons?

**Dr MANNING:** In terms of clear patient outcomes, live and die, short length of stays, that sort of classic stuff, we do not have that. It would be very difficult to get that because of the complexities that go through that. However, what the 2010 audit did identify is that we were certainly getting patients, particularly trauma patients, to hospitals faster than we were previously and our ability to transport those intra-aortic balloon pump patients, bariatric patients and certainly patients in the Mid West are certainly getting to their definitive care much faster than previously.

I cannot think of the figures off the top of my head but certainly our time to first look and time to destination for patients in the Mid West improved dramatically after May 2007.

**Mr BASSETT:** That time to a tertiary facility for a critically ill patient, does that data include the head trauma that was being operated by CareFlight? Would that be combined data?

**Dr MANNING:** No. We would not have the trial data. It was still a trial so that would have been secreted away in trial land. We do not have that data yet.

**Mr BASSETT:** Regarding the placement of the aircraft at Bankstown, away from that hospital environment, have you seen an improvement in response times, that is time to call to time to patient compared with the out of hospital mode that was in place prior to the contract? If there has been a significant change to that, why has there not been a co-location of fixed wing and rotary wing?

**Dr MANNING:** It is a complex question

**Mr WILLIS:** Can I, through you, Chair clarify? You are talking about Bankstown versus all of our helicopters?

**Mr BASSETT:** I am actually saying prior to the contract, the contracted aircraft operated out of a hospital environment where the medical teams were based, be it Westmead or Prince Henry at the time. Moving to Bankstown or Mascot, the other facility at Mascot, my question is simplistically, with the move of the base to Bankstown, away from a hospital based mode as compared to CareFlight, have there been improvements in response times? The response time is the key, from the time of receiving a call from the referring hospital to seeing the patient, has there actually been an improvement in that stat? If there has been an improvement in that stat, from a resource point of view why has there not been a co-location of rotary wing and fixed wing?

**Mr WILLIS:** Before I hand to Dr Manning I will come to the second part of the question first. The location of rotary wing and fixed wing are certainly two separate points in a sense and two different modes of operation in the sense of primary versus secondary missions in that sense and that has an impact on response performance. I will go to Dr Manning in regards to the rotary wing part of that if I can.

**Dr MANNING:** In terms of the time that is important to us is the time to first look

to the patients and there certainly has not been a reduction in the time to first look. We have certainly improved our response time to patients in the Sydney metropolitan area in our road responses, so I do not know that our time to first look for rotary wing certainly has not deteriorated, but our road response times have certainly improved. I would have to take on notice any more detailed questions about response times.

**Mr BASSETT:** I suppose my point is, and I will say this before I go back to the Chair, based on some of those questions that I have just raised with you, I am still really struggling to see the community benefit from a cost and from an outcomes point of view, having gone from a community based operation to a profit making provider. I am still struggling with that. I will hand back to the Chair.

**CHAIR:** Those comments may go somewhat beyond the scope of our inquiry, following up on the audit recommendations, but they have been, I suppose, probably consistent with some broader political questions that have also been asked from time to time. Coming back, I suppose, more specifically to the report at hand, I will hand to Dr Lee.

**Dr LEE:** Can you please explain what Ambflight is and when do you expect Ambflight to be fully operational?

**Mr WILLIS:** If I can, Chair, just before we go into that, it will lead me into our response or Dr Manning will help me on the details of Ambflight. I might just clarify one point that we started with in regards to electronic medical records. We are not complete in rolling out the electronic medical record to all of our road operations. We are certainly well down the track and in the next six months we hope to have completed that. The electronic medical record is a process by which we move from a paper based system on the road for patient health care records, collecting data both through the CAD system, and this will become relevant shortly, and then what we see with a patient and how we treat the patient. I will just correct that point if I can. We have not finished rolling that out because it does have a bearing on where we go with Ambflight when dealing with all of our IT technology issues.

The other point is that it is only just over six months now, six to eight months, where we completed an upgrade of our whole computer aided dispatch system. The point of me raising this is that we have a number of IT projects ongoing at the moment and within Ambulance we are sort of sacrosanct of anything that is going to impact on the broader CAD system. We did have a crash of that CAD system not that long ago from a total issue from outside the service.

I raise with you, as we go in to explain Ambflight, that you can take from me the background that anything that is going to impact on our CAD system, we tend to be a little bit cautious around. I will get Dr Manning to explain where up we are up to with Ambflight.

**Dr MANNING:** Ambflight is the operations software that is used by the aero medical operations either to take bookings, record bookings, record the progress of a mission, and record vehicle resource availability et cetera. It is essentially the aero medical version of the data entry points of the computer aided dispatch system. The computer aided dispatch software that is used for road was found fundamentally not to be suitable for air and medical retrieval operations, just by virtue of the different nature of information that is required.

The aero medical service went for some time with essentially a home grown version of software whilst the computer aided dispatch system was being implemented and now that has moved to Ambflight, which is essentially taking that old system and putting it into a more robust platform and then integrating that with the Ambulance environment.

Ambflight has two phases. Phase 1 is essentially just what is in the operations centre itself to

record and take bookings and then phase 2 of Ambflight is interfacing that with the Ambulance computer aided dispatch system so that we can book and look with the computer aided dispatch system and the reverse also being true. I think you might have had a second question.

**Dr LEE:** When do you think it will be fully operational in phase 1 and 2?

**Dr MANNING:** Ambflight 1 is operational now. Ambflight phase 2 will be the end of the year, around November. It was October but, as Mr Willis has indicated, the service is doing another upgrade to the computer aided dispatch system so that will put us back about a month.

**Mr WILLIAMS:** Can you please comment on the declining number of missions flown? Given the number of missions flown continues to fall, is there any short-term way to reduce capacity and cost safely to reflect this?

**Dr MANNING:** To comment on the missions declining, it is probably more accurate to say that from 2006-07 to now, mission numbers have plateaued. They have gone up and then they have come back down again. They went up initially and they have come down. They have pretty well plateaued, I would think, now. The reason for that is there has been a change in the pattern so that there are now more pre-hospital missions being flown with the view of getting patients to their definitive care faster, but there has been a decrease in inter-hospital transfers and there are three reasons for that. The first is by virtue of getting people to their definitive care in the first go. There is obviously a reduction in the need for secondary transfers. The other is with the generation of the base at Sydney, that has enabled us to be able to do road missions in Sydney with more efficiency, so the helicopter hospital transfer numbers out of the Bankstown base have dropped significantly and been translated into road missions and also NETS. Around this same time NETS got their own road vehicles, so their reliance on helicopters dropped significantly.

In summary there has been a significant drop in inter-hospital activities for those reasons and in terms of whether that can translate into a safe way of reducing capacity in the short-term, it is difficult in the short-term, given apart from Sydney all of the bases are single helicopter bases, so reducing capacity from a single helicopter base is a bit difficult. We have an aero medical review running at the moment, which was one of the audit recommendations and aircraft configuration, hours of operation, is one of the terms of reference of that review.

**Mr WILLIAMS:** I note the previous helicopter landing site in Orange was, due to safety reasons, decommissioned. Can you please tell us if there is any recommendations relating to safety issues in the recent audit of the new site and, if so, what is the status of those issues?

**Dr MANNING:** The new helipad at the new Bloomfield site was commissioned at the same time as the hospital, which was March last year, March 2011, and we did an audit. Our aviation adviser conducted an audit of that helipad in February and there were no safety issues identified that precluded safe use of that helipad and it has been in operational use since.

**Mr BASSETT:** Just to follow on from that, from the decommissioning of the old Orange site to the opening of the new hospital and the new pad, how much time was involved where you were obviously landing back in the park, were you?

**Dr MANNING:** At the Orange helicopter base we were landing, not at the park. It would be the end of 2010 we probably decommissioned it and so it would have been essentially a full year.

**Mr WILLIS:** We can confirm that if you want.

**Mr BASSETT:** No, it does not matter. I am just curious. Who audits the safety of the helipads? Did this come about after CHC started operating, that they felt that the old pad at the old Orange hospital was not up to standard?

**Dr MANNING:** Who audits? The Ambulance Service has an aviation safety adviser, AviPro, and we have used them for some time. We audit helipads as part of the commissioning process of a new hospital, or a new helipad, but we also audit them if either hospitals or, more likely, helicopter operators indicate that there is a problem, or they have questions, so certainly soon after CHC started to operate at Orange they identified that the pad was probably too small and that an audit was necessary.

**Mr BASSETT:** Was that when they were operating the 412?

**Dr MANNING:** Correct.

**Mr BASSETT:** I find it curious because I established that helipad at Orange with CareFlight, when CareFlight were operating their 412. I did that with the previous chief pilot of CareFlight, John Hoad, so I am curious that it was okay for all of those years and then CHC comes along with a similar aircraft and then there was a problem.

Regarding the hospital numbers going down, has there been a change of pricing of cost recovery for inter-hospitals? As you and I both know there was a stage in the history of inter-hospital retrievals where there was a significant cost imposed. Has anything changed in that regard?

**Dr MANNING:** No, no change at all.

**Mr BASSETT:** The last question I will ask and I will add a little to it, can you explain the acquisition of a new aircraft for the Hunter Region Helicopter Rescue Service in light of what we have just talked about, which is the declining number of missions? That is points (a). Points (b) to the question, which is more serious from my point of view, why was Child Flight allowed to continue to fly aircraft up to a total of three, when there were declining numbers and did Ambulance or Health at any time have discussions as to why they were doing that?

**Dr MANNING:** Part (a), the Hunter's acquisition of a new aircraft was entirely an internal decision by their board. They were not requested to do so by the Ambulance Service and there has been no change in the contract at all. There has been no change in funding to the Hunter as a result of that and there has been no change in aircraft availability, so it was an internal decision by the Hunter Region Helicopter Rescue Service to perhaps, I suggest, position themselves for future contracts, I suspect. It has had no impact on us.

**Mr BASSETT:** A question about Child Flight, which I raised in the House the other week and I am curious as to the continuing purchase of aircraft without sale of old aircraft and they find themselves in the position where they may not be able to maintain those older aircraft with aircraft replacement parts, engines, transmissions, gear boxes, and was there any discussion with them over that time as to why they were doing that and if they were in a financial position to cope with that?

**Mr WILLIS:** Can I clarify, Chair, that is a fairly long question you have asked, the question is Ambulance involvement or Ambulance and Health's involvement in their decision to buy an aircraft?

**Mr BASSETT:** Certainly not. I was just wondering, as you are a funder of the service, if there were any queries as to why there was a need to purchase additional aircraft if they were already meeting the operational needs?

**Dr MANNING:** Absolutely. To the point where, in December 2008 I think it was, we wrote to Child Flight very clearly saying that there was no indication, there was no need to replace aircraft and that the current aircraft met specifications, so we were concerned. We could not understand why they were doing that, but we made it very clear to them that it was not necessary.

**Ms CRAWSHAW:** Ultimately it was an internal decision by Child Flight.

**Mr BASSETT:** Absolutely. I want to make sure that it is clearly understood that I know that to be the case too. So you did raise it with them? I am pleased to hear that.

**Dr MANNING:** We wrote to them in December 2011 very explicitly.

**Mr WILLIAMS:** You have highlighted earlier in your comments relating to renewal of the contract and obviously a range of contracts are going to be renewed over a two year period on a staggered basis, is that correct?

**Mr WILLIS:** Correct.

**Mr WILLIAMS:** My concerns when you start looking at specialist services like this is that there are very few tenderers in the market and there is also, from your position, a consciousness of reliability that is totally and absolutely necessary in selecting or having confidence in a tenderer. The unfortunate part about this process is that as there is a degree of confidence within that tender as well where the Government then participates in underwriting its commercial risk and consequently we are seeing some substantial price rises, are you prepared to consider tenders from the greater range where, if I could say it, you might need to engage in a degree of risk when dealing with a new agency?

**Ms CRAWSHAW:** Once we have done the aero medical review, the processes that will be followed around going out to market on the next contract will be a competitive process and that will open it up to whoever puts in a bid to be considered.

**Mr WILLIS:** I guess in answer to your question, Ambulance and Health will obviously always stay within the procurement processes of government and we take advice on how we go about that. Ms Crawshaw has answered that. The review, I guess, is our next step in informing us of the models of care, where those models of care should be driven from, so to speak, but then when it comes to the actual process we will take our direction from commerce, or old commerce, in how we will go about that.

**Mr WILLIAMS:** Just in relation to that tender, what are your expectations with regard to the amount of agencies that respond to that tender?

**Mr WILLIS:** Through you, Chair, it would be difficult to answer that. To me, let's have the review, understand the models of care that we would actually be going for. Until we know what we would be going to I would be guessing in trying to answer how many people would put their hand up for that tender.

**Mr WILLIAMS:** Based on that, what has been the history of the numbers of organisations tendering?

**Dr MANNING:** If I may, the last tender, there were six tenderers.

**Mr WILLIS:** In fairness, the situation will change all the time, depending on the question we ask, what sort of tender we are going for. That is why I am hesitant to say how many.

**Mr WILLIAMS:** Clearly I observe debate in the House and this is a big issue for Government going forward, whether this option should be continued. I mean, obviously at some point in time this becomes not feasible to continue this service. At that point it comes down to a robust tendering process where, as I say, the Ambulance Service needs to engage in a degree of risk with a new operator.

**Mr WILLIS:** I take on board your comment.

**Mr BASSETT:** In regard to a permanent location for the Sydney Helicopter Emergency Medical Service base, have you got any indicative dates for that? Obviously something came out of the audit regarding this. I was assuming that Bankstown was the base. That is not the case. Is there an indicative date for a new permanent facility and, if so, is there a cause for the holdup in establishing a permanent base and what is the anticipated response time of helicopter activity when a new base is established?

**Mr WILLIS:** Mr Chair, through you if I can, I will start with the first part. It is relevant that you should raise the question because this week Dr Manning and myself are engaged in a strategic gateway process which, as you are aware, is part of the requirement of Treasury for us to go through in that regard. That process starts this very week. We would argue that there has not actually been a holdup in the sense that we have been working through the various processes of government to get where we are today.

As an ambulance service we would like that to go faster. We always do because we want to get helicopters into our own base and not linked to any contractual arrangement as we currently have with the current provider in Sydney, CHC. We want to get to the point where the base is separated from any contract and subsequently any tendering process. I would argue there has been no holdup, certainly from Ambulance's perspective. We have been working through every stage of government that we are required to go through. The gateway process starts, as I said, this week.

Already the initial business case has gone up, which has allowed us to get through to this point. I am hoping that I have covered the first two. I will bow to Dr Manning in the sense of response time, because again it is going to get a little bit technical and then also the indicative dates if I can.

**Dr MANNING:** In terms of indicative dates, the timeframe in the strategic gateway in the business case is 2015. In terms of response times, our aim really is to preserve our current response times. The difficulty we have with Bankstown is that it is in controlled air space and that creates difficulties for us in getting clearances and departure times. Also, looking forward, Bankstown is likely to be a busier and busier airport, so we were looking for a site that is more geographically in the centre of Sydney but also outside the control zone and also close to the helicopter lanes, particularly the east-west one that goes up and down the river. Our preferred site is in fact there. It is out on the Parramatta Speedway site, which is outside the control zone and on the helicopter lane, so that is what we are hoping for.

**Mr BASSETT:** I think there was one other question that had been raised earlier. I do not think it has been asked. Do you consider more frequent reporting of helicopter emergency medical service performance to the public may be appropriate? I might add to



that and say do you think the public actually understand the actual benefits that this form of moving patients provides for the community seeing a benefit, because it is a significant cost item?

**Mr WILLIS:** The second part first, if I can. We are certainly not convinced, just like with our road transports, that the community in a sense focus on such things as response times and how we report in that regard. In reality, people focus on Ambulance and Health when the situation is not well. That is the nature of the business, I guess, that we are in. With road transport we place on our web site and do regular reporting through Health. Certainly we update those figures on our web site once a year, if I take that as public reporting in that regard.

The appropriateness of that is seen to be extremely appropriate in a sense because, throughout the year, just the seasonal fluctuations in response performance, just taking that as one indicator, would take a lot of explanation and a lot of detail in the sense of providing that. Do we consider it appropriate or better to put data on our web site in public forum more frequently than that? I guess no, we do not. Have we really considered it? No, we have not, in a sense it is not something where we are saying let's just do this once a year. It is more the complexity of response performance as an indicator.

Moving that to helicopter operations, there has not been a consideration internally of should we do it any more. Internally we look at that sort of data quarterly and adjust our performance where we are going. It is a long answer but, no we have not looked at it. We probably do not see it as being really appropriate because of the seasonal fluctuations that occur and how we would have to explain that.

**Ms CRAWSHAW:** And you keep it consistent with whatever we were doing with the road.

**CHAIR:** Just to provide a little more context for a more uneducated member of this Committee in terms of this area and perhaps more indicative of the broad public's view, what is the cost of emergency response with a helicopter as opposed to an ambulance vehicle?

**Mr WILLIS:** Let me start with an ambulance vehicle. Where we sit today, halfway through June, because there is an IPART schedule increase coming at the end of this month, on average it is a \$364 flag fall and then there is a per mile fee. On average, a metropolitan response costs somewhere between \$360 and \$450. In rural locations, whilst the mileage fee for rural transport is less but, given the distance, it outweighs it occasionally and those transports are a little bit higher than that. I will bow to Dr Manning to give us the figures on aero medical, because it is a little more complex than the simple road transport.

**Dr MANNING:** Just in flying hours alone, depending on helicopter type, between \$1,500 and \$2,000 an hour just in engine time alone and an average mission for us is at least two hours, so there is a lot of dollars there obviously, but that is only in the flying hours. In terms of standing charges to provide the aircraft, engineering, crewing and so forth, again that varies from aircraft type but for a single helicopter base it is generally around \$3 million a year in standing charges.

**CHAIR:** So do you actually record a per incident cost?

**Dr MANNING:** No, we cannot say that we have gone to that level.

**CHAIR:** Just an idea that maybe it would be worthwhile and in terms of cost recovery, obviously with ambulance vehicles there is a focus increasingly on cost recovery. There is move to have discussions in terms of people who put themselves in difficult

situations, whether they should have to pay for it, with helicopters at times, or similar situations at sea. What sort of cost recovery approach is there at the moment in relation to helicopters and emergency?

**Mr WILLIS:** I might add that those figures I quoted to you earlier are not full cost recovery, they are the fee that we charge and a patient using an aero medical as a primary mission would indeed be charged a fee, but it is certainly not full cost recovery. Likewise, we have transport fees for inter-hospital transfers, or secondary missions that we are dealing with, and we would argue that they are not full cost recovery in the broad spectrum. Has that been considered? It has not been considered for a little while, Mr Chairman, I might add as we are moving toward the end of an IPART review for ambulance fees, but that was the process by which it was undertaken. On July 1 we will see another increase as part of that process. I am trying to answer your question through that process.

**CHAIR:** I was not advocating full cost recovery, I was trying to understand the relativities and the differences in approach between road ambulance and helicopter emergency response. What sort of cost recovery is there for the helicopter?

**Dr MANNING:** With helicopters, 50 per cent of their work is in hospital transfer work and that is just dollars from one local health district to another, and pre-hospital work, most of it is ambulance tasked pre-hospital work. Apart from the small amount of cost recovery that goes through as part of our normal road ambulance charge, there is no additional cost recovery.

**CHAIR:** So there is no charge?

**Mr WILLIS:** No full cost recovery, chairman. Sorry to interrupt you, no full cost recovery.

**CHAIR:** I understand there is no full cost recovery but for the helicopter component there is no additional cost recovery?

**Mr WILLIS:** Correct. For the patient themselves no additional fee in that regard.

**CHAIR:** I am not advocating a particular approach, I am trying to understand the dynamics of how it works.

**Mr WILLIS:** It is certainly as per road, so the patient would see no difference in the sense of whether a road ambulance attended or whether an aero medical resource attended.

**Mr BASSETT:** In regard to cost recovery, I asked a question earlier about cost recovery through the hospitals and you said it was area health district as a payment. Is that still the same whether it is rotary wing or fixed wing air ambulance, just a set fee from one point to another point?

**Mr WILLIS:** We have inter-hospital transfer agreements now with each local health district, correct.

**CHAIR:** Auditor-General?

**Mr ACHTERSTRAAT:** Thank you very much Ambulance. I think the role of audit is to make sure that we can learn from the past and look forward. One of the messages I am getting is in response to a question from Mr Bassett, I think specification is very important and I think in the past some of the EC 145s the tender said did not need air

conditioning and that was based on no air conditioning and then later on with some of them there was a decision made that air conditioning was needed. The public often do not understand when they think the rules are changing. I am heartened by the fact that the service is now doing a strategic review of the best way to do the tenders coming up. I think communication with the public, I know within the ambits of confidentiality, but sometimes expectations are raised in the public and we need to be not breaching confidentiality, being as transparent as possible. If we can get the specifications as clear as possible so they do not have to be changed afterwards makes life a lot easier.

**CHAIR:** The Committee may wish to send you some additional questions in writing, the replies to which would also form part of your evidence and be made public. Would you be happy to provide a written reply to further questions?

**Mr WILLIS:** Of course, Chairman.

**(The witnesses withdrew)**

**(The Committee adjourned at 12.42 p.m.)**