Report on the Western Australian

PUBLIC HEALTH SECTOR

Report No 3 – May 1998
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REPORT ON AGENCIES IN THE PUBLIC HEALTH SECTOR

This Report, submitted to Parliament pursuant to section 95 of the Financial Administration and Audit Act 1985 (FAAA), summarises the results of the 107 financial statement and 103 performance indicator audits completed at public health sector agencies as part of the 1996–97 audit cycle. (Four agencies not subject to the FAAA were not required to submit performance indicators.)

Agencies included in this Report comprise one Department, 102 Statutory Authorities (including 95 hospitals) and four audits requested by the Treasurer.

Wherever comment is made regarding any of these agencies either individually or collectively, they are where possible identified by their function – either as a hospital, health service, board or department.

I commend the dedication and commitment of my staff and contractors on the efficient and effective completion of their audit assignments thereby enabling me to present this Report to the Parliament.

D D R PEARSON
AUDITOR GENERAL
May 20, 1998
Contents

Introduction 1

Matters of Significance 4
  Year 2000 4
  Implementation of Information Systems 6
  Corporate Governance 10
  Meeting Financial Reporting Deadlines 11
  Other Audit Findings 14

Financial Statement Audits 14

Performance Indicator Audits 19

Summary of the Results of Agency Audits 23
  Metropolitan Agencies 24
  Non-Metropolitan Agencies 26

Request Audits 31

Overview of the Financial Results of Hospitals 32

Recent Reports 35
Introduction

There is little doubt the Western Australian Public Health Sector is currently subject to considerable pressure. The demands on government to meet a host of competing public health needs and expectations from finite resources are constant and intense. In the context of an increasing yet ageing population, a significant shift away from private health membership and an increasingly more complex and expanding range of medical services sought and within a system now characterised by growing waiting lists, there is pressure on the public health sector to employ every strategy possible to maximise the use of finite resources allocated to it in meeting its objectives.

At the same time total health funding in the 1996 and 1997 financial years has remained relatively constant despite a small decrease in total employee numbers in the period.

With the above pressures in mind, the outcomes of audits conducted across the health sector in the 1996–97 financial year and early work done during the 1997-98 period are reported to Parliament.

Some matters covered in this report may add to these pressures whilst others, if addressed early, should help to ease tensions and facilitate action that will go at least part way to a more efficient use of time and resources and facilitate desired health outcomes.

Funding Public Health Sector Agencies

The health sector comprises 95 hospitals, one department and seven statutory authorities which collectively employ in excess of 21 000 people. These agencies receive funding in excess of $1 500 million, representing approximately one quarter of the State’s total Consolidated Fund expenditure. It is the largest single allocation from the State budget.

The Hospital Program continues to be the largest component of expenditure on health consuming in excess of $1 190 million annually. Over 60 per cent of this amount is used by the State’s four teaching hospitals.

The last ten years has seen a 36 per cent growth in demand for public health services while private health membership has declined from 46 per cent in 1987 to 35 per cent (the national average is 31 per cent) in 1997. This significant increase in demand for public health services has contributed in part to instances of funding shortfalls at some agencies over the past few years whilst the decline in private health cover has exacerbated the situation.

Under the current five year Medicare Agreement, which expires on June 30, 1998, the Commonwealth was to review funding if private insurance membership declined by two percentage points or more. In 1997, Health Department of Western Australia
(HDWA) sought additional funding of $74 million from the Commonwealth under the current Medicare Agreement to cover the increased demand for the State’s public patient services. Agreement on the additional funding has yet to be reached.

Funding for public health services is significantly affected by the number of patients requiring public health care and the type of service provided to these patients (given the cost of medical procedures varies considerably).

Figure 1 below indicates that while funding for public health services has increased by 9.1 per cent since 1992–93, the demand for these services (measured by the discharges from hospitals) increased by 15.5 per cent.

![Figure 1: Movements in Activity Growth and Funding from 1992–93](Image)

Matters of Significance

Significant matters identified during the audit cycle, which have the potential to impact on agencies’ ability to maximise the use of their resources in achieving health care objectives, were:

- Year 2000
- Implementation of Information Systems
- Corporate Governance
- Meeting Financial Reporting Deadlines
Potential impacts arising from these issues for Parliament to consider are:

- **Year 2000** – pressures on the health sector finances may increase still further if existing computerised systems are not made Year 2000 compliant with urgency.

- **Implementation of new information systems** – it is essential that key outcomes sought be defined in advance to enable evaluation of effectiveness and efficiency of any new systems.

- **Corporate governance** – it is essential that Hospital Boards implement appropriate corporate governance practices that ensure financial statement and performance indicator reporting is complete and accurate.

- **Meeting financial reporting deadlines** – to facilitate optimal decision making by Parliament and agency management it is essential that accurate financial statements and performance indicators are prepared as soon as possible and meet all statutory deadlines. This will enhance accountability and enable Parliament to gain a clearer picture of the health sector, facilitating timely decisions which could ease the pressures on the sector already referred to. It will also enable staff tied up in what is essentially a historical exercise to concentrate on core health services.
Year 2000

Key Findings

- Completion of health systems and equipment reviews and the implementation of appropriate remedial action to address the attendant problems by December 31, 1999 is a major task.
- Patient health care and agencies’ operations will be compromised if critical computer based equipment fails.
- Remedial action is estimated to cost the public health sector $103 million.

Background

The HDWA and all public hospitals are significant users of information technology, much of which is critical to their operations especially in the health care area. Given the likely impact of the Year 2000 problems, HDWA engaged an external consultant in September 1997 to identify the major business and technical risks involved. The range of actions required and the potential costs were reported to HDWA in December 1997.

Findings

Risks Identified

Of greatest concern are the risks of failure of vital patient care equipment. Additionally, the failure of corporate information systems, communications and other essential infrastructure services could severely impact on patient care. Considerable work is still required by HDWA to review much of the specialised patient care equipment and essential support software, as well as on non-compliant and substantially modified software packages currently in use. Extensive interfaces between central systems and decentralised computer systems networks also require checking.

A further risk is the delay and duplication of effort by hospitals in addressing common concerns, for example with life-critical patient care equipment which could malfunction and with suppliers of commonly used essential services.
Action Taken

The planning and implementation of remedial action is still at a relatively early stage. Firm target dates and budgets have yet to be established and consequently, the timely completion of actions necessary to meet the December 31, 1999 deadline is a major task. The initial target completion date of December 31, 1998 has now been acknowledged by HDWA as unrealistic.

Whilst HDWA are to be commended for identifying the significant risk exposures, they have some way to go in completing a comprehensive inventory of equipment and computer applications across the health sector and have yet to prioritise critical areas to be addressed within the time available.

Action taken does however include:

- A group, headed by a project manager, has been established in HDWA to co-ordinate the Year 2000 effort within the public health sector. This group is working closely with the individual hospital and health service teams which have been addressing this issue at a local level.

- A Year 2000 Steering Committee, established to provide guidance and direction at a statewide level, has been complemented by a Metropolitan Health Service Board committee established specifically to ensure Board level oversight of the Year 2000 program.

- In seeking a unified approach to the problem, in late January 1998 HDWA wrote to its interstate and New Zealand counterpart with a view to gaining national coordination of Year 2000 effort. This initiative is being progressed and workshops scheduled for May 1998.

Costs

The external consultant in conjunction with the HDWA identified the Year 2000 problem as extensive throughout the public health sector and estimated the cost of remedial action to be $103 million. Of this estimated cost, $27 million was identified as required to address problems with medical and non-medical equipment at hospitals which directly impact on patient care and comfort.

Recommendation

- As a matter of priority HDWA should put in place strategies to continue to address the risks identified with the Year 2000 problem.
Implementation of Information Systems

Key Findings

- **Key outcomes sought were not specified in advance and therefore could not be evaluated for their effectiveness and efficiency.**
- **Significant implementation delays resulted in unbudgeted cost overruns exceeding $400,000 being incurred at pilot sites.**

Background

HDWA and hospitals have over the last ten years upgraded older information systems and introduced new systems to support their core businesses. This included entering into a multi-million dollar outsourcing contract to upgrade computer applications for the metropolitan hospitals.

In view of this significant commitment, two computer application systems implemented at a teaching hospital pilot site were reviewed. These systems were:

- An integrated Financial Management Information System (FMIS) estimated to cost $560,000 that went ‘live’ in February 1997. This implementation was managed by an internal committee and the external contractor who sub-contracted software modifications.
- A staff rostering system, estimated to cost $2.5 million that went ‘live’ in August 1997. Implementation was managed by an internal committee and an external contractor who sub-contracted out software development.

Findings

Financial Management Information System

Detailed planning for the new FMIS began in 1994 with the implementation commencing the following year. The inefficiencies identified in setting up the system for optimal use included:

- **Implementation Delays**

  A review of the implementation process found it took 14 months longer than originally planned. This significant delay was a result of:

  - delays in modifying the software purchased to fully meet user requirements,
  - not effectively managing a sub-contractor employed to make system modifications,
difficulties in gaining consensus from metropolitan hospitals and relevant steering committees, which impacted the external contractor’s ability to proceed in a timely manner with elements of the implementation process.

In addition, although not causing implementation delays, an outcome was unacceptably slow computer response times, particularly for inventory transactions and processing, with the software requiring refinement.

As a result of these ongoing problems, and to avoid further delays, an asset module and some inventory management functions were not implemented by the project team.

Cost Overruns

Additional costs totalling $165 000 were incurred by the pilot site, representing a 30 per cent cost overrun.

Year 2000 Problem

The version of FMIS implemented at the pilot site was not Year 2000 compliant. In June 1997, after reviewing all the implementation problems, it was decided to cancel further implementation and the purchase of a Year 2000 compliant version is now planned.

Inability to Determine Effectiveness and Efficiency Outcomes

Key efficiency and effectiveness outcomes sought from the system, such as:

- improved effectiveness based on better and more timely management information,
- greater efficiency resulting from reduced staffing numbers,

were not specified prior to the project’s commencement or during its development.

Consequently, the achievement of these key business outcomes could not be evaluated.

However, broad management requirements were documented which included:

- all replacement packages were to run on mid-range computers located at hospital sites,
- replacement packages were to have at least equivalent functions to the previous mainframe applications plus accrual accounting capability.

These requirements were achieved at the pilot site.
Staff Rostering System

Planning for a staff rostering system (Rostar) to support human resource scheduling within hospitals was commenced in 1993 by an external consultant. Key personnel data is obtained from the Human Resource Information System (HRIS).

Implementation was scheduled to be piloted for nurses in December 1995.

Again, problems were encountered. They included:

- **Development and Implementation Problems**

  Development and implementation problems included:

  - difficulties obtaining information from the vendor of HRIS delayed the Rostar software development,
  - due to a need to quickly replace the existing mainframe rostering system, planned implementation of the first version did not include all the required functions, for example a final roster could not be produced by the new system (the missing functions were to be implemented at a later date),
  - staff resistance to producing rosters which take into account defined staff profiles and patient loads resulting in rosters developed on a least cost basis,
  - the functions provided by the first planned version of Rostar were no greater than the system it replaced,
  - the first planned version of Rostar was not able to fully handle complexities relating to staff in specialist hospital wards,
  - the initial user training provided was not adequate.

- **Implementation Delays**

  A review of the implementation of the project found it was delayed by 19 months. This delay was primarily caused by the implementation problems referred to above and difficulties associated with introducing changes not fully foreseen nor properly managed.

- **Cost Overruns**

  Additional costs totalling $235,000 were incurred by the pilot site, representing a ten per cent cost overrun.
Inability to Determine Key Effectiveness and Efficiency Outcomes

Key outcomes were not clearly defined for the project prior to its commencement and only mid-way through its development did the HRIS Statewide Support Group define and document the expected key outcomes. These included:

- manual payroll office procedures and duplicate record keeping would be reduced,
- managers would be automatically alerted to award breaches arising from proposed rosters,
- authorising of hours worked could be devolved to managers closer to the work place,
- the costs to hospitals of alternative rosters could be automatically provided.

The HRIS Statewide Support Group has yet to evaluate if these outcomes have been realised.

Scope for the Health Sector to earn Royalties from Rostar

Despite the difficulties experienced in the development and implementation of Rostar, this product is now commercially marketable and royalties could be earned.

Recommendations

- When implementing new information systems agencies should ensure:
  - key and measurable outputs and outcomes are clearly defined, documented and approved by executive management prior to project commencement,
  - post implementation reviews are performed within a year of commencing live operation with timely reporting to executive management on achievements against planned outcomes,
  - business processes are amended to mirror software application requirements in preference to modifying software purchased,
  - revised business processes are adequately documented and communicated to all systems users,
  - implementation is monitored against established milestones and targets and significant problems are addressed at an early stage.

Management have advised that these recommendations have been addressed by an Information Management Strategic Plan developed in December 1997.
Corporate Governance

Key Finding

- Twenty one hospital boards certified financial statements which contained significant errors indicating inadequate due diligence applied prior to certification.

Background

Treasurer’s Instruction 947 requires that the certification on the annual financial statements be certified by two board members following a board resolution adopting the financial statements and providing for the inclusion of the financial statements in the annual report. This Instruction stems from section 67 of the Financial Administration and Audit Act 1985 (FAAA) which requires the financial statements to present fairly an agency’s financial transactions for the period under review and its financial position at the financial year end.

Prior to certifying financial statements in this manner, normal practice requires the members of a board to conduct such due diligence on the financial statements to assure themselves that the certification they are making is, for all intents and purposes, as accurate as possible.

Findings

The Boards at 21 non-metropolitan hospitals certified that their financial statements presented a true and fair view. However, the audits at these hospitals identified significant amendments which had to be made before an unqualified audit opinion could be issued. This is indicative of a poor standard of corporate governance by those responsible for discharging this fundamental accountability obligation, and diminishes the onus on hospital management to make a serious and meaningful commitment to the presentation of complete and accurate financial statements.

Recommendation

- Hospital Boards should apply relevant due diligence procedures to financial statements prior to certifying that they represent a true and fair view.
Meeting Financial Reporting Deadlines

Key Findings

- **The number of agencies submitting financial statements outside statutory deadlines has increased:**
  - 89 per cent of the 103 public health sector agencies did not fulfil their statutory reporting obligations.
  - 39 per cent (16 per cent in 1995–96) of the agencies granted an extension of their deadline failed to submit their financial statements and performance indicators by the approved extension date.

Background

The **FAAA** sets the following timelines for agencies to submit certified financial statements and performance indicators to their Minister and to the Auditor General:

<table>
<thead>
<tr>
<th></th>
<th>Statutory Reporting Timelines</th>
<th>Latest Audit Opinion Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departments*</td>
<td>August 15</td>
<td>October 15</td>
</tr>
<tr>
<td>Statutory Authorities*</td>
<td>August 31</td>
<td>November 30</td>
</tr>
</tbody>
</table>

* Agencies can apply to the Minister for an extension of time to submit statements and performance indicators. **FAAA** requires details of the extension to be included in agencies’ annual reports. In addition the **FAAA** requires Ministers to inform Parliament within 21 days of the details of extensions granted.

Findings

Of 103 public health sector agencies subject to statutory requirements, only 11 (10 per cent) fulfilled their reporting requirements by the designated reporting deadlines. The remaining 92 agencies took up to an additional ten weeks to submit financial statements.

Indicative of the extent of the problem was that, for the third successive year HDWA, on behalf of itself and all hospitals, obtained approval from the Minister to extend time in which to submit their financial statements and performance indicators. However, it is of some concern that details for all but two hospitals (King Edward Memorial and Princess Margaret Hospitals and Armadale-Kelmscott Memorial Hospital) were not provided in the annual reports of these agencies as required by the **FAAA**. (Non disclosure of such details results in Parliament not being provided with a complete and accurate picture of agency operations and diminishes accountability.)
Approved extensions granted, and the revised date for issuing audit opinions were as follows:

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Approved Extension Dates</th>
<th>Revised Audit Opinion Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDWA&lt;sup&gt;1&lt;/sup&gt;</td>
<td>September 30</td>
<td>November 30</td>
</tr>
<tr>
<td>All hospitals&lt;sup&gt;1&lt;/sup&gt;</td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td>Office of Health Review&lt;sup&gt;2&lt;/sup&gt;</td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td>The Local Health Authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analytical Committee&lt;sup&gt;3&lt;/sup&gt;</td>
<td>No Response</td>
<td>November 30</td>
</tr>
</tbody>
</table>

**Table 1:** Approved Extension Dates for Agencies within the Public Health Sector

<sup>1</sup> HDWA advised that these extensions were sought, on behalf of itself due to the complexity in assembling information from statewide sources and consolidating 600 cost centres, and on behalf of health services to provide sufficient time to review their financial statements for completeness.

<sup>2</sup> The Office of Health Review commenced operations on September 16, 1996 and 1996–97 was therefore its first period of operations. Approval for an extension in time was approved by the Minister and this fact was included in its annual report.

<sup>3</sup> The Local Health Authorities Analytical Committee sought Ministerial approval for an extension of time, however, this was not processed and the Committee did not follow up with the Minister’s office as to the status of their request.

Despite the extension dates approved, 42 hospitals (17 in 1995–96) failed to submit their financial statements and performance indicators by the revised dates. This represents a significant deterioration from the previous year and diminishes the relevance and usefulness of financial and performance information in assessing hospitals’ performance.

The performance of public health sector agencies in meeting their financial and performance reporting deadlines over the past three years is summarised in Figure 2.
Figure 2: Agencies Performance against Reporting Obligations

Figure 2 indicates a significant deterioration by agencies in meeting their reporting obligations in 1996–97 (16 per cent failed to meet approved extension dates in both 1994–95 and 1995–96 rising to 39 per cent in 1996–97).

Source: OAG opinions database

Factors identified as responsible for delays (especially in country regions) included:

- responsibility for financial statement preparation not assigned in all cases
- little forward planning by agencies to ensure timely reporting

HDWA have advised that, for the 1997–98 financial year, Board chairpersons have been told:

- they will be responsible for all quality assurance and they are to forward financial statements directly to the Auditor General for audit
- there will be no extension of time applied for.

Recommendations

- Agencies should ensure the timely preparation and submission of financial statements by:
  - clear allocation of responsibility for the preparation of financial statements
  - early planning for completion of financial statements
  - adequate training and guidance for staff
  - early testing of year end closure procedures
  - using established statutory reporting checklists.
Other Audit Findings – Financial Statement Audits

This section summarises the results of the 107 financial statement audits conducted in the 1996–97 audit cycle.

Qualifications of Audit Opinions

Five of the 107 agencies audited (three in 1996) received a qualified audit opinion. The reasons for these qualifications is summarised as follows:

Health Department of Western Australia (HDWA)

Recognition of Revenue

The audit opinion was qualified for the recognition of uncontrolled revenue totalling $24.7 million (nine per cent of Total Operating Revenue) in the Operating Statement in accordance with a Treasurer’s Instruction which modified Australian Accounting Standard 29 ‘Financial Reporting by Government Departments’.

The Accounting Standard requires revenues such as user charges and fees to be included in HDWA’s Operating Statement only where it controls, or was able to use these funds, in achieving its objective.

However, the Treasurer’s Instruction requires the disclosure of all revenues in the Operating Statement even though these moneys were paid to the Consolidated Fund and were not controlled by HDWA. In these circumstances, as would be expected, HDWA complied with the Treasurer’s Instructions.

In considering the impact of these differences in reporting requirements, in particular the fair presentation of financial performance, the following issues arise:

- the basic principle of comparability between different jurisdictions is precluded if commonly accepted standards are changed or not used
- the objectivity of financial reporting could be affected if governments, who are themselves the primary reporting entity, do not follow standards

Harvey District Hospital and Yarloop Health Service

The audit opinions on the financial statements and controls of these two hospitals were qualified because:

- the previous year’s balances and comparative figures could not be audited and no opinion was expressed on them
the internal controls exercised by the Boards over their revenue, expenditure, assets and liabilities during the 1996–97 period were not adequate and did not comply with legislative requirements.

In addition, Harvey District Hospital Board did not maintain adequate records to determine its liabilities for annual leave and long service leave.

**Kalgoorlie-Boulder Health Service**

*Recording Non-Current Assets*

Internal controls over the recording of public property were inadequate due to deficiencies in the recording of purchases, disposals and the valuation of movable non-current assets. As a result, the audit was unable to establish whether the value of non-current assets (excluding land and buildings) totalling $5,334,784 in the Statement of Financial Position, and the related depreciation and amortisation expense and deficit on sale of fixed assets in the Operating Statement, were fairly presented.

**Kalgoorlie-Boulder Health Service and Laverton and Leonora Health Service**

*Employee Entitlements*

The audit opinions on the financial statements were qualified because adequate accounting records were not maintained to accurately determine liabilities for annual and long service leave.

**Financial Reporting**

Six years after the introduction of accrual reporting, despite detailed recommendations in reports to Parliament, many agencies still exhibit an inability or unwillingness to come to terms with this core aspect of their accountability obligations.

The standard of financial statements remains poor, characterised by significant errors and omissions in 21 agencies and an unacceptably high level of missed statutory deadlines. Most agencies required adjustments to their financial statements although these were not always significant.

The continuing presentation for audit of sub-standard financial statements was evidenced by the $54.9 million in adjustments required by audit staff to correct significant reporting errors and omissions. Examples of major adjustments included:

- $15.8 million adjustments arising from non-compliance with Australian Accounting Standard 10 ‘Accounting for the Revaluation of Non-Current Assets’
$14.4 million error in the take up of a building revaluation

revenues received from the HDWA totalling $5.95 million by an agency were reclassified from recurrent to capital

the carrying value attributed to buildings and asset revaluation reserve balances required restating by $1.25 million to account for the revaluation of buildings conducted at June 30, 1997

the depreciation expense in the operating statement of an agency was reduced by $625 000 as a result of an incorrect accounting treatment relating to the revaluation of buildings

employee entitlements were adjusted by $438 000 at an agency due to an error in the calculation of the superannuation liability

incorrect balances down loaded onto the accrual reporting model

adjustments arising from errors in information derived from the Human Resource Information System

Common problems identified in the preparation of financial statements which contributed to these types of adjustments included:

- inadequate training for financial statement preparers which resulted in problems applying the accrual reporting model
- inadequate quality assurance procedures over financial statement preparation
- incomplete or no working papers to support financial information

Control Weaknesses

Over 200 deficiencies covering a range of control weaknesses over accounting records and systems were raised with agencies.

The more significant of the deficiencies identified were:

- Controls over Fixed Assets and Inventory

Fixed assets and inventories represent 94 per cent of public health sector assets. Of the 107 agencies audited, 43 experienced problems in these areas. Common findings included:

- Fixed Assets
  - useful life of assets not reviewed at least annually and, if necessary, depreciation rates adjusted. Inaccurate estimates of asset’s useful lives can result in the misstatement of depreciation expenses. For example, at one hospital an item of radiological equipment was no longer in use despite still being recorded at $700 000 in the asset register and being depreciated
Financial Statement Audits

- asset purchases expensed rather than recorded as assets thereby overstatement expenditure and understating fixed assets and potentially reducing control over these assets
- asset purchases not supported by appropriate documentation increasing the risk that adequate purchasing procedures may not have been followed
- asset registers not updated for purchases, disposals and/or revaluations, or regularly reconciled to the general ledger
- authority for the disposal or write off of assets not clearly defined exposing agencies to the risk of loss of assets or that proceeds are not properly accounted for
- disposal forms not appropriately authorised increasing the risk that unauthorised disposals or misappropriation of assets may occur
- at 12 agencies there was no evidence of an acceptable stocktake of fixed assets being conducted

- Inventories
- discrepancies noted by agency staff when conducting stocktakes not followed up
- stocktakes not supported by appropriate data such as signed stocksheets

- Payroll Expenses and Related Liabilities

Payroll expenses represent around 60 per cent of public health sector agencies’ operating expenses, while employee related liabilities account for 51 per cent of total liabilities. Thirty one agencies (29 per cent) experienced problems relating to controls over payroll expenses, information systems or the reporting of employee related liabilities. Common audit findings included:

- payroll records not reconciled to the general ledger on a timely basis
- unreliable data from human resource information systems resulted in inaccurate calculations of liabilities for employee entitlements
- discrepancies between recorded leave entitlements and personnel records (for example employee data was input in hours however the system computed the data in weeks)
- errors in the computation of termination payments
Other Control Weaknesses

Other common issues raised with management included:

<table>
<thead>
<tr>
<th>Control Weaknesses</th>
<th>Number of Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting manuals not reflecting current operating procedures</td>
<td>21</td>
</tr>
<tr>
<td>Board minutes not approved</td>
<td>20</td>
</tr>
<tr>
<td>Current purchasing policies and procedures not documented</td>
<td>9</td>
</tr>
<tr>
<td>Inadequate controls over expenditure</td>
<td>7</td>
</tr>
<tr>
<td>Incurring and certifying officers not formally appointed</td>
<td>8</td>
</tr>
<tr>
<td>Delays in prompt banking of revenue received</td>
<td>3</td>
</tr>
</tbody>
</table>

Interest Earned on Patients’ Private Moneys

Approximately $500,000 of accumulated interest on patients’ unclaimed moneys continues to be retained by the HDWA as legal issues prevent these moneys being paid to Treasury under the Unclaimed Moneys Act 1990. HDWA and Treasury have been investigating various options, including legislative changes since the issue was first raised with management by this Office in 1992–93. There is currently no clear indication of a resolution.
Other Audit Findings – Performance Indicator Audits

This section summarises the results of audits of performance indicators for the 1996–97 audit cycle.

Qualifications of Audit Opinions

Continuing improvement in the development of performance indicators was made by agencies evidenced by the number receiving qualified audit opinions falling to 77 of the 103 agencies audited compared to 108 of the 113 audits in 1996. Three agencies did not submit performance indicators because their operations had either commenced or closed part way through the audit period.

Notable progress has been made by agencies within the metropolitan area with 18 out of 23 agencies receiving unqualified audit opinions. However, consistent with 1995–96, agencies in country areas continued to experience difficulties in preparing performance indicators with 72 out of 80 agencies receiving qualified audit opinions.

Whilst numerically, qualified performance indicator audit opinions appears high, agencies with unqualified opinions now account for more than 75 per cent (46 per cent in 1995–96) of health sector expenditure. Moreover, many agencies, although receiving qualified audit opinions, have made significant progress in developing their performance indicators.

The 21 per cent reduction in qualified audit opinions issued since 1995–96 is largely attributable to the preparation of guidelines for the development and reporting of key performance indicators by the Hospitals Key Performance Indicator Working Party. Although a particularly positive initiative, these guidelines were, however, not issued until June 1997 and did not address all of the HDWA health programs administered by hospitals.

A summary of the results of performance indicator audits is shown in Figure 3 for the two years in which performance indicator audit opinions have been issued.
Reasons for issuing qualified audit opinions included:

- **Comprehensiveness**

Thirty eight agencies did not provide sufficient effectiveness indicators to address the three elements of the HDWA Hospitals Program objective of providing:

- accessible hospital care to those who require it,
- these services according to recognised standards of quality,
- in a way that is acceptable to its clients.

In addition, many of these agencies did not report sufficient indicators to address the range of health services provided including inpatient, outpatient, emergency, surgery, obstetric and paediatric services.

Twelve agencies, whose effectiveness and efficiency indicators were assessed as being relevant, were, however, unable to provide any measures for the reporting period. In the absence of measures, these performance indicators were not considered appropriate for assisting users to assess performance.

During 1996-97, five agencies assumed responsibility from HDWA for further health programs (i.e. Mental Health, Continuing Care, Community Health and Public Health) in addition to the ongoing Hospitals Program objective. Of these agencies, four did not develop comprehensive effectiveness indicators for these additional health programs.

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**Figure 3:** Results of Performance Indicator Audits in 1995–96 and 1996–97

Source: OAG
Fair Representation

In addition to preparing performance indicators that were relevant and verifiable, agencies were required to ensure that all information presented was done in a manner that enabled the reader of these indicators to reasonably assess performance. Of the 100 agencies to submit performance indicators:

- Sixty agencies were unable to report reliable measures relating to patient or client satisfaction. Most measures, which were based on an inpatient survey conducted by the HDWA, were either based on relatively small sample sizes when compared to the total patient population or had poor response rates. These agencies did not disclose the limitations of their measures, including the statistical confidence levels and error rates, in their explanatory notes.

- Twenty one agencies’ performance indicators could not be verified because the supporting data was not maintained in a format that enabled audit verification.

Appropriateness

Fifteen agencies did not provide adequate notes for all their indicators. Explanatory notes are necessary to clearly disclose why the indicators were key indicators of performance, how these indicator measures were derived and used to assess performance, and any significant variations from previous years.

Examples of specific weaknesses identified in performance indicators audited

To assist all agencies in the ongoing development of relevant and appropriate indicators, listed below are examples of specific areas where further development is warranted:

Program objective

One agency’s performance indicators was qualified because the performance indicators were reported against the HDWA's Program Objective for 1994–95 which was not relevant in 1996–97.

Effectiveness indicators not reported or not adequately supported

Examples included:

- rate of unplanned hospital re-admissions
- limitation with sample sizes and response rates in patient surveys
- hospital acquired infection - bacteraemia
- hospital acquired infection - post operative
- hospital accreditation status
emergency department waiting times
unplanned hospital re-admissions
survival rates for sentinel conditions
rates of same day admissions converted to overnight stays
Apgar score (an assessment of a baby’s wellbeing immediately after birth) of 4 or less at 5 minutes post delivery

Efficiency indicators not reported or not adequately supported

Examples included:
indicator not reported or supported by data
average cost of casemix
average cost of non-inpatient occasion of service
average length of stay by top 20 diagnostic related groups (DRG’s)

No indicators submitted
non-hospital HDWA programs that agencies are responsible for

Performance Indicators for 1997–98

Until 1996–97, the HDWA program structure was based on five health services delivery systems (e.g. hospitals, community health, public health, dental health and mental health). From July 1, 1997, HDWA has the one program objective, “to improve the health of the Western Australian community by:

- reducing the incidence of preventable disease, injury, disability and premature death
- restoring the health of people with acute illness
- improving the quality of life for people with chronic illness and disability”

The new program, with its focus on health improvement, signals quite different requirements for management and accountability processes. Agencies will now need to consider the extent to which the strategies and activities contribute to the above program objectives.

The Hospital’s Key Performance Indicator Working Party has reconvened to assist agencies to develop acceptable indicators in the three areas detailed in the new objective. It is anticipated that this group will draw extensively on the development work and guidelines it has already prepared much of which drew on guidelines issued by this Office in recent years to help agencies instigate processes that achieve timely reporting of relevant and appropriate indicators.
Audits conducted under the Financial Administration and Audit Act, 1985

This section tabulates the results of the 107 financial statement and 103 performance indicator audits completed at public health sector agencies as part of the 1996–97 audit cycle. The table indicates for each agency audited the type of opinion issued (qualified or unqualified) for both its financial statements and controls and performance indicators and the date of issue *.

* Unless otherwise noted, audit opinions issued relate to the audit period July 1, 1996 to June 30, 1997. Where relevant, performance indicator audit opinions are issued on the same date as the financial statement audit opinions. Performance indicators are only required for agencies reporting under the FAA. In the table a ☑ denotes an unqualified opinion, while N/A means that performance indicators are not required to be submitted.

Agencies are categorised under the headings of:

- Metropolitan Agencies
- Non-Metropolitan Agencies

Request Audits

This section contains the results of audits requested by the Treasurer under section 78 of the FAA.
## Metropolitan Agencies

### Audit Opinions

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Animal Resources Authority</strong></td>
<td>✓</td>
<td>✓</td>
<td>15/08/97</td>
</tr>
<tr>
<td><strong>Health Department of Western Australia</strong></td>
<td>Qualified</td>
<td>✓</td>
<td>26/11/97</td>
</tr>
<tr>
<td><strong>Local Health Authorities Analytical Committee</strong></td>
<td>✓</td>
<td>✓</td>
<td>25/02/98</td>
</tr>
<tr>
<td><strong>Office of Health Review</strong></td>
<td>✓</td>
<td>✓</td>
<td>15/12/97</td>
</tr>
<tr>
<td><strong>The Queen Elizabeth II Medical Centre Trust</strong></td>
<td>✓</td>
<td>✓</td>
<td>28/11/97</td>
</tr>
<tr>
<td><strong>The Western Australian Centre for Pathology and Medical Research</strong></td>
<td>✓</td>
<td>✓</td>
<td>31/10/97</td>
</tr>
<tr>
<td><strong>Western Australian Alcohol and Drug Authority</strong></td>
<td>✓</td>
<td>✓</td>
<td>13/10/97</td>
</tr>
<tr>
<td><strong>Western Australian Health Promotion Foundation</strong></td>
<td>✓</td>
<td>✓</td>
<td>30/10/97</td>
</tr>
</tbody>
</table>

### Metropolitan Health Service Board (1)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Armadale-Kelmscott Memorial Hospital</strong></td>
<td>✓</td>
<td>✓</td>
<td>14/11/97</td>
</tr>
<tr>
<td><strong>Bentley Health Services</strong></td>
<td>✓</td>
<td>✓</td>
<td>14/11/97</td>
</tr>
<tr>
<td><strong>Fremantle Hospital and Health Service</strong></td>
<td>✓</td>
<td>✓</td>
<td>27/11/97</td>
</tr>
<tr>
<td><strong>Kalamunda Health Service</strong></td>
<td>✓</td>
<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td><strong>King Edward Memorial and Princess Margaret Hospitals Board of Management</strong></td>
<td>✓</td>
<td>✓</td>
<td>26/11/97</td>
</tr>
<tr>
<td><strong>Lower North Metropolitan Health Service</strong></td>
<td>✓</td>
<td>Qualified</td>
<td>22/12/97</td>
</tr>
<tr>
<td><strong>Perth Dental Hospital</strong></td>
<td>✓</td>
<td>✓</td>
<td>12/11/97</td>
</tr>
<tr>
<td><strong>Rockingham/Kwinana Health Service (formerly Rockingham/Kwinana District Hospital)</strong></td>
<td>✓</td>
<td>Qualified</td>
<td>17/12/97</td>
</tr>
<tr>
<td><strong>Royal Perth Hospital</strong></td>
<td>✓</td>
<td>✓</td>
<td>28/10/97</td>
</tr>
<tr>
<td><strong>Sir Charles Gairdner Hospital</strong></td>
<td>✓</td>
<td>✓</td>
<td>28/11/97</td>
</tr>
<tr>
<td><strong>Swan Health Services (formerly Swan Districts and Wooroloo District Hospitals)</strong></td>
<td>✓</td>
<td>Qualified</td>
<td>22/12/97</td>
</tr>
</tbody>
</table>

(1) The Metropolitan Health Service Board (MHSB) was established from July 16, 1997 for the management of all the teaching and non-teaching hospitals within the Metropolitan area. The previous hospital Boards were dissolved on establishment of the MHSB.
### Results of Agency Audits

#### Metropolitan Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓</td>
<td>✓</td>
<td>10/11/97</td>
</tr>
<tr>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

#### Other Hospitals and Nursing Homes

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawthorn Hospital</td>
<td>✓</td>
<td>✓</td>
<td>10/11/97</td>
</tr>
<tr>
<td>Mount Henry Hospital</td>
<td>✓</td>
<td>✓</td>
<td>11/12/97</td>
</tr>
<tr>
<td>Quadriplegic Centre Board</td>
<td>✓</td>
<td>✓</td>
<td>30/09/97</td>
</tr>
<tr>
<td>Wanneroo Hospital (&lt;1/7/95-31/5/96) (1)</td>
<td>✓</td>
<td>Qualified</td>
<td>16/09/97</td>
</tr>
<tr>
<td>Wooroloo District Hospital</td>
<td>✓</td>
<td>Not Submitted</td>
<td>22/12/97</td>
</tr>
<tr>
<td>(Merged with Swan District Hospital 30/9/96)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Final financial statements for the period 1/7/95 to 31/5/96 were received for audit on May 5, 1997 with final performance indicators received on October 30, 1996.
## Non-Metropolitan Agencies

### Audit Opinions

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ashburton</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ashburton Health Service</td>
<td>✓</td>
<td>Qualified</td>
<td>24/11/97</td>
</tr>
<tr>
<td>(formerly Tom Price and Paraburdo Hospitals)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Avon</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avon Health Service</td>
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<td>Qualified</td>
<td>05/12/97</td>
</tr>
<tr>
<td>(formerly Northam Regional and York District Hospital)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bunbury</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bunbury Health Service</td>
<td>✓</td>
<td>✓</td>
<td>24/11/97</td>
</tr>
<tr>
<td><strong>Central Great Southern</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gnowangerup District Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>08/12/97</td>
</tr>
<tr>
<td>Katanning Health Service</td>
<td>✓</td>
<td>Qualified</td>
<td>08/12/97</td>
</tr>
<tr>
<td>Kojonup District Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>08/12/97</td>
</tr>
<tr>
<td>Tambellup Nursing Post Board</td>
<td>✓</td>
<td>Qualified</td>
<td>09/12/97</td>
</tr>
<tr>
<td><strong>Central Wheatbelt</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverley District Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>19/12/97</td>
</tr>
<tr>
<td>Bruce Rock War Memorial Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>22/12/97</td>
</tr>
<tr>
<td>Corrigin District Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>17/12/97</td>
</tr>
<tr>
<td>Cunderdin District Hospital Board</td>
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<td>Qualified</td>
<td>18/12/97</td>
</tr>
<tr>
<td>Quairading District Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>18/12/97</td>
</tr>
<tr>
<td><strong>East Kimberley</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Halls Creek District Hospital</td>
<td>✓</td>
<td>Qualified</td>
<td>15/12/97</td>
</tr>
<tr>
<td>Kununurra District Hospital</td>
<td>✓</td>
<td>Qualified</td>
<td>15/12/97</td>
</tr>
<tr>
<td>Wyndham District Hospital</td>
<td>✓</td>
<td>Qualified</td>
<td>15/12/97</td>
</tr>
</tbody>
</table>
# Results of Agency Audits

## Non-Metropolitan Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion</th>
<th>Issued</th>
</tr>
</thead>
</table>

### East Pilbara

- **Marble Bar Nursing Post**
  - Qualified 03/11/97
- **Newman District Hospital**
  - Qualified 03/11/97
- **Port Hedland Regional Hospital**
  - Not Submitted 15/9/97
- **Telfer Nursing Post (1)**
  - Not Submitted –

### Eastern Wheatbelt

- **Kellerberrin Memorial Hospital Board**
  - Qualified 09/12/97
- **Kununoppin and Districts Health Service (2)**
  - Qualified 09/12/97
- **Merredin Health Service**
  - Qualified 22/12/97
- **Mukinbudin Health Service (2)**
  - Qualified 09/12/97
- **Narembeen Health Services Board (2)**
  - Qualified 11/12/97
- **Southern Cross District Hospital Board**
  - Qualified 09/12/97
- **Wyalkatchem-Koorda and Districts Hospital Board**
  - Qualified 27/11/97

### Gascoyne

- **Gascoyne Health Service**
  - Qualified 27/11/97

### Geraldton

- **Geraldton Health Service**
  - Qualified 24/12/97

### Harvey-Yarloop

- **Harvey District Hospital**
  - Qualified 16/12/97
- **Yarloop Health Service**
  - Qualified 16/12/97

### Lower Great Southern

- **Albany Health Service**
  - Qualified 9/12/97
- **Denmark District Hospital**
  - Qualified 8/12/97
- **Jerramungup Hospital Board**
  - Qualified 5/12/97
- **Plantagenet District Hospital Board**
  - Qualified 9/12/97
## Results of Agency Audits

### Non-Metropolitan Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Midwest</strong></td>
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<td></td>
</tr>
<tr>
<td>Dongara Health Service (3)</td>
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<td>18/12/97</td>
</tr>
<tr>
<td>Morawa and Districts Health Service</td>
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<td>Qualified</td>
<td>22/12/97</td>
</tr>
<tr>
<td>Mullewa Health Service, Board of Management</td>
<td>✓</td>
<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>North Midlands District Hospital Board</td>
<td>✓</td>
<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Northampton-Kalbarri Health Service</td>
<td>✓</td>
<td>Qualified</td>
<td>19/12/97</td>
</tr>
<tr>
<td>Yalgoo Nursing Post Board (4)</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td><strong>Murchison</strong></td>
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</tr>
<tr>
<td>Murchison Health Service (5)</td>
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<td>9/12/97</td>
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<tr>
<td><strong>Northern Goldfields</strong></td>
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<td></td>
</tr>
<tr>
<td>Kalgoorlie-Boulder Health Service (6)</td>
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<td>Qualified</td>
<td>09/01/98</td>
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<tr>
<td>Laverton and Leonora Health Service</td>
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<td>Qualified</td>
<td>09/01/98</td>
</tr>
<tr>
<td><strong>Peel</strong></td>
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<tr>
<td>Peel Health Service</td>
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<td>8/12/97</td>
</tr>
<tr>
<td><strong>South East Coastal</strong></td>
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<td></td>
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<tr>
<td>Dundas Health Service</td>
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</tr>
<tr>
<td>Esperance Health Service</td>
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<td>25/11/97</td>
</tr>
<tr>
<td>Ravensthorpe Health Service</td>
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<td>Qualified</td>
<td>12/12/97</td>
</tr>
<tr>
<td><strong>Upper Great Southern</strong></td>
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</tr>
<tr>
<td>Boddington District Hospital Board</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Brookton Health Service</td>
<td>✓</td>
<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Dumbleyung District Memorial Hospital Board</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Kondinin District Hospital Board</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Kukerin Nursing Post Board</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Lake Grace and Districts Health Service</td>
<td>✓</td>
<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Narrogin Regional Hospital</td>
<td>✓</td>
<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Pingelly District Hospital Board</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Wagin Health Service</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Wickepin Health Service</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
<tr>
<td>Williams Medical Centre Board</td>
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<td>Qualified</td>
<td>23/12/97</td>
</tr>
</tbody>
</table>
## Results of Agency Audits

### Non-Metropolitan Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements and Controls</th>
<th>Performance Indicators</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
</table>

### Vasse-Leeuwin

- **Augusta Health Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 08/01/97

- **Busselton Health Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 22/12/97

- **Margaret River Health Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 08/01/97

### Warren-Blackwood

- **Boyup Brook Health Service**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 30/12/97

- **Bridgetown District Hospital Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 29/12/97

- **Nannup District Hospital Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 30/12/97

- **Northcliffe Nursing Post Board**
  - Financial Statements and Controls: ✓ ✓
  - Performance Indicators: 14/11/97

- **Pemberton District Hospital Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 29/12/97

- **Warren District Hospital Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 30/12/97

### Wellington

- **Collie Health Service**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 15/12/97

- **Donnybrook-Balingup Health Service**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 15/12/97

### West Kimberley

- **Broome District Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 19/12/97

- **Derby Regional Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 22/12/97

- **Fitzroy Crossing District Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 12/12/97

- **Numbala Nunga Nursing Home and Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 12/12/97

### West Pilbara

- **Nickol Bay District Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 05/12/97

- **Roebourne District Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 24/11/97

- **Wickham District Hospital**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 24/11/97

### Western Wheatbelt

- **Dalwallinu District Hospital Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 28/11/97

- **Goomalling Health Service**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 28/11/97

- **Moora District Hospital Board**
  - Financial Statements and Controls: ✓ ✓
  - Performance Indicators: 28/11/97

- **Wongan Hills District Hospital Board**
  - Financial Statements and Controls: ✓
  - Performance Indicators: Qualified
  - Date Opinion Issued: 28/11/97
(1) The Telfer Nursing Post ceased operations during 1995–96. In consequence, financial statements or performance indicators were not prepared and submitted for 1996–97. HDWA has yet to gazette the closure of this Nursing Post.

(2) These agencies’ names were changed by a gazette notice dated 25/02/97.

(3) Dongara Health Service commenced full operations in November 1997 with only preliminary activities undertaken in 1996–97. In consequence performance indicators were not prepared and submitted.

(4) The operations of the Yalgoo Nursing Post were transferred to the Midwest Health Service on July 1, 1996.

(5) The Murchison Health Service was established on July 1, 1996 from the amalgamation of Meekatharra District Hospital, Cue Nursing Post and Mount Magnet and Sandstone Nursing Posts.

(6) The Kalgoorlie-Boulder Health Service was established on July 1, 1996 from the amalgamation of the Kalgoorlie Regional Hospital, Coolgardie Nursing Home and Menzies and West Kambalda Nursing Posts.
# Request Audits

## Audit Opinions

<table>
<thead>
<tr>
<th>Agency</th>
<th>Financial Statements</th>
<th>Date Opinion Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverley Frail Aged Lodge Inc.</td>
<td>✓</td>
<td>22/12/97</td>
</tr>
<tr>
<td>Friends of the KEMH (Inc.)</td>
<td>✓</td>
<td>08/12/97</td>
</tr>
<tr>
<td>Ngala Inc</td>
<td>✓</td>
<td>27/08/97</td>
</tr>
<tr>
<td>Sir Charles Gairdner Hospital Foundation (Inc)</td>
<td>✓</td>
<td>09/12/97</td>
</tr>
</tbody>
</table>
### Overview of the Financial Results of Hospitals

The tables below detail the unaudited consolidated Operating Statements and Statements of Financial Position of the State’s public hospitals (excluding HDWA) at June 30, 1997.

<table>
<thead>
<tr>
<th>Operating Statements</th>
<th>1995 ($000)</th>
<th>1996 ($000)</th>
<th>1997 ($000)</th>
<th>% Change from 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
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<tr>
<td>Salaries and Wages</td>
<td>681 887</td>
<td>709 406</td>
<td>747 868</td>
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<tr>
<td>Patient Support Costs</td>
<td>167 960</td>
<td>186 202</td>
<td>203 365</td>
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<tr>
<td>Other Operating Expenses</td>
<td>241 992</td>
<td>304 293</td>
<td>325 650</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>1 091 839</strong></td>
<td><strong>1 199 901</strong></td>
<td><strong>1 276 883</strong></td>
<td><strong>16.9%</strong></td>
</tr>
<tr>
<td><strong>Revenues from Service</strong></td>
<td></td>
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<tr>
<td>Patient Charges</td>
<td>64 804</td>
<td>61 700</td>
<td>65 542</td>
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<tr>
<td>Other Revenues from Service</td>
<td>76 497</td>
<td>55 375</td>
<td>57 030</td>
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<tr>
<td><strong>Total Revenues from Service</strong></td>
<td><strong>141 301</strong></td>
<td><strong>117 075</strong></td>
<td><strong>122 572</strong></td>
<td><strong>13.3%</strong></td>
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<td><strong>Revenues from Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Hospital Fund – Recurrent</td>
<td>931 221</td>
<td>1 003 544</td>
<td>1 044 204</td>
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<tr>
<td>Other Revenues from Government</td>
<td>69 290</td>
<td>93 243</td>
<td>122 969</td>
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<tr>
<td><strong>Total Revenues from Government</strong></td>
<td><strong>1 000 511</strong></td>
<td><strong>1 096 787</strong></td>
<td><strong>1 167 173</strong></td>
<td><strong>16.6%</strong></td>
</tr>
</tbody>
</table>

Table 2: Consolidated Operating Statements for the period 1995 to 1997

Source: HDWA

Notes:

1. There has been a 16.9 per cent increase in Operating Expenses since 1995, attributed to increases in salaries and wages, patient support costs and administration costs.

2. Other Revenues from Government have increased by 77 per cent since 1995. This however, is mainly due to the inclusion by agencies of liabilities assumed by the Treasurer in respect of lump sum superannuation and as a result DO NOT represent a real increase in funding levels.

3. Total Revenues from Government since 1995 increased by 16.6 per cent, however, this increase included an additional $80 million in 1995–96 to cover funding deficiencies experienced by many of the State’s hospitals. This additional funding resulted in an eight per cent increase in the total revenues received.
### Statements of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>1995 ($000)</th>
<th>1996 ($000)</th>
<th>1997 ($000)</th>
<th>% Change from 1995</th>
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<tbody>
<tr>
<td><strong>Current Assets</strong></td>
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<tr>
<td>Investments &amp; Cash</td>
<td>44,027</td>
<td>77,548</td>
<td>68,392</td>
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<tr>
<td>Other Current Assets</td>
<td>33,470</td>
<td>33,755</td>
<td>41,881</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>77,497</td>
<td>116,303</td>
<td>110,273</td>
<td>42.2%</td>
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<tr>
<td><strong>Non-Current Assets</strong></td>
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<tr>
<td>Fixed Assets</td>
<td>1,316,001</td>
<td>1,383,280</td>
<td>1,415,707</td>
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<tr>
<td>Investments</td>
<td>10,301</td>
<td>1,303</td>
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<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>1,326,302</td>
<td>1,384,583</td>
<td>1,415,711</td>
<td>6.7%</td>
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<tr>
<td><strong>Current Liabilities</strong></td>
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<tr>
<td>Accrued Salaries</td>
<td>10,852</td>
<td>19,776</td>
<td>23,686</td>
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<tr>
<td>Employee Entitlements</td>
<td>102,495</td>
<td>106,187</td>
<td>105,723</td>
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<tr>
<td>Accounts Payable</td>
<td>29,177</td>
<td>24,932</td>
<td>36,797</td>
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<tr>
<td>Other Current Liabilities</td>
<td>14,121</td>
<td>32,916</td>
<td>14,461</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>156,645</td>
<td>183,811</td>
<td>180,667</td>
<td>15.3%</td>
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<tr>
<td><strong>Non-Current Liabilities</strong></td>
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<tr>
<td>Borrowings</td>
<td>285,929</td>
<td>246,189</td>
<td>238,807</td>
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<tr>
<td>Employee Entitlements</td>
<td>175,590</td>
<td>188,063</td>
<td>204,776</td>
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<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>441,519</td>
<td>434,252</td>
<td>444,583</td>
<td>–</td>
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<tr>
<td><strong>Net Assets</strong></td>
<td>805,635</td>
<td>882,823</td>
<td>900,734</td>
<td>11.8%</td>
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<tr>
<td><strong>Equity</strong></td>
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<tr>
<td>Asset Revaluation Reserve</td>
<td>–</td>
<td>71,749</td>
<td>188,056</td>
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<tr>
<td>Accumulated Surplus / (Loss)</td>
<td>(11,138)</td>
<td>811,074</td>
<td>712,678</td>
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<tr>
<td>Other Equity</td>
<td>816,773</td>
<td>–</td>
<td>–</td>
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<tr>
<td><strong>Total Equity</strong></td>
<td>805,635</td>
<td>882,823</td>
<td>900,734</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Consolidated Statements of Financial Position for the period 1995 to 1997

Source: HDWA

Notes:

1. Other Current Assets have grown by 25 per cent. This is due to increased patient activity which resulted in greater numbers of patients and greater demands for drugs and surgical supplies. As a result, Accounts Receivable ($4 million) and Inventories ($3 million) have grown significantly.
Current Assets have increased by 42 per cent since 1995 due mainly to the inclusion since 1996 of hospitals’ trust accounts within agencies’ investments and cash items.

Non-Current Assets have grown by almost seven per cent to $1,416 million since 1995. This increase primarily reflects the revaluation of agencies’ assets and the transfer of assets from the Health Department over this period.

Since 1995, Accrued Salaries, which arises from the timing of fortnightly pays, have increased by 118 per cent due to an increasing portion of June salaries remaining unpaid until July.

During this three year period, Accounts Payable grew by 26 per cent to $36.8 million at June 30, 1997. Growth in Accounts Payable may indicate short term cash flow problems perhaps culminating in delays in the payment of accounts.

Other Current Liabilities in 1996 included Income Received In Advance of $15 million. This was abnormally large and represented capital and special project grants received under the Capital Substitution program for capital equipment. These grants were substantially expended during 1997.

The Non-Current Liabilities relating to long service leave provisions have grown by in excess of 16 per cent as a result of the adoption in 1996 of Australian Accounting Standard 30 ‘Accounting for Employee Entitlements’. The table below indicates that hospitals’ average Full Time Equivalents (FTE’s) has declined by six per cent over the past three years however this has not been reflected in reductions in leave liabilities. The need to manage the growth in leave liabilities was raised in the Auditor General’s Public Health Report in 1997. In addition, the average leave debt per FTE has grown by 18 per cent since 1995 to about $14,360 for each employee. This continues to be a significant concern and requires attention.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Ave FTE’s</td>
<td>22,897</td>
<td>22,122</td>
<td>21,620</td>
</tr>
<tr>
<td>Ave Leave Debt/FTE</td>
<td>$12,150</td>
<td>$13,300</td>
<td>$14,360</td>
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</table>

Average Leave Debt within the State’s public hospitals

Source: HDWA Time Series Reports
Details of Reports issued by the Office of the Auditor General prior to the dates below are available from the OAG Reporting and Communications Branch Telephone 9222 7577.

### 1996

<table>
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<tr>
<th>Report</th>
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<tbody>
<tr>
<td>Improving Road Safety</td>
<td>May 1, 1996</td>
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<tr>
<td>The Internet and Public Sector Agencies</td>
<td>June 19, 1996</td>
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<tr>
<td>Under Wraps! – Performance Indicators of Western&lt;br&gt;Australian Hospitals</td>
<td>August 28, 1996</td>
</tr>
<tr>
<td>Guarding the Gate – Physical Access Security Management within the Western Australian Public Sector</td>
<td>September 24, 1996</td>
</tr>
<tr>
<td>For the Public Record – Managing the Public Sector’s Records</td>
<td>October 16, 1996</td>
</tr>
<tr>
<td>Learning the Lessons – Financial Management in Government Schools</td>
<td>October 30, 1996</td>
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<tr>
<td>Order in the Court – Management of the Magistrates’ Court</td>
<td>November 12, 1996</td>
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### 1997

<table>
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<tbody>
<tr>
<td>The Western Australian Public Health Sector</td>
<td>June 11, 1997</td>
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<tr>
<td>Bus Reform – Competition Reform of Transperth Bus Services</td>
<td>June 25, 1997</td>
</tr>
<tr>
<td>First General Report</td>
<td>August 20, 1997</td>
</tr>
<tr>
<td>Get Better Soon - The Management of Sickness Absence in the WA Public Sector</td>
<td>August 27, 1997</td>
</tr>
<tr>
<td>Waiting for Justice – Bail and Prisoners in Remand</td>
<td>October 15, 1997</td>
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<tr>
<td>Controls, Compliance and Accountability Audits</td>
<td>November 12, 1997</td>
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<tr>
<td>Private Care for Public Patients – The Joondalup Health Campus</td>
<td>November 25, 1997</td>
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### 1998

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<tr>
<td>Report on Ministerial Portfolios</td>
<td>April 8, 1998</td>
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<tr>
<td>Selecting the Right Gear – The Funding Facility for the Western&lt;br&gt;Australian Government’s Light Vehicle Fleet</td>
<td>May 20, 1998</td>
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</table>

On request these reports may be made available in an alternate format for those with visual impairment.