



National Health
Funding Body

Annual Report 2016–17

Assisting the Administrator to impact the
lives of everyday Australians by supporting
a sustainable public hospital system.

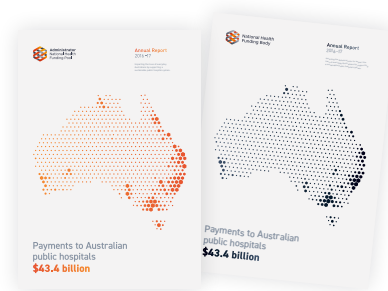


Payments to Australian
public hospitals
\$43.4 billion

This Annual Report details the activities of the National Health Funding Body (NHFB) from 1 July 2016 to 30 June 2017.

The NHFB Chief Executive Officer is required to prepare and present this report to the Commonwealth Parliament, pursuant to section 267 of the *National Health Reform Act 2011* (the Act) and section 70 of the *Public Service Act 1999*, and provide a copy of this report to each state and territory Health Minister under section 267(2) of the Act.

This Annual Report is prepared in accordance with the requirements for Annual Reports issued by the Department of Finance.



This Annual Report should be read in conjunction with the **Administrator National Health Funding Pool Annual Report 2016–17**.

Note on cover: The \$43.4 billion in payments to Australian public hospitals represent the amounts paid to local hospital networks from the State Pool Accounts and State Managed Funds, for weighted public hospital services. Further detail can be found on pages IV–V (infographic) and in Appendix 1 (page 98).

FURTHER INFORMATION

If you require further information or have any queries in relation to this Annual Report, please contact:

NATIONAL HEALTH FUNDING BODY

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An accessible copy of this annual report is available online at nhfb.gov.au/publications

2016–17

funding

\$44.1 BILLION

OF COMMONWEALTH,
STATE AND TERRITORY
FUNDING FOR PUBLIC
HOSPITAL SERVICES,
MADE UP OF:

\$18.6 BILLION

IN COMMONWEALTH
FUNDING

\$21.5 BILLION

IN STATE AND
TERRITORY FUNDING
INTO THE STATE
POOL ACCOUNTS

\$4.0 BILLION

IN STATE AND
TERRITORY FUNDING
INTO THE STATE
MANAGED FUNDS

payments

\$43.4 BILLION

OF COMMONWEALTH,
STATE AND TERRITORY
PAYMENTS TO LOCAL
HOSPITAL NETWORKS,
MADE UP OF:

\$37.2 BILLION

IN ACTIVITY BASED
FUNDING

\$2.2 BILLION

IN BLOCK FUNDING
FROM THE STATE
POOL ACCOUNTS

\$4.0 BILLION

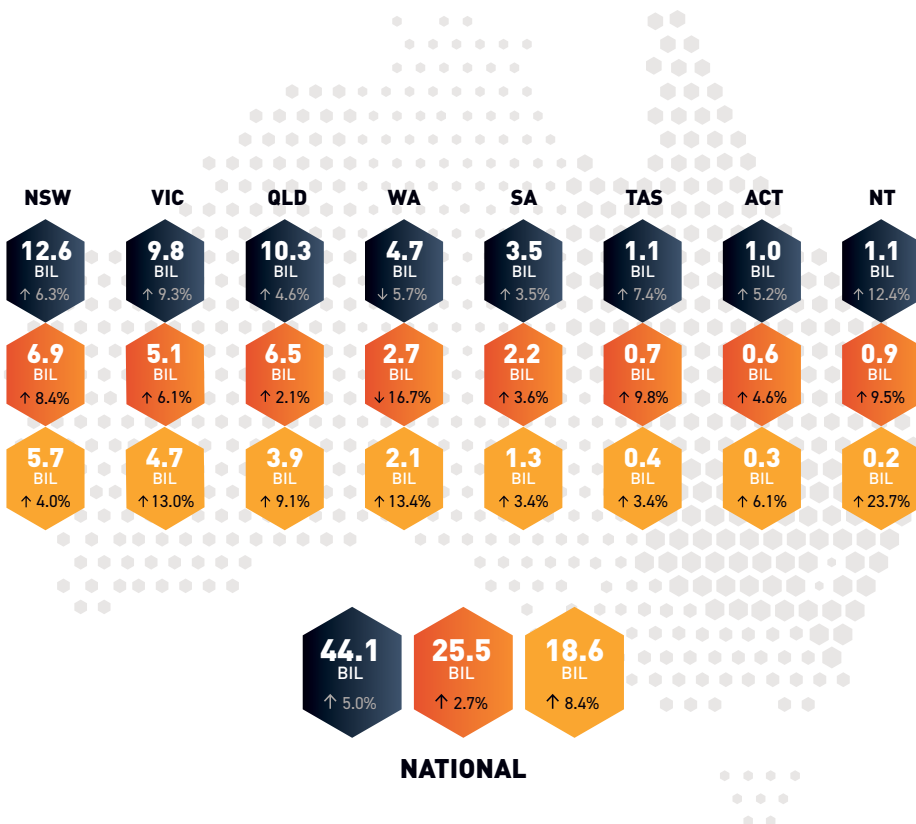
IN BLOCK FUNDING
FROM THE STATE
MANAGED FUNDS

Differences between funding into, and payments out of, the National Health Funding Pool and State Managed Funds can occur due to payments to 'Other organisations or funds' (for example, State Health Departments for Public Health or cross-border), or opening and closing cash balances in the State Pool Accounts.

NATIONAL HEALTH REFORM REPORTING

The scope of reporting in the Administrator and National Health Funding Body (NHFB) annual reports is funding and payments processed through the National Health Funding Pool and State Managed Funds. This comprises activity based, block and public health funding, which represents the majority of public hospital activity in Australia.

NATIONAL HEALTH REFORM FUNDING RECEIPTS 2016–2017



TOTAL FUNDING CONTRIBUTION
STATE/TERRITORY CONTRIBUTION
COMMONWEALTH CONTRIBUTION
 ↑ / ↓ INCREASE/DECREASE FROM 2015–2016

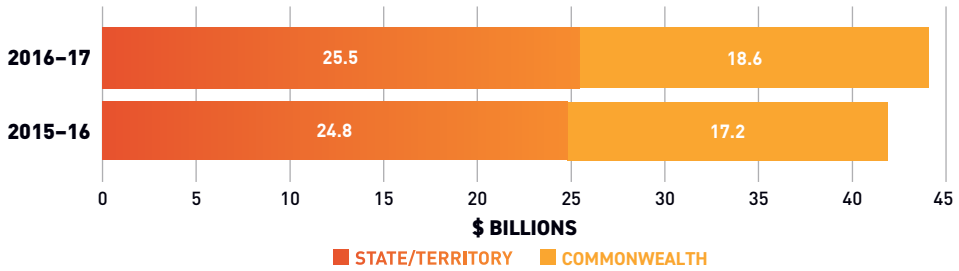
Represents all activity based, block, public health and cross-border funding into the National Health Funding Pool and State Managed Funds.

Further details on the basis of these amounts can be found in the relevant state or territory section of the Administrator of the National Health Funding Pool 2016–17 Annual Report, or at publichospitalfunding.gov.au.

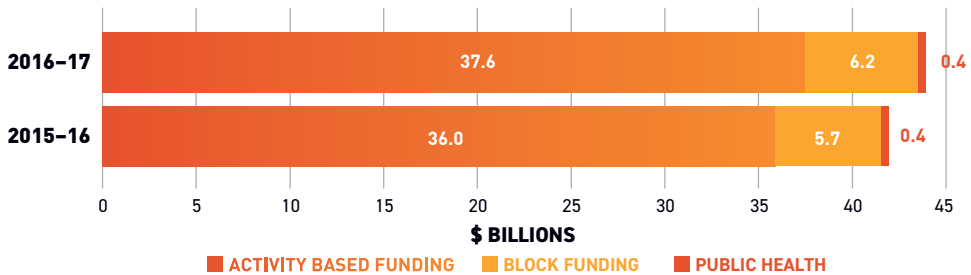
The Administrator is assisted by the NHFB. For further details of the Administrator, please see the Administrator of the National Health Funding Pool 2016–17 Annual Report or publichospitalfunding.gov.au.

Totals may not equal the sum of components due to rounding.

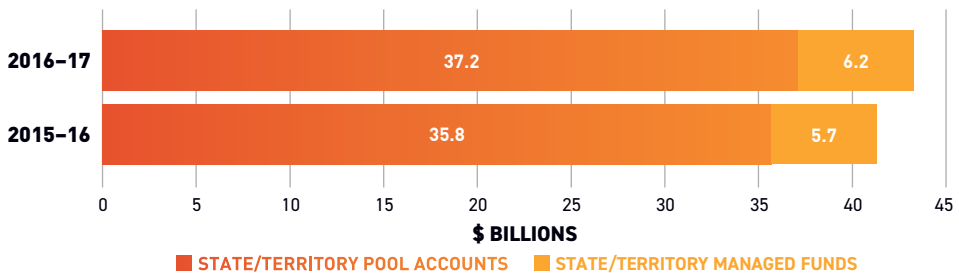
FUNDING RECEIPTS BY SOURCE



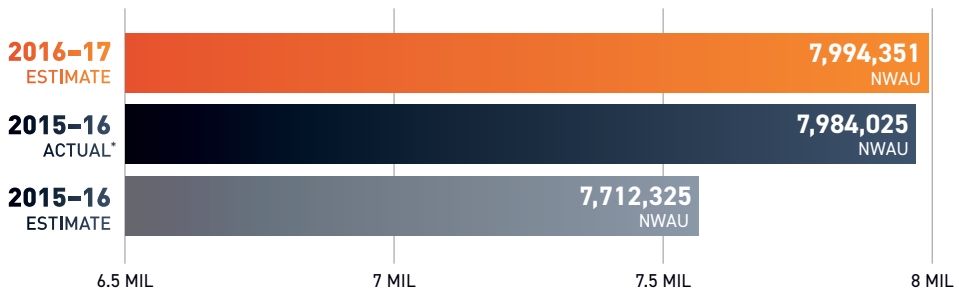
FUNDING RECEIPTS BY TYPE



PAYMENTS TO AUSTRALIAN PUBLIC HOSPITALS BY SOURCE



NUMBER OF WEIGHTED PUBLIC HOSPITAL SERVICES FUNDED



*2015-16 NWAU actual is calculated by the Administrator using 2015-16 actual hospital activity data provided by states and territories. **Note:** A Commonwealth Treasurer's Federal Financial Relations (National Health Reform Payments) Determination 2015-16 was not made in the 2016-17 financial year. Upon a Determination being made, any resulting annual reconciliation adjustment payments will be incorporated into Commonwealth national health reform payments.

LETTER OF TRANSMITTAL



National Health
Funding Body

National Health Funding Body
GPO Box 1252 Canberra ACT 2601
ABN: 15337761242

Telephone: 1300 930 522
Email: nhfb.enquiries@nhfb.gov.au

10 October 2017

The Hon. Greg Hunt MP
Minister for Health
PO Box 6022
CANBERRA ACT 2600
minister.hunt@health.gov.au

Dear Minister,

National Health Funding Body Annual Report 2016-17

In accordance with section 63 of the *Public Service Act 1999*, I am pleased to provide you with the National Health Funding Body Annual Report and Financial Statements for the year ended 30 June 2017, for presentation to Parliament.

This report has been prepared in accordance with the *Resource Management Guide No. 135 – Annual reports for non-corporate Commonwealth entities* as issued by the Department of Finance and approved by the Joint Committee of Public Accounts and Audit.

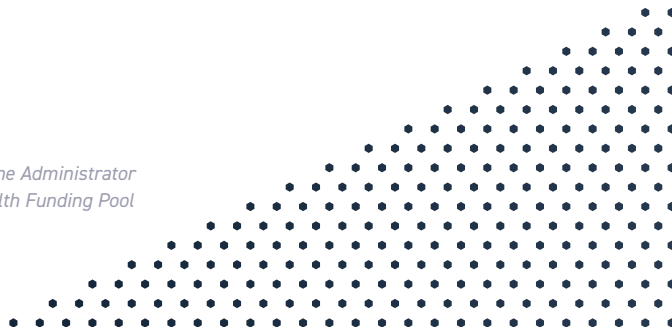
The Financial Statements are general purpose financial statements as required by the *Public Governance, Performance and Accountability Act 2013* and *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*. They have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

As per section 267(2) of the *National Health Reform Act 2011* a copy of this Annual Report and Financial Statements will be provided to each state and territory Health Minister.

Yours sincerely,

Lynton Norris
Chief Executive Officer
National Health Funding Body

Proudly assisting the Administrator
of the National Health Funding Pool



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MESSAGE FROM THE CEO

I am pleased to present the NHFB Annual Report for the financial year ended 30 June 2017. The past year has been one of the most dynamic in our history, with the NHFB playing a significant role in informing and advising on arrangements for public hospital funding for 2017 to 2020.

Our primary function is to assist the Administrator of the National Health Funding Pool (the Administrator) to calculate the amount of Commonwealth funding to public hospitals in each state and territory under the *National Health Reform Agreement*, and to administer the National Health Funding Pool (Funding Pool).

Since the commencement of the national health reform requirements in 2012, the NHFB has successfully supported the respective Administrators in delivering on his obligations and responsibilities.

In 2016–17 the NHFB:

- + administered and publicly reported on \$43.4 billion in Commonwealth, state and territory payments to local hospital networks and other providers;
- + maintained a high level of accuracy and integrity in the calculation of \$18.6 billion in Commonwealth national health reform funding;
- + made 5,239 transactions through the Funding Pool in accordance with the directions of relevant Ministers; and
- + published 1,788 monthly reports on national, state and territory, and local hospital networks on the publichospitalfunding.gov.au website.

The development of the Addendum to the *National Health Reform Agreement* (the Addendum) was also a major focus of 2016–17. At the request of the Commonwealth, states and territories (via the Department of the Prime Minister and Cabinet), the NHFB assisted the Administrator in providing expert advice on the new national health reform arrangements.

I am extremely proud to have contributed to the successful negotiation of the Addendum. Detailed modelling of policy proposals and scenarios assisted Commonwealth, state and territory governments in agreeing to revised hospital funding arrangements.

Our expertise was recognised with additional funding in the 2017–18 Commonwealth Budget to support the implementation of the Addendum. The NHFB will work closely with the Commonwealth, states and territories to implement the initiatives of the Addendum in 2017–18.


Our team of highly qualified professionals is integral to the performance of the NHFB. We have worked hard to improve the broader capability of the agency and how it successfully assists the current Administrator, Mr Peter Achterstraat AM, and myself, to serve all Governments of Australia. Together we have created a culture that promotes independence, commitment, quality and transparency.

Finally, I would like to thank the NHFB team for their leadership and contribution to the health reform agenda, delivering on our vision of “Improved health outcomes for all Australians, sustainability of a nationally unified and locally controlled Australian health system, and increased transparency in public hospital funding.”

MR LYNTON NORRIS

Chief Executive Officer

National Health Funding Body

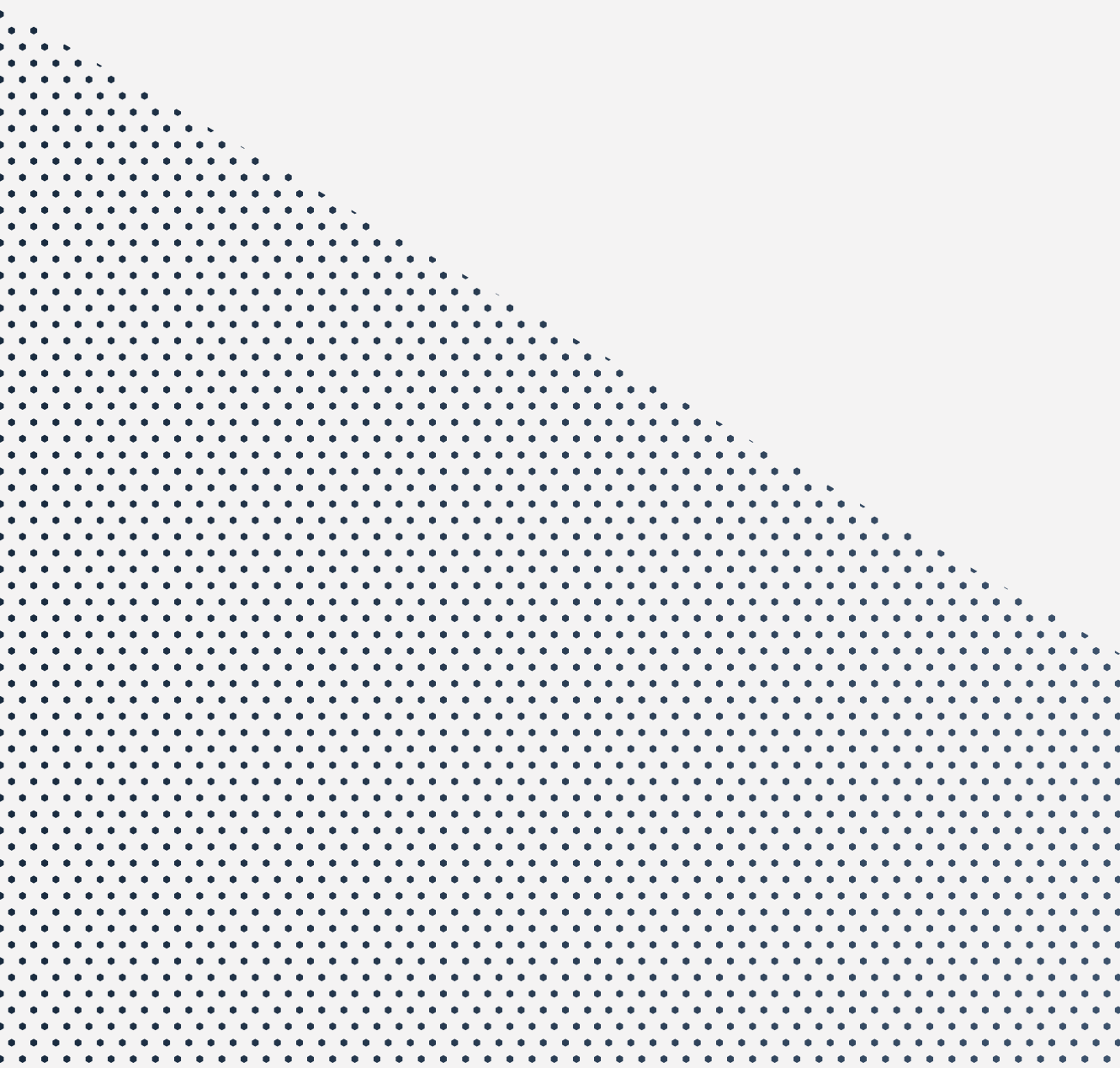
 VISION, MISSION AND
STRATEGIC OBJECTIVES

 2016–17 HIGHLIGHTS
AND WHAT'S AHEAD

 OVERVIEW OF THE NHFB



Our Organisation



VISION

Improved health outcomes for all Australians, sustainability of a nationally unified and locally controlled Australian health system, and increased transparency in public hospital funding.

MISSION

To support the obligations and responsibilities of the Administrator of the National Health Funding Pool (the Administrator), by providing transparent and efficient administration of Commonwealth, state and territory funding of the Australian public hospital system.

STRATEGIC OBJECTIVES

Achieve best practice and accountability

To achieve best practice and accountability through assisting the Administrator in implementing and overseeing nationally consistent public hospital funding arrangements, through the National Health Funding Pool (the Funding Pool).

Provide increased transparency and effective reporting

To provide increased transparency and effective reporting on the local hospital networks that are funded for the services they deliver to the community.

Enable accurate Commonwealth contribution calculations

To enable accurate Commonwealth contribution calculations by using nationally consistent pricing and costing standards.

Develop productive and effective partnerships

To develop productive and effective partnerships with relevant stakeholders, enabling the objectives of the Agreement to be achieved.

Operate as a fully functional and compliant agency

To operate as a fully functional and compliant agency, meeting statutory and legislative obligations.

The National Health Funding Body (NHFB) Strategic Plan for the period 2013–16 is available from: nhfb.gov.au/publications.

2016–17 HIGHLIGHTS AND WHAT'S AHEAD

APRIL 2016	Council of Australian Governments (COAG) agrees to the Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding. This decision confirmed the role of the Administrator, NHFB and Activity Based Funding until 2020.
AUGUST 2016	The Administrator and NHFB convened a national workshop to discuss the feasibility and implementation issues of a Funding Cap for public hospital funding, to inform governments in their negotiation of the Addendum requirements.
FEBRUARY 2017	The Administrator and NHFB convened a national workshop to discuss the operational aspects of the policy intent arising from the Addendum, bringing transparency to the Administrator's calculation of Commonwealth national health reform funding.
MAY 2017	The 2017–18 Commonwealth Budget provides an additional \$4.1 million, over three years from 2017–18, to the NHFB to implement the Addendum.
JUNE 2017	The Addendum signed by all jurisdictions, formalising the public hospital funding arrangements to commence on 1 July 2017. <i>The Addendum supersedes the Heads of Agreement agreed by COAG in 2016.</i>
JULY 2017	Implementation of the Addendum requirements into the Administrator's calculations of Commonwealth national health reform funding including Funding Cap, Data Conditional Payment and pricing for Sentinel Events.
FROM JULY 2018	Implementation of Safety and Quality Adjustments for Hospital Acquired Complications (HACs) and Avoidable Hospital Readmissions into the Administrator's calculations of Commonwealth national health reform funding.
BY SEP 2018	COAG to agree to a longer-term public hospital funding agreement.
JULY 2020	New public hospital funding agreement to commence 1 July 2020.

NATIONAL HEALTH FUNDING BODY

The NHFB is part of the Commonwealth health portfolio. It is a non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The NHFB staff are employed under the *Public Service Act 1999*.

The NHFB was established under the *National Health Reform Amendment (Administrator and National Health Funding Body) Act 2012*. This Act amended the *National Health Reform Act 2011* (the Act). The Act mandates that the NHFB is independent of both Commonwealth and state and territory governments when assisting the Administrator in the exercise or performance of his functions.

WHAT WE DO

The principal function of the NHFB is to support the Administrator in the performance of his functions. Those functions are set out in the Act and the Agreement.

The Administrator is required to:

- + Calculate and advise the Commonwealth Treasurer of the Commonwealth contribution to hospital funding in each state and territory (s.238 of the Act).
- + Oversee the payment of Commonwealth hospital funding into State Pool Accounts (s.238 of the Act).
- + Make payments from each State Pool Account in accordance with the directions of the State concerned (common provisions of the Funding Pool legislation in each state and territory).¹
- + Monitor state payments into each State Pool Account (common provisions of the Funding Pool legislation in each state and territory).
- + Reconcile estimated and actual hospital services and adjust Commonwealth payments to hospitals (s.238 of the Act).
- + Report publicly on the national health reform funding and payments (s.240 of the Act).
- + Develop and provide to the Commonwealth, states and territories rolling three-year data plans (Clause B85 of the Agreement).
- + Undertake a funding integrity analysis to identify and report on public hospital services that received both Commonwealth national health reform funding and funding through other Commonwealth programs (Clause A6 of the Agreement).

¹ A list of relevant state and territory legislation containing the common provisions can be found in Table 1.

LEGISLATION

The Commonwealth legislation is supported by common provisions in statutes in each state and territory that create the position of the Administrator and set out his functions.

TABLE 1: STATE AND TERRITORY LEGISLATION THAT SUPPORTS THE NATIONAL HEALTH REFORM ACT 2011

JURISDICTION	LEGISLATION
NEW SOUTH WALES	<i>Health Services Act 1997</i>
VICTORIA	<i>Health (Commonwealth State Funding Arrangements) Act 2012</i>
QUEENSLAND	<i>Hospital and Health Boards Act 2011</i>
WESTERN AUSTRALIA	<i>National Health Funding Pool Act 2012</i>
SOUTH AUSTRALIA	<i>National Health Funding Pool Administration (South Australia) Act 2012</i>
TASMANIA	<i>National Health Funding Administration Act 2012</i>
AUSTRALIAN CAPITAL TERRITORY	<i>Health (National Health Funding Pool and Administration) Act 2013</i>
NORTHERN TERRITORY	<i>National Health Funding Pool and Administration (National Uniform Legislation) Act 2012</i>

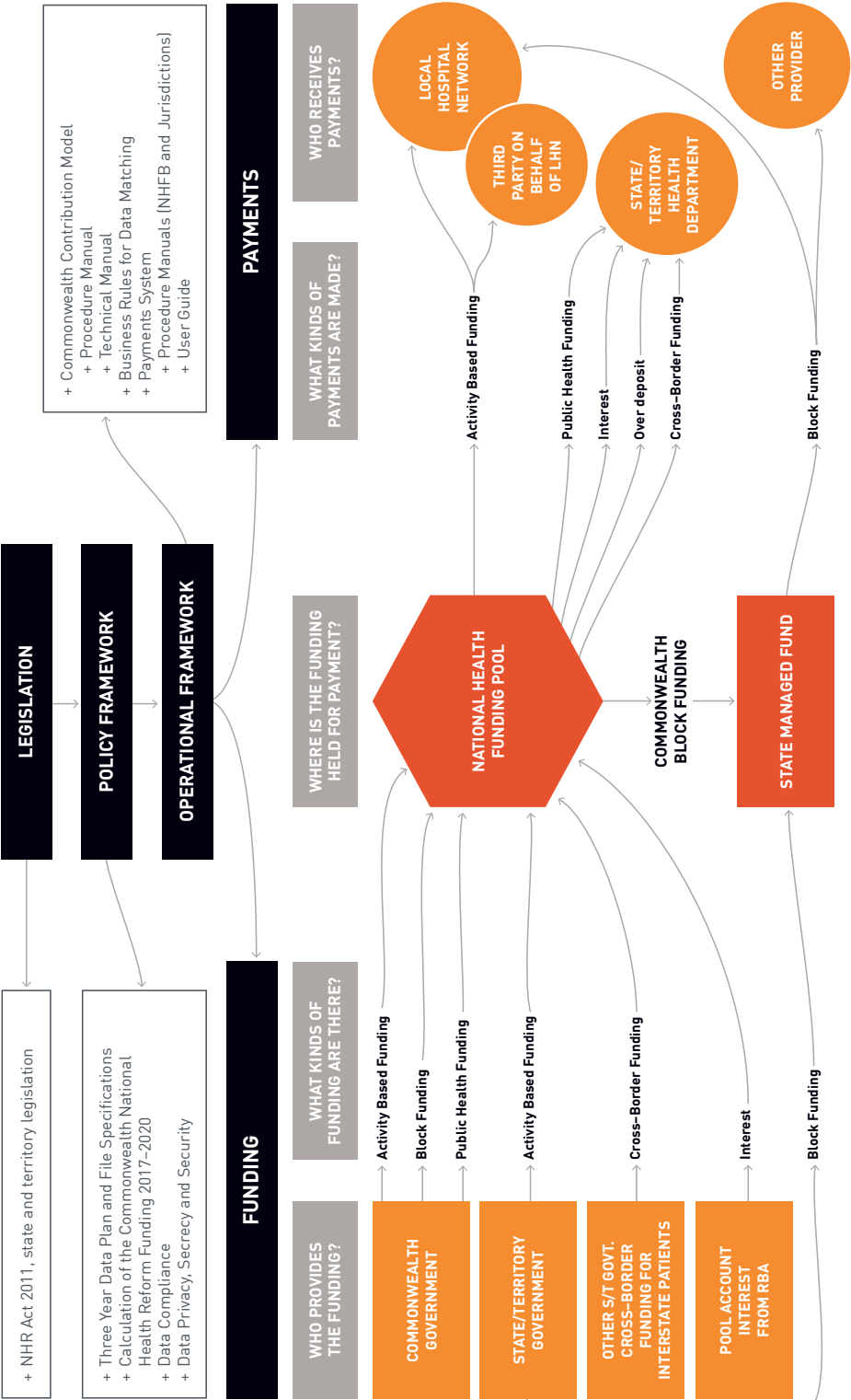
PUBLIC HOSPITAL FUNDING

Under the Agreement, the Commonwealth, state and territory governments are jointly responsible for funding public hospital services, using either activity based or block funding.

Commonwealth national health reform funding for public hospitals is paid monthly into the Funding Pool, which consists of eight state and territory bank accounts with the Reserve Bank of Australia.

The national health funding and payment flows are outlined in Figure 1. Further details of the funding and payment flows and the national health reform funding types can be found in the 'Overview' section of the Administrator of the National Health Funding Pool Annual Report 2016–17.²

FIGURE 1: AUSTRALIAN PUBLIC HOSPITAL SYSTEM FUNDING AND PAYMENT FRAMEWORK

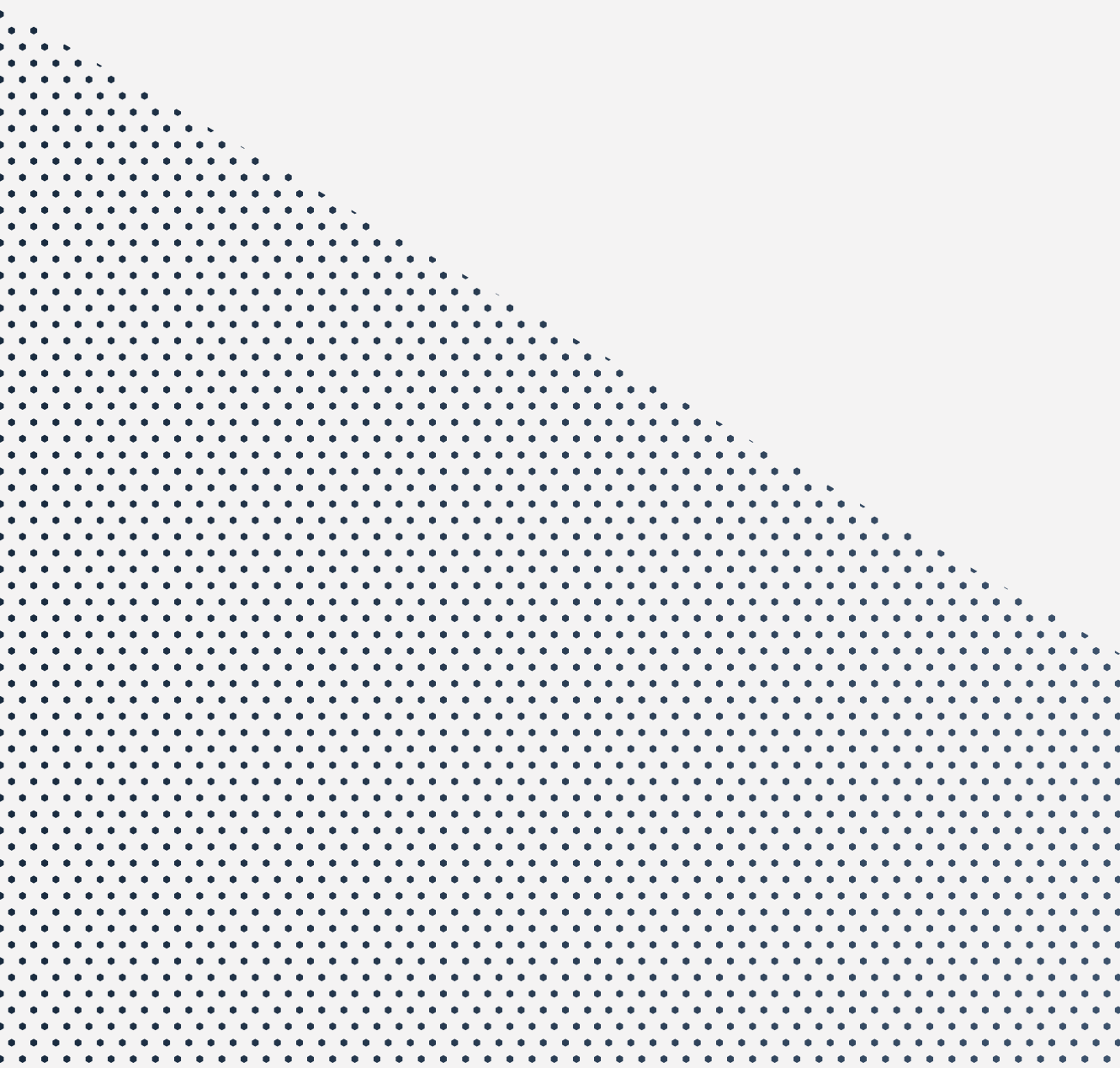


➤ SUMMARY OF FINANCIAL PERFORMANCE

➤ SUMMARY OF NON-FINANCIAL PERFORMANCE

➤ ANALYSIS OF PERFORMANCE AGAINST
2016-17 CORPORATE PLAN AND 2016-17 PBS

Our Performance



ANNUAL PERFORMANCE STATEMENT

STATEMENT OF PREPARATION

This statement has been prepared for paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), for the reporting period 1 July 2016 to 30 June 2017.

In my opinion, as the accountable authority of the NHFB, the performance statement accurately represents the NHFB's performance in the above specified period and complies with subsection 39(2) of the PGPA Act and section 16F of the PGPA Rule.



Mr Lynton Norris

*Chief Executive Officer
National Health Funding Body*

4 October 2017

NHFB PURPOSE

The purpose of the NHFB is to provide transparent and efficient administration of Commonwealth, state and territory funding of the Australian public hospital system, and support the obligations and responsibilities of the Administrator.

REPORTING APPROACH

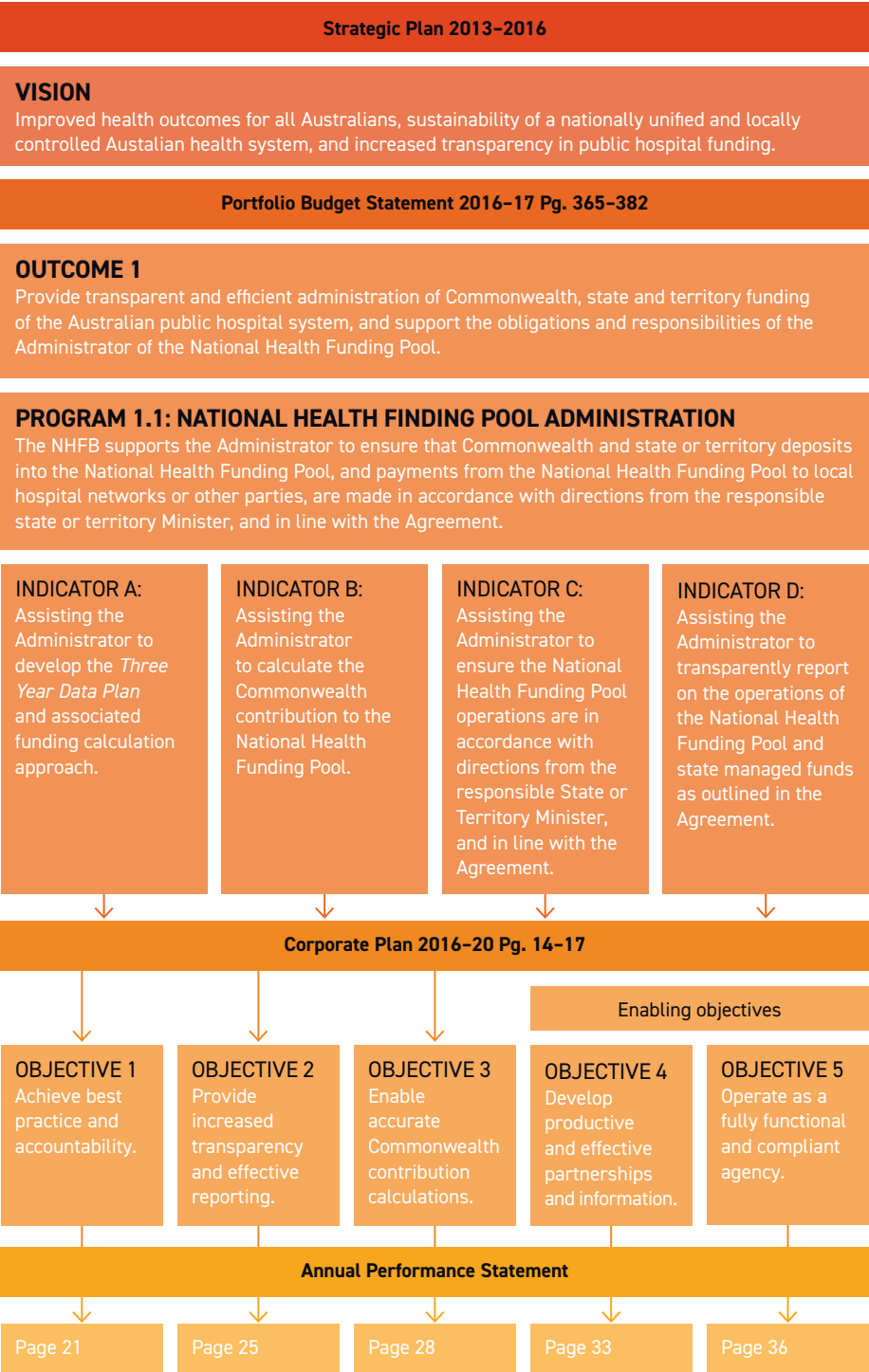
This Annual Performance Statement reports against deliverables in the Portfolio Budget Statements (PBS) 2016–17 and NHFB Corporate Plan 2016–17 to 2019–20. The Corporate Plan deliverables are derived from the NHFB Strategic Plan 2013–2016.

Figure 2 provides an overview of the NHFB's vision, mission, PBS indicators, and Corporate Plan objectives.

The report against each Corporate Plan objective contains:

- + analysis of the NHFB's 2016–17 performance against the objective, including challenges and planned activity for 2017–18
- + graphical representation of performance results for the objective
- + results and discussion against each performance measure
- + how success against this objective contributes to the NHFB's purpose.

FIGURE 2: OVERVIEW OF THE NHFB'S PERFORMANCE OBJECTIVES



SUMMARY OF FINANCIAL PERFORMANCE

NHFB OPERATING RESULT

The net operating result as at 30 June 2017 was a deficit of \$0.265 million, within the Department of Finance approved deficit of \$0.500 million for 2016–17. The level of the deficit was reduced as the NHFB capitalised \$0.168 million for the new SAS Commonwealth Contribution Model.

Revenue for the year was \$4.397 million, compared with budgeted revenue of \$4.358 million. The variance of \$0.039 million is due to an increase in the notional audit fee for 2016–17.

Expenditure for the year to 30 June 2017 was \$4.662 million, compared with budgeted expenses of \$4.358 million. The overspend of \$0.265 million is attributable to additional deliverables undertaken for the implementation of the Addendum.

TABLE 2: NHFB RESOURCE STATEMENT, 2016–17

	Actual available appropriations for 2016–17 \$'000	Payments made in 2016–17 \$'000	Balance remaining in 2016–17 \$'000
ORDINARY ANNUAL SERVICES			
Departmental appropriation ¹	6,270	4,856	1,414
Total ordinary annual services	6,270	4,856	1,414
Special Appropriations	0	0	0
TOTAL RESOURCING AND PAYMENTS	6,270	4,856	1,414

¹ Appropriation Bill (No. 1) 2016–17, prior year departmental appropriation and section 74 receipts.

TABLE 3: EXPENSES FOR OUTCOME, 2016–17

	Budget ¹ 2016–17 \$'000	Actual expenses 2016–17 \$'000	Variation 2016–17 \$'000
--	--	--------------------------------------	--------------------------------

Outcome: To provide transparent and efficient administration of Commonwealth, state and territory funding of the Australian public hospital system, and support the obligations and responsibilities of the Administrator of the National Health Funding Pool.

PROGRAM 1.1: NATIONAL HEALTH FUNDING POOL ADMINISTRATION
Departmental expenses

Departmental appropriation ²	4,397	4,662	(265)
Special appropriation	0	0	0
Total for Program 1.1	4,397	4,662	(265)
TOTAL FOR OUTCOME 1	4,397	4,662	(265)

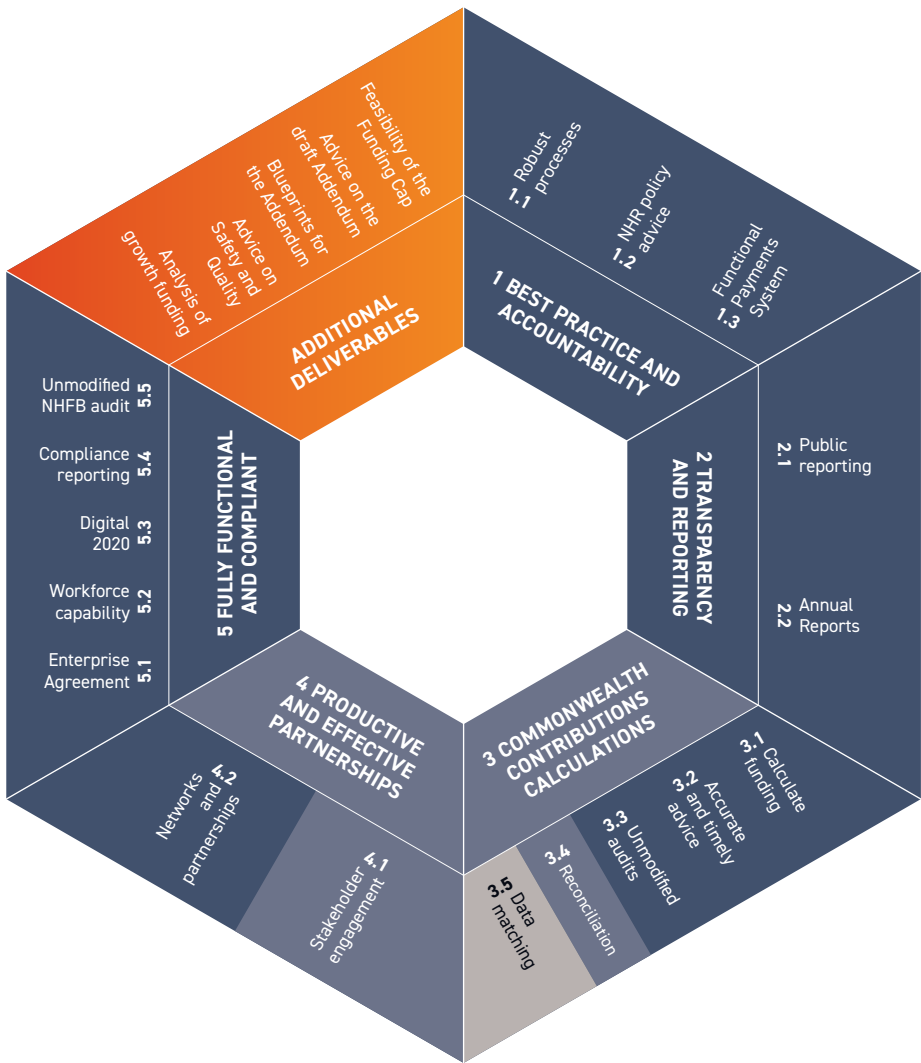
	2016–17	2015–16
AVERAGE STAFFING LEVEL (NUMBER)³	17	14

¹ Full year budget, including any subsequent adjustment made to the 2016–17 Budget.

² Departmental appropriations combine 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources' under section 74 of the Public Governance, Performance and Accountability Act 2013.

³ Represents the number of staff paid per fortnight averaged across the financial year.

2016–17 PERFORMANCE STATEMENT SUMMARY



RESULTS KEY – NON-FINANCIAL PERFORMANCE

Met	Partially met	Not met	Additional deliverables
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SUMMARY OF NON-FINANCIAL PERFORMANCE

All performance measures required to meet the needs of the Administrator and Commonwealth, states and territories were achieved in 2016–17.

Planned performance measures included assisting the Administrator to:

- + develop the *Three Year Data Plan* and associated funding calculation approach
- + calculate the Commonwealth contribution to the Funding Pool
- + ensure the Funding Pool operations are in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement
- + transparently report on the operations of the Funding Pool and state managed funds as outlined in the Agreement.

CHALLENGES

The unanticipated level of involvement and time critical nature of advice in the development and implementation of the Addendum required significant investment from the Administrator and NHFB.

This impacted planned activities, including data matching, enhancement of the National Health Funding Administrator Payments System (Payments System), and finalising the Stakeholder Engagement Plan.

Data integrity was an ongoing priority for all stakeholders in 2016–17.

Annual 2015–16 Reconciliation of actual services was not effected in 2016–17 payments as the Commonwealth Treasurer's Determination 2015–16 was not made in 2016–17.

YEAR AHEAD

The NHFB received additional appropriation in the 2017–18 Commonwealth Budget of \$4.1 million over three years (2017–18 to 2019–20) to fully implement the requirements of the Addendum, enhance the Payments System, transition of the Commonwealth Contribution Model to a more robust platform, and progress national health reform funding integrity analysis.

The NHFB will work closely with the Commonwealth, states and territories to implement these initiatives in 2017–18.

ADDITIONAL DELIVERABLES UNDERTAKEN

In 2016–17, the Administrator and NHFB received a number of referrals and requests for national health reform funding advice and analysis, in addition to the activity outlined in the Corporate Plan. The major focus of this work was the development and implementation of the Addendum, signed by the Commonwealth, states and territories in June 2017 for 1 July 2017 implementation.

Advice	Action	Outcome
FEASIBILITY OF THE FUNDING CAP <i>AUGUST 2016</i>	At the request of the Commonwealth, states and territories (via the Department of the Prime Minister and Cabinet), the NHFB undertook detailed modelling of policy proposals and scenarios for the funding cap, to ensure viable implementation.	The analysis assisted Commonwealth, state and territory governments in agreeing to revised hospital funding arrangements, resulting in successful negotiation of the Addendum.
ADVICE ON THE DRAFT ADDENDUM <i>JANUARY 2017</i>	Also at the request of the Commonwealth, states and territories, the NHFB undertook a comprehensive review of the proposed clauses and policy reforms in the draft Addendum. Advice was provided on: + feasibility of implementing the Addendum as drafted + risks and challenges associated with proposed modifications + clarification of terminology.	As a result of the advice, the Addendum was refined for further jurisdictional consultation.
BLUEPRINTS FOR IMPLEMENTATION OF THE ADDENDUM <i>FEBRUARY 2017</i>	The NHFB developed a series of blueprints to illustrate the steps required to implement the Addendum by 1 July 2017.	The advice provided transparency and certainty to the calculation of Commonwealth national health reform funding under the Addendum.
ADVICE ON THE SAFETY AND QUALITY ADJUSTMENT <i>FEBRUARY 2017</i>	At the request of the Commonwealth, states and territories, the Administrator and NHFB modelled approaches to calculating the Safety and Quality adjustment and its impacts on Commonwealth national health reform funding.	The Safety and Quality modelling and analysis clarified the potential impacts and enabled the Commonwealth, states and territories to agree the preferred funding treatment and impact.
ANALYSIS OF GROWTH IN COMMONWEALTH NATIONAL HEALTH REFORM FUNDING <i>JUNE 2017</i>	Following a request from the Commonwealth Treasurer on the underlying drivers of growth in the Commonwealth contribution to public hospital services in 2015–16, the NHFB undertook a detailed review of actual activity data and the impact on funding outcomes.	The Administrator's report advised the Commonwealth Treasurer on the drivers of growth on Commonwealth national health reform funding. The report was provided to the Council of Australian Governments (COAG) Health Council in June 2017.

OBJECTIVE ONE: ACHIEVE BEST PRACTICE AND ACCOUNTABILITY

To achieve best practice and accountability through assisting the Administrator in implementing and overseeing nationally consistent public hospital funding arrangements through the National Health Funding Pool.

ANALYSIS OF PERFORMANCE

All performance measures for Objective One were met by the NHFB in 2016–17.

All payments and deposits through the Payments System were in line with developed schedules, and the direction of the relevant Minister.

The NHFB developed, maintained and publicly released the following policy documents on the publichospitalfunding.gov.au website:

- + The Administrator's *Three Year Data Plan* and associated File Specifications
- + Growth and Funding Guarantees policy
- + Data Privacy, Secrecy and Security policy.

The 2016–17 Reconciliation Framework policy was developed and issued to the Commonwealth, states and territories in June 2017. This policy will be updated (if required) and publicly released upon the Commonwealth Treasurer's Determination of 2015–16 national health reform payments under the *Federal Financial Relations Act 2009*.

CHALLENGES

Following a request from the Commonwealth Treasurer on the underlying drivers of growth in the Commonwealth contribution to public hospital services in 2015–16, the NHFB undertook a detailed review of actual activity data and the impact on funding outcomes.

Annual 2015–16 Reconciliation of actual services was not effected in 2016–17 payments as the Commonwealth Treasurer's Determination 2015–16 was not made in 2016–17.

THE YEAR AHEAD

In 2017–18, the NHFB will focus on implementing the reforms of the Addendum and enhancing the Payments System.

CORPORATE PLAN PERFORMANCE MEASURE 1.1

Develop and implement efficient and robust processes to oversee national health reform funding and payments through the Funding Pool.

2016-17 Target	Result	Analysis
<p>Ensure payments and deposits through the Payments System are in line with developed Payment and Deposit Schedules.</p> <p><i>Corporate Plan pg. 14</i></p>	<p>Met</p>	<p>All payments and deposits through the Payments System were in line with developed schedules, and the direction of the relevant Minister.</p> <p>The NHFB followed strict governance procedures to ensure all payments were made at the direction of State/Territory Ministers (via authorised Payments System users). The Payment and Deposit Schedules were developed based on advice from states and territories.</p> <p>By ensuring all payments were in line with State/Territory Minister direction, the NHFB assisted the Administrator in effectively administering public hospital funding.</p>

CORPORATE PLAN PERFORMANCE MEASURE 1.2

Develop and publish documents that will provide expert national health reform policy advice to the Administrator and stakeholders.

2016–17 Target	Result	Analysis
<p>Develop and publicly release the Administrator's:</p> <ul style="list-style-type: none"> + <i>Three Year Data Plan 2016–17 to 2018–19</i> and File Specification for Data Submission + Growth and Funding Guarantees policy + Data Privacy, Secrecy and Security policy + Reconciliation Framework policy <p><i>Corporate Plan pg. 14</i></p>	Met	<p>The NHFB developed, maintained (as necessary) and publicly released the following policy documents on the publichospitalfunding.gov.au website:</p> <ul style="list-style-type: none"> + The Administrator's <i>Three Year Data Plan</i> and associated File Specifications + Growth and Funding Guarantees policy + Data Privacy, Secrecy and Security policy <p>These policy documents provide transparency over the Administrator's calculation and administration of national health reform funding and payments.</p> <p>The 2016–17 Reconciliation Framework policy was developed and issued to the Commonwealth, states and territories in June 2017. This policy will be updated (if required) and publicly released following the Commonwealth Treasurer's Determination of 2015–16 national health reform payments under the <i>Federal Financial Relations Act 2009</i>.</p>
<p>Deliver the rolling <i>Three Year Data Plan</i>.</p> <p>Determine the data required to calculate the Commonwealth's contribution, conduct reconciliation and data matching activities and ensure national comparability under the Agreement.</p> <p><i>PBS pg. 374</i></p>	Met	<p>The Administrator's <i>Three Year Data Plan 2017–18 to 2019–20</i> was accepted by the COAG Health Council, and was publicly released (together with associated File Specifications) on the publichospitalfunding.gov.au website on 28 June 2017.</p>

CORPORATE PLAN PERFORMANCE MEASURE 1.3

The Payments System is in operation and fully functional by developing and implementing NHFB and state and territory policy and procedure manuals, to make payments in accordance with approved directions from authorised persons.

2016–17 Target	Result	Analysis
<p>Ensure the Payments System is in operation and fully functional.</p> <p><i>Corporate Plan pg. 14</i></p>	Met	<p>The Payments System was operational and fully functional throughout the year.</p>
<p>Ensure the Payments System operates in accordance with the National Health Reform Public Hospital Funding State and Territory Procedures Manual and the NHFA Payments System Registration for State and Territory Users documentation.</p> <p><i>Corporate Plan pg. 14</i></p> <p>Oversee and authorise all payments for public hospital services through the National Health Funding Pool as required under the Agreement.</p> <p>Improvements to the Payments System allow the NHFB, and states and territories, greater flexibility in managing payments.</p> <p><i>PBS pg. 375</i></p>	Met	<p>All payments through the Funding Pool, and managed by the Payments System were appropriately overseen and authorised by the Administrator.</p> <p>All payments were made in accordance with the appropriate documentation.</p> <p>An independent third-party review of the Payments System Internal Control Framework did not find any material weaknesses.</p> <p>The Administrator and NHFB revised and updated the States and Territories Procedures Manual.</p>
<p>Percentage of payments made in accordance with directions from the responsible state or territory Minister (100% of payments).</p> <p><i>PBS pg. 375</i></p>	Met	<p>All payments were made in accordance with directions from the responsible Minister.</p>

OBJECTIVE TWO: PROVIDE INCREASED TRANSPARENCY AND EFFECTIVE REPORTING

To provide increased transparency and effective reporting on LHN funding for services delivered to the community.

ANALYSIS OF PERFORMANCE

All performance measures for Objective Two were met by the NHFB in 2016–17.

The publication of Monthly Reports at the national, state and territory and local hospital network (LHN) level contributed to key national health reform objectives, including improving the transparency, accountability and informing the sustainability of public hospital funding. The Monthly Reports detail the funding into and out of the State Pool Accounts and State Managed Funds. Consistent reporting enables comparison over multiple financial years.

Monthly reports were collated for the financial year in the Administrator's Annual Report.

As required by the Act, the 2015–16 Annual Report was provided to all Health Ministers on 31 October 2016, and tabled by the responsible Minister in their respective Parliament.

CHALLENGES

Timely data submission by all states and territories remained a challenge. The NHFB aspires to publish the monthly reports within six weeks of the end of the month. However, delays due to jurisdictional and NHFB verification processes resulted in an average time to publication of approximately 8.5 weeks in 2016–17.

THE YEAR AHEAD

In 2017–18, the NHFB will continue to publish monthly reports on funding and payments to LHNs and other parties. A redesign of the Administrator's website and the monthly reports is planned, aiming to increase the transparency and effectiveness of reporting.

CORPORATE PLAN PERFORMANCE MEASURE 2.1

Prepare and publish:

- + National, state and territory and LHN national health reform Public Hospital Funding reports on the publichospitalfunding.gov.au website
- + Administrator's Annual Report (including a Report of Operations and Financial Statements)

2016–17 Target	Result	Analysis
<p>Publish on the publichospitalfunding.gov.au website:</p> <p>+ National, state and territory and LHN Monthly Reports detailing the month and year-to-date funding into and payments out of the Funding Pool, and the number of hospital services funded (<i>PBS pg. 376</i>)</p> <p>+ Compliance Reports detailing Commonwealth, state and territory compliance with the data requirements specified in the Administrator's <i>Three Year Data Plan</i></p> <p>+ The Administrator's Annual Report (<i>PBS pg. 376</i>)</p> <p><i>Corporate Plan pg. 15</i></p> <p>Maintain proper records and reporting in relation to the administration of the National Health Funding Pool, including records of all payments made to and from those accounts, and the basis on which the payments were made.</p> <p><i>PBS pg. 375</i></p>	<p>Met</p>	<p>1,788 monthly reports were published on the publichospitalfunding.gov.au website in respect of 2016–17. Reports were prepared at the national, state and LHN level, detailing the funding and payments for public hospital services, and the number of hospital services funded under Activity Based Funding.</p> <p>Quarterly Compliance Reports were published on the publichospitalfunding.gov.au website in September 2016, December 2016, February 2017 and June 2017.</p> <p>The Administrator's Annual Report was published on the publichospitalfunding.gov.au website on 31 October 2016.</p>

CORPORATE PLAN PERFORMANCE MEASURE 2.2

Table the Administrator's Annual Report in the Commonwealth Parliament by 31 October 2016, and provide it to each state and territory Health Minister for tabling in their respective Parliaments.

2016–17 Target	Result	Analysis
<p>Ensure the Administrator's Annual Report is tabled in the Commonwealth Parliament and is presented to every state and territory Health Minister for tabling in their respective Parliaments.</p> <p><i>Corporate Plan pg. 15</i></p> <p><i>PBS pg. 376</i></p>	Met	<p>The Administrator's 2015–16 Annual Report was tabled in the Commonwealth Parliament on 31 October 2016 and published on the Administrator's website.</p> <p>The Annual Report was provided to each state and territory Health Minister on 31 October 2016.</p> <p>The Annual Report included a report on operations, combined financial statements for the Funding Pool, and financial statements each State or Territory state pool account audited by the respective Auditor-General. These reports provide detailed information on the national health reform funding and payment flows at the national, state and territory and individual LHN level.</p>

OBJECTIVE THREE: ENABLE ACCURATE COMMONWEALTH CONTRIBUTION CALCULATIONS

To enable accurate Commonwealth contribution calculations by using nationally consistent pricing and costing standards.

ANALYSIS OF PERFORMANCE

Measures for Objective Three relating to the accuracy of the calculation of the Commonwealth national health reform funding were met by the NHFB in 2016–17.

The NHFB developed the 2016–17 Commonwealth Contribution Model (CCM) to enable the Administrator to advise the Commonwealth Treasurer on public hospital funding. In line with the NHFB's Integrity Framework, the calculation was subject to both internal and external assurance reviews. This provided confidence in the Administrator's calculations for all governments.

Upon a request from Australian Health Ministers' Advisory Council (AHMAC), the NHFB commenced a pilot with the Commonwealth Department of Health to assess the use of the Administrator's hospital activity data matched with Medicare Benefits Schedule (MBS) claims. The Department of Health will use the data to inform future compliance activities, including the recovery of duplicate payments.

CHALLENGES

Following a request from the Commonwealth Treasurer on the underlying drivers of growth in the Commonwealth contribution to public hospital services in 2015–16, the NHFB undertook a detailed review of actual activity data and the impact on funding outcomes. Annual 2015–16 Reconciliation of actual services was not effected in 2016–17 payments, as the Commonwealth Treasurer's Determination 2015–16 was not made in 2016–17.³

THE YEAR AHEAD

In 2017–18, the NHFB will implement the Addendum requirements into the calculation of Commonwealth national health reform funding. This includes incorporating the Soft Cap and National Funding Cap, Safety and Quality Adjustment, and Data Compliance Payment. The NHFB will continue to work closely with the Commonwealth, states and territories to improve data integrity. The joint pilot with the Commonwealth Department of Health will also be progressed in 2017–18.

³ Under the Federal Financial Relations Act, the Commonwealth Treasurer issues the Federal Financial Relations (National Health Reform Payments) Determination. Payment of Reconciliation outcomes is enabled following the issuance of this Determination.

CORPORATE PLAN PERFORMANCE MEASURE 3.1

Accurately calculate the Commonwealth contribution for activity based, block and public health funding to LHNs, based on National Efficient Price and National Efficient Cost funding criteria developed by the Independent Hospital Pricing Authority (IHPA).

2016–17 Target	Result	Analysis
Build, test and implement nationally consistent CCM to calculate the Commonwealth funding contribution to LHNs for delivering public hospital services. <i>Corporate Plan pg. 15</i>	Met	<p>The CCM was developed and subjected to both internal and external quality assurance for 2016–17 calculations.</p>
Develop and implement CCM Integrity Framework to support the CCM operations and to ensure accuracy of the calculations. <i>Corporate Plan pg. 15</i>	Met	<p>The CCM Integrity Framework was implemented to ensure the accuracy of CCM operations and calculations. All CCM calculations were in line with the framework.</p>
Update the CCM and the CCM Integrity Framework to include and implement the requirements of the Heads of Agreement. <i>Corporate Plan pg. 16</i>	Met	<p>The CCM and CCM Integrity Framework were updated to include the requirements of the Addendum.</p> <p>Development of the CCM in SAS commenced. Transitioning to the SAS platform was driven by the additional complexity of the Addendum requirements, including; the Funding Cap, Data Conditional Payment and options for the Safety and Quality Adjustment, and overall improvement of calculation integrity.</p>
Assist jurisdictions to inform and develop effective and efficient hospital funding arrangement/mechanisms by undertaking analysis and scenario modelling. <i>Corporate Plan pg. 16</i>	Met	<p>The NHFB provided financial modelling advice to the Commonwealth, states and territories as requested.</p> <p>The NHFB undertook detailed financial modelling of policy proposals and scenarios in the Addendum (eg the Funding Cap). This informed Addendum negotiations between the Commonwealth, states and territories.</p>

CORPORATE PLAN PERFORMANCE MEASURE 3.2

Provide accurate and timely advice to the Commonwealth Treasurer on the Commonwealth funding to be paid to each LHN for delivery of public hospital services.

2016–17 Target	Result	Analysis
<p>Provide timely and accurate advice to the Commonwealth Treasurer on the funding to be paid to LHNs for delivery of public hospital services.</p> <p><i>Corporate Plan pg. 16</i></p> <p><i>PBS pg. 374</i></p>	Met	<p>Payment advice was provided to the Commonwealth Treasurer six times in respect of 2016–17.</p> <p>Additional advice was provided to the Treasurer for the:</p> <ul style="list-style-type: none"> + 2015–16 Determination of Commonwealth national health reform funding + 2016–17 Mid-Year Economic and Fiscal Outlook + 2017–18 Commonwealth Budget + initial 2017–18 Commonwealth contribution calculation.

CORPORATE PLAN PERFORMANCE MEASURE 3.3

Receive unqualified audit opinion for each state and territory Funding Pool account from the respective Auditor-General.

2016–17 Target	Result	Analysis
<p>Develop Funding Pool financial statements for audit by the respective state and territory Auditor-General.</p> <p><i>Corporate Plan pg. 16</i></p>	Met	<p>The 2016–17 Funding Pool account financial statements for each state and territory received an unmodified audit report by the respective state and territory Auditors-General. The 2015–16 Funding Pool financial statements also received unqualified audits. Receiving unmodified audit reports from all Auditors-General demonstrated effective administration and transparent reporting of public hospital funding by the NHFB.</p>

CORPORATE PLAN PERFORMANCE MEASURE 3.4

Conduct reconciliation of actual ABF activity to estimated activity and incorporate the adjustments into Commonwealth payments to LHNs.

2016–17 Target	Result	Analysis
<p>Complete the reconciliation of actual ABF activity to estimates and incorporate the funding adjustments into the Commonwealth contribution payments.</p> <p><i>Corporate Plan pg. 15</i></p>	Partially met	<p>Reconciliation of actual 2015–16 hospital activity data to estimated activity was completed, for both the six-month (July 2015 to December 2015) and annual (July 2015 to June 2016) Reconciliations. Reconciliation advice was provided to the Commonwealth Treasurer.</p> <p>Annual 2015–16 Reconciliation of actual services was not incorporated in 2016–17 payments, as the Commonwealth Treasurer’s Determination 2015–16 was not made in 2016–17.</p>
<p>Provide reconciled hospital activity data to states and territories to inform national cross-border arrangements and funding flows.</p> <p><i>Corporate Plan pg. 16</i></p>	Met	<p>Reconciled cross-border hospital activity data was provided to states and territories.</p>

CORPORATE PLAN PERFORMANCE MEASURE 3.5

Conduct funding integrity analysis to identify and report on public hospital services that received both Commonwealth national health reform funding and funding through other Commonwealth programs.

2016–17 Target	Result	Analysis
<p>Undertake funding integrity analysis (data matching) of hospital activity and MBS/ Pharmaceutical Benefits Scheme/ other Commonwealth programs data to identify, report on and remove any instances of 'double funding' which may have occurred.</p> <p><i>Corporate Plan pg. 16</i></p>	Partially met	<p>AHMAC requested the NHFB and Department of Health investigate an alternative approach to funding integrity. Work on a pilot project to investigate use of the Administrator's dataset for MBS compliance commenced in 2016–17.</p> <p>Data matching for 2014–15 was not completed, due to the additional deliverables undertaken to support the development and implementation of the Addendum.</p>
<p>Supply the data elements related to the instances of 'double funding' to states and territories for review.</p> <p><i>Corporate Plan pg. 16</i></p>	Not met	<p>Not supplied due to data matching for 2014–15 activity not being completed. This work will be undertaken during 2017–18.</p>
<p>Improve hospital data integrity by leading a national community of practice to share information and examples of good practice.</p> <p><i>Corporate Plan pg. 16</i></p>	Met	<p>The Administrator's Jurisdictional Advisory Committee (JAC) discussed hospital data integrity initiatives at three meetings.</p>
<p>Update the <i>Business Rules Volume 2 – Extended Proof of Concept</i> document to detail the process for undertaking funding integrity analysis, to identify instances of 'double funding' (hospital services that receive funding through NHR and other Commonwealth programs).</p> <p><i>Corporate Plan pg. 16</i></p>	Not met	<p>The <i>Business Rules Volume 2 – Extended Proof of Concept</i> document will be updated in 2017–18.</p>

OBJECTIVE FOUR: DEVELOP PRODUCTIVE AND EFFECTIVE PARTNERSHIPS

To develop productive and effective partnerships with relevant stakeholders to enable the objectives of the Agreement to be achieved.

ANALYSIS OF PERFORMANCE

Performance measures for Objective Four were largely met by the NHFB in 2016–17.

The NHFB engaged with stakeholders through its internal and external committees. The NHFB committees — Jurisdictional Advisory Committee (JAC) and Chief Finance Officer/Reconciliation Advisory Group (CFO/RAG) — met six times in 2016–17. Two combined workshops on proposals for the Addendum, held in Adelaide in August 2016 and Darwin in February 2017, were attended by officials from the Commonwealth, states and territories.

Productive partnerships with other national health bodies and committees continued in 2016–17. The NHFB participated in the National Health Information and Performance Principal Committee (NHIPPC) and National Health Information Standards and Statistics Committee (NHISSC). This included working with NHIPPC and AHMAC on data matching for funding integrity and use of the Administrator's data holdings.

As the Agreement transitions into a new phase, the NHFB's partnership with the IHPA is more important than ever. The NHFB jointly led a workshop with the IHPA on improving the process for states and territories providing estimates of activity. Additional work on improving estimates will occur in 2017–18.

CHALLENGES

Significant stakeholder engagement occurred in 2016–17, particularly in the formation of advice to senior officials to inform COAG negotiations. However, this placed resourcing pressure on the NHFB. Reprioritisation of resources meant delivery of the Stakeholder Engagement Plan was delayed.

THE YEAR AHEAD

In 2017–18, the NHFB will promote interjurisdictional relationships as the implementation of the Addendum progresses. The NHFB will provide advice to governments as the development of post-2020 national health funding arrangements commence. In conjunction with the Administrator's JAC, the NHFB will finalise the Stakeholder Engagement Plan.

CORPORATE PLAN PERFORMANCE MEASURE 4.1

A Stakeholder Engagement Plan, informed by NHFB policy principles and developed in conjunction with stakeholders, is in place.

2016–17 Target	Result	Analysis
Undertake stakeholder engagement to inform the NHFB work plan. <i>Corporate Plan pg. 16</i>	Met	<p>Significant stakeholder engagement occurred in 2016–17, with the Administrator and NHFB CEO meeting with most Health Ministers, and Health Department Chief Executives and senior officials.</p> <p>The NHFB held constructive meetings with states and territories in July and August 2016. Feedback provided was incorporated into NHFB processes.</p>
Develop and implement a Stakeholder Engagement Plan. <i>Corporate Plan pg. 16</i>	Partially met	<p>Reprioritisation of resources meant delivery of the Stakeholder Engagement Plan was delayed. However, significant stakeholder engagement occurred in 2016–17, particularly in the formation of advice to senior officials to inform COAG negotiations.</p>

CORPORATE PLAN PERFORMANCE MEASURE 4.2

Networks and partnerships are maintained through working groups, advisory committees and other mechanisms.

2016–17 Target	Result	Analysis
Convene Administrator's JAC and NHFB CFO/RAG meetings and workshops to communicate strategies and develop networks. <i>Corporate Plan pg. 16</i>	Met	<p>The JAC and CFO/RAG met six times in 2016–17, including two combined workshops in August 2016 and February 2017. Attendees indicated the forums were a valuable opportunity to partner with the NHFB, Commonwealth, states and territories.</p>
Report to and/or engage with: + Council of Australian Governments + COAG Health Council + Australian Health Ministers' Advisory Council + National Health Information and Performance Principal Committee + National Health Information Standards and Statistics Committee + IHPA Jurisdictional Advisory Committee and Technical Advisory Committee + Data Governance Council. <i>Corporate Plan pg. 16–17</i>	Met	<p>The Administrator and NHFB provided advice on public hospital funding to COAG through their committees and the Addendum to the Agreement Deputy Senior Officials Working Group.</p> <p>The COAG Health Council reviewed the Administrator's <i>Three Year Data Plan</i>.</p> <p>The NHFB engaged with AHMAC on the Administrator's <i>Three Year Data Plan</i> and proposals for use of the Administrator's deterministically-linked dataset.</p> <p>NHFB officials participated in NHIPPC, NHISSC, IHPA JAC and IHPA TAC meetings in 2016–17.</p> <p>The NHFB and IHPA collaborated on workshops on national data flow arrangements and improving the process for states and territories providing estimates of activity.</p> <p>The NHFB CEO was a member of the Commonwealth Health Data Governance Council until it was disbanded in November 2016.</p>
Present at: + IHPA Activity Based Funding (ABF) Conference + ACHSM/ACHS Joint 2016 Asia-Pacific Annual Congress + Data Analytics for Effective Management Decision Making Conference. <i>Corporate Plan pg. 17</i>	Met	<p>NHFB officials presented at the Data Analytics for Effective Management Decision Making Conference (July 2016) and the ACHSM/ACHS Joint 2016 Asia-Pacific Annual Congress (October 2016).</p> <p>The IHPA ABF Conference was not held in the 2016–17 year.</p>

OBJECTIVE FIVE: OPERATE AS A FULLY FUNCTIONAL AND COMPLIANT AGENCY

To operate as a fully functional and compliant agency, meeting statutory and legislative obligations.

ANALYSIS OF PERFORMANCE

All performance measures for Objective Five were met by the NHFB in 2016–17.

All compliance requirements were met in 2016–17. This continued the trend of previous years, and provides confidence in the NHFB's governance and assurance processes.

Significant work was undertaken in human resource development for the NHFB. Importantly, an Enterprise Agreement was negotiated and approved with staff.

A Human Resources Workforce Capability Framework was developed, to be in place from 1 July 2017 to 30 June 2020. This Framework assists with securing NHFB capacity over the coming period, as well as ensuring agency compliance with Commonwealth legislation.

In 2015–16 the NHFB financial statements received an unqualified audit opinion.

The NHFB is a fully functional and compliant agency, continuing to achieve its purpose of successfully supporting the Administrator.

CHALLENGES

The introduction of the Addendum required substantial investment in reviewing forward work programs and resourcing requirements. This enabled the NHFB to drive the implementation of the Addendum in partnership with the Commonwealth, states and territories.

THE YEAR AHEAD

In 2017–18, the NHFB will commence implementation of the Human Resources Workforce Capability Framework. Further work will be undertaken to meet the requirements of the Digital Continuity 2020 Policy, including implementation of the Roadmap developed in 2016–17. Given the expanded role of the Administrator and NHFB under the Addendum, there will be a focus on risk management to ensure the NHFB meets all its obligations.

CORPORATE PLAN PERFORMANCE MEASURE 5.1

An Enterprise Agreement is in place.

2016–17 Target	Result	Analysis
Negotiate and implement an Enterprise Agreement with staff. <i>Corporate Plan pg. 17</i>	Met	The NHFB Enterprise Agreement was agreed by staff and approved by the Fair Work Commission on 19 October 2016 — effective from 26 October 2016 to 25 October 2019.

CORPORATE PLAN PERFORMANCE MEASURE 5.2

Employ a Human Resources Workforce Capability Framework to enable the development of workforce capability and capacity to ensure compliance with Commonwealth legislation and regulations.

2016–17 Target	Result	Analysis
Develop and implement a Workforce Capability Framework. <i>Corporate Plan pg. 17</i>	Met	<p>The three year Workforce Capability Framework was fully developed, and partially implemented in 2016–17. This will assist the NHFB in transitioning from basic workforce management (eg headcount and full-time equivalent) to strategic planning.</p> <p>Workforce planning helps the NHFB to proactively identify and anticipate change, identify the important issues driving change, and enables appropriate strategic and operational responses.</p>

CORPORATE PLAN PERFORMANCE MEASURE 5.3

Document the NHFB approach to meeting the requirements under the Digital Continuity 2020 Policy.

2016–17 Target	Result	Analysis
Map the NHFB work program to meet the legislative requirements of the Digital Continuity 2020 Policy. <i>Corporate Plan pg. 17</i>	Met	The NHFB formed an Information Governance Committee to ensure the NHFB meets the legislative requirements of the whole-of-government Digital 2020 Policy. The Committee developed a number of documents and a Roadmap to achieving digital compliance.

CORPORATE PLAN PERFORMANCE MEASURE 5.4

Meet the NHFB compliance reporting obligations.

2016–17 Target	Result	Analysis
Meet requirements for compliance reporting. <i>Corporate Plan pg. 17</i>	Met	<p>The NHFB met all compliance and reporting requirements under various whole-of-government policies. In 2016–17 this included:</p> <ul style="list-style-type: none"> + APS Remuneration Survey + Check Up Digital + Comcover Renewal Questionnaire + Comcover Risk Management Benchmarking Survey + Fraud Reporting + Murray–Grants Reporting + Murray Reporting + Harradine Reporting + Legal Reporting + PGPA Reporting + Protective Security Policy Framework Reporting + Public Interest Disclosure Reporting

CORPORATE PLAN PERFORMANCE MEASURE 5.5

Unqualified NHFB financial statements.

2016–17 Target	Result	Analysis
Apply requirements of the PGPA Act and all relevant government and professional accounting pronouncements. <i>Corporate Plan pg. 17</i>	Met	<p>The NHFB 2015–16 Financial Statements applied all relevant requirements, and received an unqualified audit opinion from the Australian National Audit Office (ANAO).</p>

SUMMARY OF PERFORMANCE 2013–2017

Five high-level strategic objectives were adopted for 2013–2017. The NHFB's achievement against these objectives from 2013 to 2017 is described below.



STRATEGIC OBJECTIVE ONE

ACHIEVES BEST PRACTICE AND ACCOUNTABILITY

Leadership and expert policy advice was provided to the Administrator and governments on national health reform funding. Efficient and robust processes were put in place to ensure all payments through the Funding Pool were accurate. This included the development of policies, procedures and frameworks to ensure compliance.



STRATEGIC OBJECTIVE TWO

PROVIDE INCREASED TRANSPARENCY AND EFFECTIVE REPORTING

All monthly reporting requirements were achieved, with data requirements determined and communicated in advance of each financial year. Monthly reports were published on the Administrator's website, along with the Administrator's Annual Report each year.



STRATEGIC OBJECTIVE THREE

ENABLE ACCURATE COMMONWEALTH CONTRIBUTION CALCULATIONS

The Commonwealth contribution was calculated accurately based on activity and advised to the Commonwealth Treasurer in a timely manner. The rolling Administrator's *Three Year Data Plan* was developed each year in adherence with data integrity and privacy provisions. A robust Reconciliation Framework was implemented, with annual updates.



STRATEGIC OBJECTIVE FOUR

DEVELOP PRODUCTIVE AND EFFECTIVE PARTNERSHIPS

Networks were developed through JAC, CFO/RAG and other national committees. The Administrator and NHFB's work plan was informed by consultation with JAC and senior health officials. Awareness of the national health reform funding agenda was promoted through conference presentations and meetings with stakeholders. A communication strategy was not developed, but the Stakeholder Engagement Plan was largely completed.



STRATEGIC OBJECTIVE FIVE

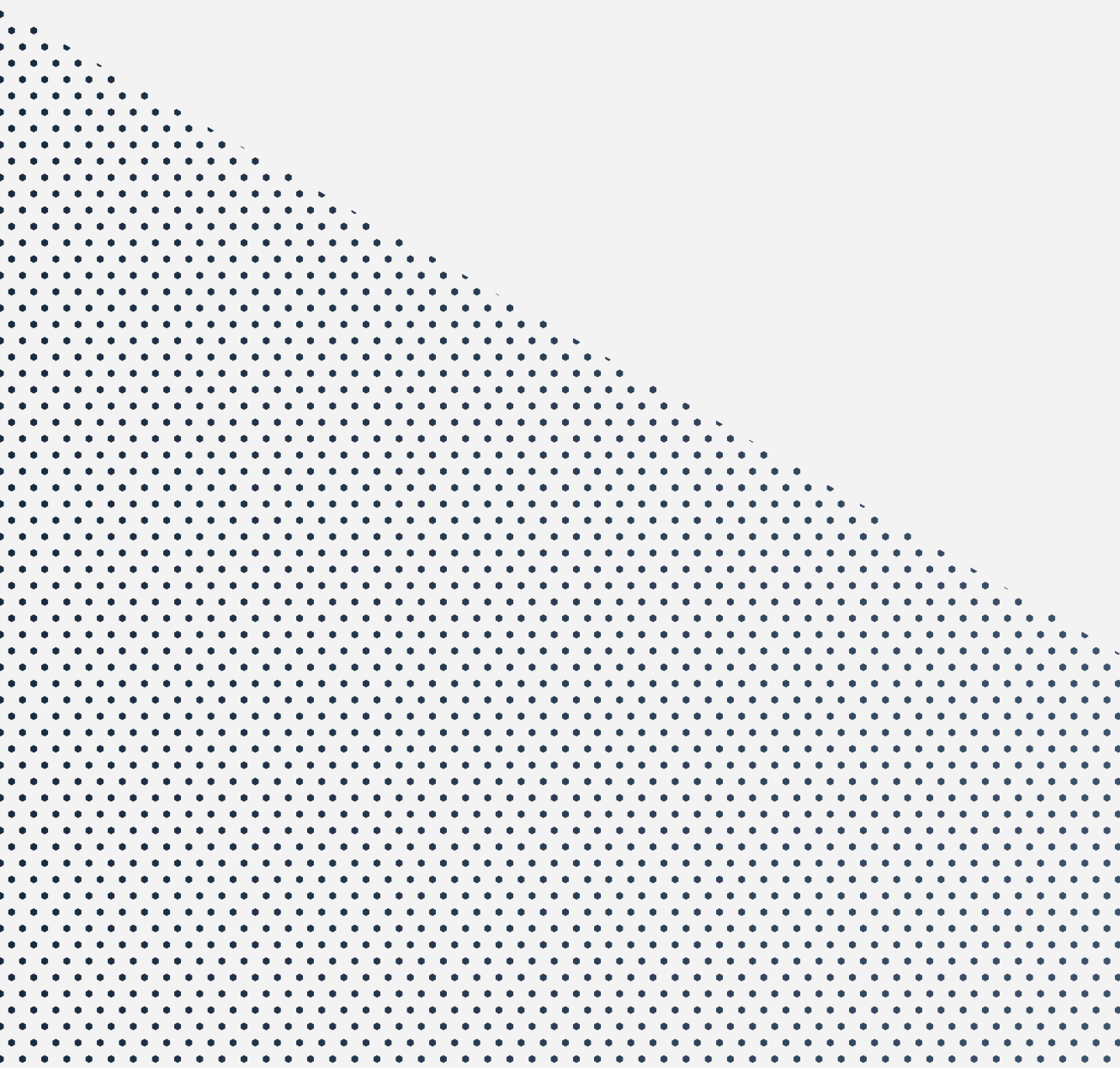
OPERATE AS A FULLY FUNCTIONAL AND COMPLIANT AGENCY

The NHFB put in place an appropriate structure and financial and human resources delegations. An Enterprise Agreement was negotiated with staff. Frameworks for ensuring compliance were implemented, including fraud control, risk and assurance, internal control and business continuity. The workplace culture encourages high performance, integrity and commitment to success. The NHFB developed a planning and reporting schedule that complies with the enhanced Commonwealth Performance Framework, including Annual Reports. A Workforce Capability Framework was developed to enable strategic workforce planning.

- ✚ NHFB BUSINESS UNITS
- ✚ EMPLOYEE SATISFACTION
- ✚ HUMAN RESOURCES MANAGEMENT



Our People



OUR TEAM

In 2016–17, the NHFB was classified as a micro agency, with 19¹ staff supporting the Administrator. To facilitate the core activities of the organisation, the NHFB is split into three units:

FINANCE AND REPORTING	INTEGRITY, ASSURANCE AND RESOURCING	DATA MODELLING, ANALYSIS AND POLICY
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The NHFB Executive team is made up of the Chief Executive Officer (CEO), and the Director of each unit.



*Left to right: Svetlana Angelkoska, Val Price-Beck, Lynton Norris, Karin van Leeuwen.
Not pictured: Peta Hunt (Executive Assistant).*

¹ Represents headcount of staff not including members on long-term leave.



THE ADMINISTRATOR, PETER ACHTERSTRAAT AM

The Administrator is an independent statutory office holder, appointed to the position under legislation of the Commonwealth and each state and territory.

The Administrator's functions are set out in the Agreement and the Act (see page 10). The current Administrator is Mr Peter Achterstraat AM, who was appointed on 23 February 2016.

Peter is the former Auditor General of NSW and a former Deputy Commissioner of Taxation with more than 30 years' experience in finance and governance. Peter is the President of the Australian Institute of Company Directors (NSW Div.).

In 2005, he was inducted into the Australian National University College of Business and Economics Alumni Hall of Fame.

Peter is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of CPA Australia, and a Fellow of Governance Institute of Australia. Peter is an Adjunct Professor at the University of Sydney's Graduate School of Government and was awarded an Order of Australia in 2014 for his Financial Management and Governance roles.

Further details of the Administrator's functions can be found in the Administrator's Annual Report 2016–17.⁴

⁴ publichospitalfunding.gov.au/publications/annual-reports



CHIEF EXECUTIVE OFFICER, LYNTON NORRIS

Lynton Norris is the Chief Executive of the NHFB. In this role he supports the Administrator to fulfil his functions, and is responsible for effective delivery of the outputs of the NHFB.

Prior to his appointment as the NHFB CEO, Lynton was a senior executive in the Victorian State Government. He has more than 20 years' experience in government and the private sector.

Lynton has significant experience in public sector finance and policy development and implementation, and is a recognised leader in hospital and health funding, payment and reporting arrangements.

Lynton holds degrees in International Trade and Accounting, is a Fellow of CPA Australia, and a graduate member of the Australian Institute of Company Directors.



Left to right: Paul Tyrrell, Rachel Ren, Karin van Leeuwen, Gitanjali Kaura.

THE FINANCE AND REPORTING UNIT

The unit provides support and financial services to the Administrator and the Funding Pool to ensure transparency and efficiency of public hospital funding. This includes managing the Payments System, and preparing State Pool Accounts Special Purpose Financial Statements for eight jurisdictions.

The unit prepares and publishes the Administrator's monthly reports which record the Commonwealth and state and territory public hospital funding, and payments for the month and year to date:

- + one national monthly report (12 annually)
- + eight state and territory monthly reports (96 annually)
- + approximately 140 local hospital network monthly reports (1,680 annually).

These reports are available from: publichospitalfunding.gov.au.

Other responsibilities include strategic budget and financial management of the departmental appropriation for the NHFB, and the preparation of NHFB financial statements under the PGPA Act.

CHIEF FINANCE OFFICER, KARIN VAN LEEUWEN

Karin joined the NHFB in November 2015 and has more than 25 years' experience in accounting for both government and the private sector. Karin has a Bachelor degree in Accounting, a Master's degree in Business Administration and is a Certified Practising Accountant.



Left to right: Vincent Lorimer, Cath Maurer, Val Price-Beck, Joanne Rosewarne, Bek Hyland.

THE INTEGRITY, ASSURANCE AND RESOURCING UNIT

The unit provides business support services to the NHFB including human resources, internal audit, organisational compliance, governance, business continuity, internal control and assurance, risk management, fraud control, security, facilities management, and records management.

To support the Administrator, the unit conducts assurance reviews on the integrity of advice provided to the Commonwealth Treasurer by the Administrator on the Commonwealth national health reform funding for public hospital services.

The unit also provides secretariat support to the NHFB Audit Committee and other committees including: Risk Compliance and Business Continuity Committee, Workplace Consultative Committee, and Information Governance Committee.

DIRECTOR, VAL PRICE-BECK

Val oversaw the establishment of the NHFB as a Commonwealth agency and the implementation of the PGPA Act and associated Rules into the NHFB. Val has more than 20 years' senior executive public service experience in corporate services and related functions.



Left to right: Suchith Gunatillake, Michael Lysaght, Georgia James, Megan Street, Svetlana Angelkoska, Jeremy Rhind. Not pictured: Sheila Holcombe, Jerome Boland.

THE DATA MODELLING, ANALYSIS AND POLICY UNIT

The unit provides strategic policy advice to the NHFB and Administrator. Responsibilities include researching, developing and reviewing current and proposed policy decisions, and associated funding implications.

The unit's financial models enable the Administrator to calculate the Commonwealth national health reform funding to local hospital networks. The unit also develops programs and models to determine services eligible for Commonwealth funding, and collects and processes the data required to support this modelling.

Other responsibilities include the annual update of the Administrator's rolling *Three Year Data Plan*, and determining the Administrator's minimum data requirements from the Commonwealth, states and territories.

The unit prepares parliamentary reporting material, including the Annual Reports of the Administrator and the NHFB, and provides briefing and secretariat support to the Administrator's and NHFB's jurisdictional committees.

DIRECTOR, SVETLANA ANGELKOSKA

Svetlana has extensive experience in analysing, modelling and reporting hospital and health data, including the development of the growth calculation models that enable the Administrator to accurately calculate the Commonwealth funding contribution. Svetlana holds a Bachelor of Science and a Graduate Certificate of Actuarial Techniques.

MANAGEMENT OF HUMAN RESOURCES

The NHFB supports and develops individuals in an environment that allows them to work to their full potential, innovate and encourage leadership.

The NHFB enjoyed pleasing results in the 2017 Australian Public Service Commission (APSC) Employee Census. The NHFB had a 94 per cent response rate, the third highest response rate across the Australian Public Service (APS) and well above the APSC's target participation rate of 65 per cent.

The Employee Census results indicate the NHFB is an organisation which enjoys a collegiate, honest and respectful workforce with a strong and happy team culture focused on outcome delivery. Results from the Employee Census for the NHFB show:

100 PER CENT OF PARTICIPANTS STATED...

- + they are proud to work at the NHFB
- + they consider their Senior Executive Service (SES) manager is of a high quality
- + they enjoy the work in their current job
- + they have a good immediate supervisor
- + their supervisor acts in accordance with the APS Values in their everyday work
- + their senior leaders act in accordance with the APS Values.

93 PER CENT OF PARTICIPANTS...

- + would 'go the extra mile' for their job when required
- + said in the last 12 months they regularly or irregularly received performance feedback
- + stated they felt a strong personal attachment to the NHFB
- + are satisfied with their work-life balance
- + feel they are valued for their contribution.

In addition, 77 per cent of participants strongly agree the SES set a clear strategic direction for the agency. The rate for the APS was 11 per cent.

EMPLOYEE PROFILE

The NHFB is a small, dynamic agency that is highly educated and culturally diverse. Our employees come from a range of countries, backgrounds and professional experiences.

The total number of staff employed in the NHFB in 2016–17 increased from 2015–16 year with 17 to 21 employees (19.76 full time equivalent) at the end of June 2017. Of these 21 employees, two people were on long-term leave.

All employees are based in a central Canberra office.

TABLE 4: HEADCOUNT BY EMPLOYMENT STATUS

Employment Status	Headcount
Non-ongoing	5
Ongoing	16
TOTAL*	21

*Includes the CEO and two staff on long-term leave.

TABLE 5: HEADCOUNT BY GENDER AND EMPLOYMENT STATUS*

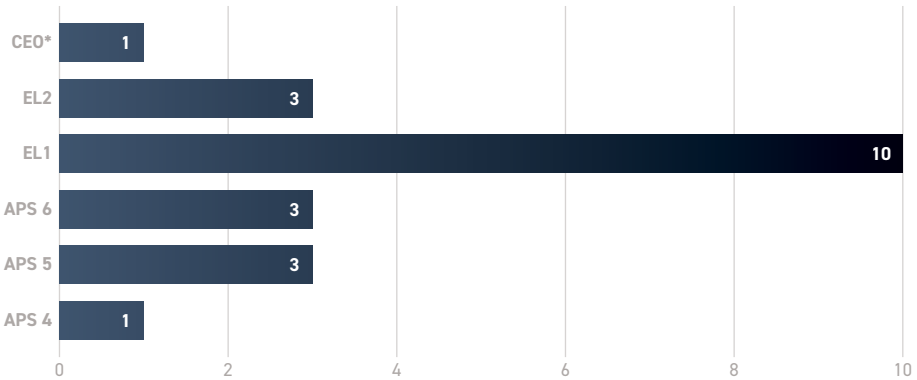
	Female			Male			Total
	Ongoing	Non-ongoing	Female total	Ongoing	Non-ongoing	Male total	
Office of the CEO	1	-	1	-	1	1	2
Data Modelling and Analysis	2	2	4	3	-	3	7
Finance and Reporting	3	-	3	2	1	3	6
Integrity Assurance and Resourcing	4	1	5	1	-	1	6
TOTAL	10	3	13	6	2	8	21

*Includes two staff on long-term leave.

TABLE 6: SENIOR EXECUTIVE — HOLDERS OF PUBLIC OFFICE

Senior Executive	Male	Total
Holder of Public Office — Office of the CEO	1	1

FIGURE 3: HEADCOUNT BY CLASSIFICATION



*the CEO is a Holder of Public Office (HOPO)

WORKFORCE PLANNING, EMPLOYEE RETENTION AND TURNOVER

The three year Workforce Capability Framework was fully developed, and partially implemented, in 2016–17. Workforce planning helps the NHFB to proactively identify and anticipate change, identify the important issues driving change, and enables appropriate strategic and operational responses.

The average length of service for NHFB employees is approximately 2.03 years. One-third of staff have been employed with the NHFB for more than three years.

The employee turnover rate for 2016–17 was 14 per cent (down from 24 per cent in 2014–15). The decrease in employee turnover coincides with a new Heads of Agreement and Addendum being signed, confirming the NHFB's future to 2020.

WORKFORCE DIVERSITY

The NHFB has a *Workplace Diversity Plan 2014–16*, and is committed to recruitment and retention of a diverse workforce.

This is evidenced by the NHFB's culturally diverse workforce:

- + 5 per cent of the workforce identifies as being Indigenous
- + 38 per cent of the workforce identifies as being from non-English speaking backgrounds and/or born outside of Australia

- + age profile spans between 26–62 years
- + gender demographic is 62 per cent female and 38 per cent male.

REMUNERATION FRAMEWORK

The only SES level appointment at the NHFB is the CEO, appointed as a Holder of Public Office. The employment conditions and remuneration for the CEO are set by the Commonwealth Remuneration Tribunal.

On 7 September 2016, NHFB employees voted for their first Enterprise Agreement with the *National Health Funding Body Enterprise Agreement 2016–2019* taking effect on 26 October 2016. Salary ranges for the 20 non-SES employees are in Table 7. Three non-SES employees were covered by both an Individual Flexibility Arrangement and the Enterprise Agreement.

**TABLE 7: SALARY RANGE
BY CLASSIFICATION**

Classification	Salary Range \$
EL2	116,382–137,790
EL1	97,546–111,253
APS6	79,379–89,551
APS5	70,908–76,685
APS4	66,156–69,901

No performance pay provisions were paid to NHFB employees in the 2016–17 financial year.

PERFORMANCE MANAGEMENT

The NHFB annual performance appraisal scheme directly links regular reviews of individual performance with incremental increases in salary.

The scheme provides a structured way for an employee and their manager to review past performance, and develop a future work program in line with the NHFB strategic objectives. The focus of the scheme is on development and support and, where necessary, performance management.

TRAINING AND DEVELOPMENT

The NHFB actively provides learning and development opportunities for employees to support its functions. The focus for 2016–17 was developing the core capabilities of employees to enhance their professional capability.

Employees supplemented already acquired skills and knowledge through conference attendance, attendance at relevant forums, and participation in professional development for their role.

In 2016–17, employees received training for:

- + fraud control
- + records management
- + internal audit
- + risk management
- + business continuity
- + Protective Security Policy Framework
- + leadership development
- + tailored orientation and induction program for new employees.

Employees are eligible to apply for the NHFB's Study Assistance Scheme, which offers financial assistance, time off for study purposes or a combination of both.

**TABLE 8: NHFB EMPLOYEE
QUALIFICATIONS**

Section	NHFB
Professional Industry Qualification (e.g. GAICD/CPA)	8
Post Graduate Qualification	8
Undergraduate Qualification	10
TOTAL*	26

**Note, employees may have more than one qualification.*

PRODUCTIVITY GAINS

The NHFB worked towards achieving a range of productivity initiatives throughout the year. This included negotiation of a revised payroll pricing structure, which has resulted in significant cost savings for our payroll services.

Through innovative development of people, structures and processes, the NHFB was able to deliver results that will improve collective and individual productivity.

WORK HEALTH AND SAFETY

The NHFB is committed to safeguarding the health and safety of its employees, workers and visitors by providing and maintaining a safe working environment. The NHFB aims to eliminate all preventable work related injuries and illnesses through systematic management. Additionally, the NHFB is committed to supporting and promoting the holistic wellbeing of its employees.

The NHFB provides an ongoing commitment to maintain a safe and healthy workplace, and to meet its obligations under the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*. In 2016–17, no directions or notices were issued under the *Work Health and Safety Act 2011*.

The NHFB has a rehabilitation management system as required under Comcare's *Guidelines for Rehabilitation Authorities 2012*. These Guidelines provide a framework for the NHFB's health and safety management arrangements.

All new employees are required to complete Work Health and Safety training as part of their induction. The training assists the NHFB to meet its obligations, and create a safety-aware workplace.

First Aid Officers and First Aid Kits are located on-site to ensure assistance is available when needed. Workplace Health and Safety training was arranged for all new health and safety representatives, and refresher training organised as required for ongoing representatives.

The NHFB promotes health and wellbeing awareness among employees by supporting an annual program focused on health and lifestyle, which is developed in consultation with employees, primarily through the Workplace Consultative Committee.

In 2016–17, NHFB employees had access to:

- + workplace assessments
- + workstation adjustment training
- + adjustment equipment
- + influenza vaccinations
- + a stress management forum
- + rest-break guidance
- + an Employee Assistance Provider awareness forum
- + use of taxis after hours to provide safe transport to and from work
- + blood donation leave
- + eye sight testing
- + family care assistance
- + financial assistance to access financial advice for staff 54 years and older
- + leave for Australian Defence Force reserve and continuous full-time service.

Flexible working locations and home-based work, including access to the internet, laptop computers, tablets and mobile phones, were available to staff.

The NHFB continues to take a proactive approach to supporting employees. This is evidenced by the Respect Charter developed by the staff of the NHFB.

HEALTH AND SAFETY OUTCOMES

In 2016–17, the NHFB had no reportable incidents or serious personal injury incidents, and no notices or directions under the *Work Health and Safety Act 2011*.

DISABILITY REPORTING

In 2016–17 the NHFB did not have any employees who identified themselves as having a disability.

The *National Disability Strategy 2010–2020* sets out a ten-year national policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society.

Information and reporting on the National Disability Strategy is available at dss.gov.au/our-responsibilities/disability-and-carers/publications-articles/policy-research/national-disability-strategy-2010-2020

 GOVERNANCE PRINCIPLES IN PRACTICE

 OTHER ACCOUNTABILITIES



Our Governance & Accountability



NHFB VALUES AND GOVERNANCE PRINCIPLES

The NHFB is committed to managing its business operations to meet its strategic objectives, statutory obligations and ethical standards. This commitment is an integral part of the NHFB's management practices, and is the foundation of the NHFB's Corporate Governance Framework.

APS VALUES

The NHFB promotes adherence to the APS Values, and has incorporated them into the organisation's values and governance principles:

- + **ACCOUNTABILITY** — to comply with the legislative requirements according to the parameters set
- + **COLLABORATION** — to maintain effective working relationships with all stakeholders, to instil continued confidence
- + **INTEGRITY** — to conduct business and make decisions in a manner which demonstrates the principles of honesty, consistency, accuracy, and ethics

- + **LEADERSHIP** — to ensure leadership, effective policy advice, and best practice in the management of national health funding
- + **PRIVACY** — to comply with secrecy and disclosure requirements
- + **TRANSPARENCY** — to be transparent in the reporting and transactions of funding activities within the Funding Pool.

ACCOUNTABILITY

COMPLIANCE AND REPORTING

The NHFB operates in a complex and challenging environment, involving a wide range of internal and external stakeholders. It is subject to legislation, regulations, standards and guidelines applicable to its status as a non-corporate entity under the PGPA Act and the *Public Governance, Performance and Accountability Rule 2014*, and its obligations under the Act and Agreement.

In 2016–17 the NHFB reported to relevant parties on the Protective Security Policy Framework, Senate Orders, Legal Directives, Records Management, Privacy and Freedom of Information.

RISK MANAGEMENT

In accordance with section 16 of the PGPA Act, the NHFB maintains an appropriate system of risk oversight, management and internal control.

The NHFB's risk management policy, framework and processes, including registers and plans, are consistent with the Commonwealth Risk Management Policy, Comcover's Better Practice Guide: Risk Management and ASNZ ISO 31000:2009 Risk Management – Principles and Guidelines.

The NHFB has a number of committees in place to support its Governance and risk oversight and management. These include:

- + Executive
- + Audit
- + Risk, Compliance and Business Continuity
- + Information Governance
- + Workplace Consultative.

The different classes of risk adopted by the NHFB are: strategic, people, information, property and reputation.

EXTERNAL SCRUTINY

Audit Committee members, including the Chair, are independent and external to the NHFB. See page 63 for further information on the Audit Committee.

No judicial, tribunal or Australian Information Commissioner decisions have been made or are pending with regard to the NHFB.

No reports on the operations of the NHFB have been released by the Auditor-General, a Parliamentary Committee, or the Commonwealth Ombudsman.

There have been no external capability reviews on the NHFB. In developing the Workforce Capability Framework, an internal review was undertaken.

COLLABORATION

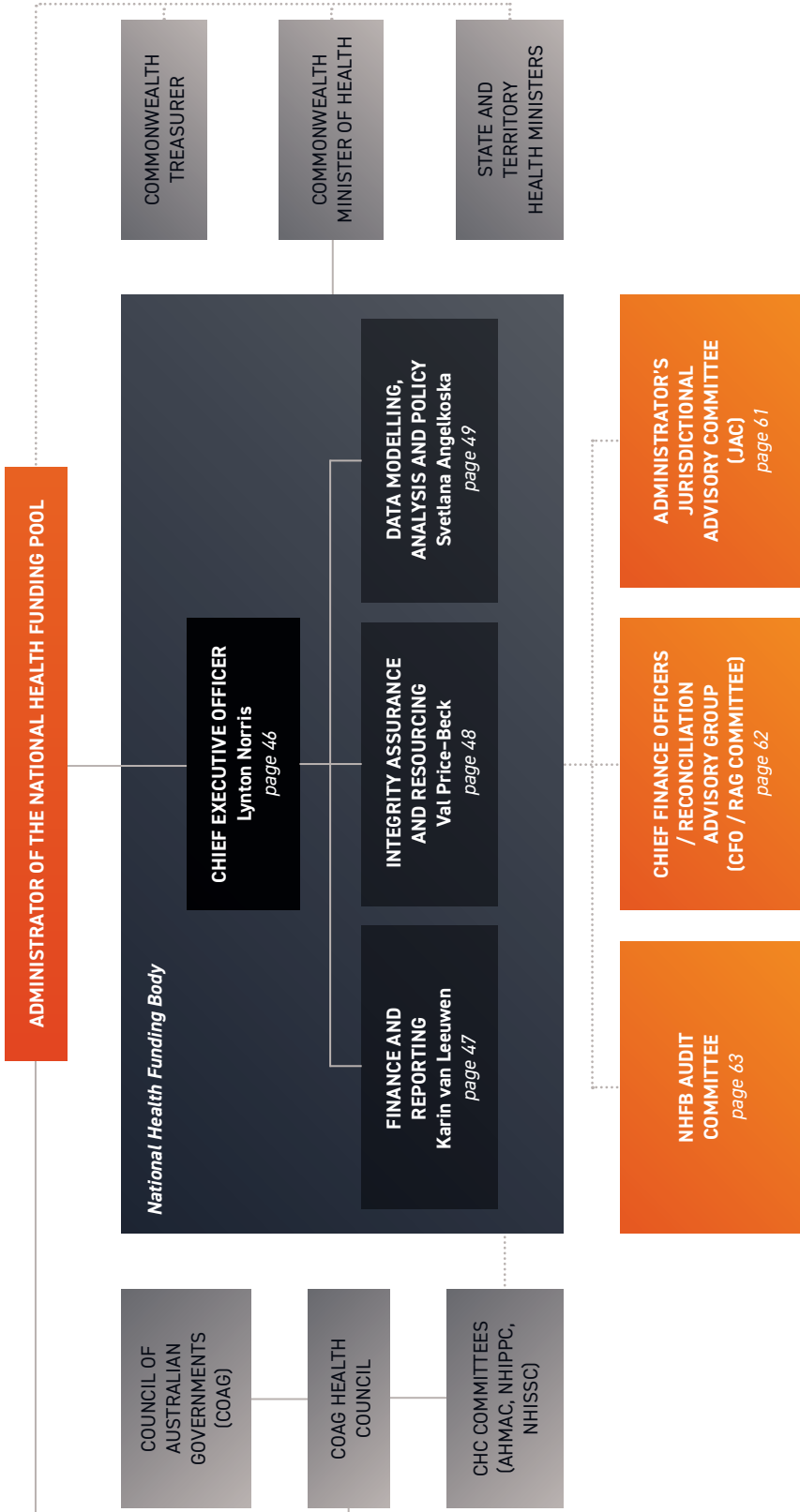
To facilitate the work of the Administrator and the NHFB, the NHFB engages with a range of stakeholders. Through established networks, jurisdictions can provide insight and guidance for the Administrator and NHFB's operations.

The NHFB has adopted a collaborative approach to stakeholder engagement. This consultative approach applies to both internal and external stakeholders.

The NHFB will maintain the same approach in 2017–18, while looking for further opportunities to enhance the services provided to stakeholders.

The Administrator and NHFB's key external relationships are described in Figure 4.

FIGURE 4: ADMINISTRATOR AND NHFB'S KEY EXTERNAL RELATIONSHIPS



SUPPORTING THE ADMINISTRATOR'S RELATIONSHIPS

The NHFB supports the Administrator in providing leadership and expert advice on public hospital funding through:

- + Assisting the Administrator in reporting to COAG Health Council on the operations of the Funding Pool.
- + Providing advice to the Commonwealth Treasurer on national health reform funding, including undertaking a review of growth in activity and funding between 2014–15 and 2015–16.
- + Building relationships and providing advice to all jurisdictional Health Ministers and Chief Executives of Health Departments.

COMMITTEES

The NHFB manages and engages with a number of interjurisdictional committees, including:

- + Managing the Administrator's Jurisdictional Advisory Committee (JAC), including secretariat functions.
- + Managing the Chief Finance Officers and Reconciliation Advisory Group Committee (CFO/RAG), including secretariat functions.

- + Supporting representation on the Australian Health Ministers' Advisory Council and its committees, where appropriate. The NHFB is a member of the National Health Information Performance Principal Committee, and the National Health Information Standards and Statistics Committee.
- + Working in collaboration with a number of external national health committees. The Administrator and the NHFB provide representation on the Independent Hospital Pricing Authority JAC, Technical Advisory Committee, and Non-admitted Care Advisory Working Group.

ADMINISTRATOR'S JURISDICTIONAL ADVISORY COMMITTEE

CHAIR — THE ADMINISTRATOR

The Administrator's JAC is an advisory committee of senior representatives of states and territories, and relevant Commonwealth departments and agencies. The JAC considers strategic issues with those elements of national health reform for which the Administrator has responsibility.

The JAC enables collaboration on operational arrangements and priorities under the Agreement and the Act. The committee provides jurisdictional confidence in the independence and accountability of the Administrator and NHFB.

The JAC met five times in 2016–17: August 2016, November 2016, February 2017, March 2017 and June 2017.

CHIEF FINANCE OFFICERS/ RECONCILIATION ADVISORY GROUP

CHAIR — NHFB CEO

The CFO/RAG Committee is a technical group established by the NHFB on behalf of the Administrator. It enables collaboration between Commonwealth, states and territories on issues impacting the operational management of the Funding Pool.

The CFO/RAG Committee met three times in 2016–17: August 2016, November 2016 and February 2017.

In 2016–17, it was agreed the Committee would meet as needed to provide technical advice on time-limited issues to the JAC.

AUDITORS-GENERAL

To enable the Administrator to fulfill his responsibilities, the NHFB works closely with state and territory Auditors-General on the development and audit of the State Pool Accounts, and the Commonwealth Auditor-General for the audit of the Commonwealth Contribution Model, and the financial statements of the NHFB.

WORKPLACE COMMITTEES

The following internal NHFB committees support the governance framework:

NHFB EXECUTIVE COMMITTEE

The primary decision-making body in the NHFB, which provides advice and makes recommendations to the CEO on policies, direction, initiatives, and immediate and emerging issues.

The Committee also acts as a forum for discussion, prioritisation, and forward planning.

RISK, COMPLIANCE AND BUSINESS CONTINUITY COMMITTEE

Provides assurance to the CEO and the Audit Committee on the adequacy and effectiveness of the NHFB's risk, control and compliance frameworks, and internal audit activities and assurance reviews. It also oversees management of business continuity.

WORKPLACE CONSULTATIVE COMMITTEE

Brings together employees and management to cooperatively and collaboratively consult and discuss employment conditions and health and safety matters.

INFORMATION GOVERNANCE COMMITTEE

Provides oversight to the NHFB's implementation of Commonwealth digital initiatives. These include Digital Continuity 2020 (National Archives), Whole of Government Digital Records Transformation (Department of Finance), and initiatives promoted by the Digital Transformation Office.

AUDIT COMMITTEE

The NHFB Audit Committee is an assurance body formed in 2013 that comprises four independent members: Carol Holley (Chair, since March 2013), Mark Ridley, Ken Barker and Jeremy Chandler. Current members have tenures until March 2018.

The functions of the Audit Committee include reviewing the appropriateness of the NHFB's financial reports, performance reporting, systems of risk oversight and management, and systems of internal controls. The Audit Committee also supports the auditing of financial statements for both the NHFB and the Funding Pool.

The Audit Committee met six times in 2016–17: August 2016, September 2016, October 2016, November 2016, March 2017 and May 2017.

AUDIT COMMITTEE MEMBERS

CAROL HOLLEY

Ms Holley is a Non-Executive Director of the Australian Nuclear Science and Technology Organisation, and a member of its Audit and Risk Committee. She is also the Independent Chair of numerous committees in NSW and a member of the Risk and Audit Committee of the NSW Mental Health Commission.

Ms Holley is a Chartered Accountant, and a Fellow of the Australian Institute of Company Directors.

MARK RIDLEY

Mr Ridley is a former senior partner with PricewaterhouseCoopers, where he held a number of leadership roles focused on assurance and risk management.

Mr Ridley is currently Chair of several Commonwealth Government Audit Committees and an Independent Member of a number of Audit and Risk Committees.

Mr Ridley is a Chartered Accountant (FCA), a graduate member of the Australian Institute of Company Directors, and a long-standing member of ISACA.

KEN BARKER

Mr Barker has more than 40 years' experience in public sector management and finance, previously working for NSW Police, the former Public Works, Corrective Services, and NSW Health.

Mr Barker has a number of board and committee appointments.

Mr Barker is a Fellow of the Institute of Public Accountants, and a graduate member of the Australian Institute of Company Directors.

JEREMY CHANDLER

Mr Chandler is the Director of Business WIDE Consulting Support Pty Ltd. He is also a Senior Adviser to Nous Group and an Associate with Executive Intelligence Group.

Mr Chandler is an Independent Audit Committee Member for the ACT Health Directorate, the Australian National University and the Australian Communications and Media Authority.

INTEGRITY

AUDITS AND ASSURANCE REVIEWS

The internal audit and assurance function is provided by a combination of in-house and contract resources, to provide assurance to the CEO and the Audit Committee.

Audits ensure the NHFB's financial and operational controls are operating in an efficient, effective, economical and ethical manner.

An integral part of the internal audit and assurance function is the review of the Payments System (in accordance with the Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board). The review concluded:

- + the description of the system and controls in the Framework fairly represents those of the system
- + controls are suitably designed to achieve the identified objectives detailed in the Framework
- + the controls operated effectively throughout the year.

The NHFB undertook the following internal and external audits in 2016–17:

Internal and external audits 2016–17
Strategic Plan: <ul style="list-style-type: none">+ Quality and timeliness of Strategic Plan deliverables
Commonwealth Contribution Model (CCM): <ul style="list-style-type: none">+ Completeness, accuracy and validity of formulas and inputs of base model and all updates+ Quality Assurance process+ Development and implementation of a replacement in 2017–18+ Integrity of methodology and formulas+ Testing framework
Directions: <ul style="list-style-type: none">+ National Health Reform Agreement (as amended) and COAG
Payments System: <ul style="list-style-type: none">+ Review of access management+ Control Framework: Independent review and proposed actions
Protective Security Framework: <ul style="list-style-type: none">+ Annual review of compliance
Reconciliation: <ul style="list-style-type: none">+ Compliance audit of completeness and accuracy of National Weighted Activity Unit (NWAU)
External review of staffing capability and capacity

FRAUD CONTROL

In accordance with the PGPA Act, section 10 of the Public Governance, Performance and Accountability Rule 2014 and the Commonwealth Fraud Control Policy, the NHFB maintains an appropriate system of risk management and internal control including measures relating to compliance with finance law.

The NHFB has fraud prevention, detection, investigation and reporting mechanisms in place and has taken all reasonable measures to appropriately deal with fraud.

LEADERSHIP

EXPERT ADVICE ON NATIONAL HEALTH REFORM FUNDING

In 2016–17, the Administrator and NHFB received a number of referrals for expert advice on national health reform funding.

In August 2016, the NHFB undertook a technical review of four Funding Cap options on a state and national basis. The Administrator and NHFB presented the four options at a national workshop, and discussed the form and function of the new arrangements. The workshop included representatives from all Health Departments, the Commonwealth Treasury, and the Department of the Prime Minister and Cabinet.

The Administrator and NHFB reviewed the draft Addendum and also developed 'blueprints' for implementing the reforms. These were used to evaluate the clarity of the Addendum, and provide transparency on the Administrator's decisions.

Following requests from a number of jurisdictions, the Administrator and NHFB modelled the impact of the safety and quality reforms and its impacts on public hospital funding.

The Administrator and NHFB's advice supported and informed jurisdictions in the agreement of the public hospital funding arrangements from 1 July 2017 to 30 June 2020.

NATIONAL COMMUNITY OF PRACTICE FOR DATA INTEGRITY

The Agreement specifies that the Commonwealth, and states and territories are responsible for the integrity of data provided to the Administrator and other national agencies. To support jurisdictions in maintaining best practice, the Administrator and NHFB have facilitated a National Community of Practice on Data Integrity.

PRIVACY

DATA PRIVACY, SECRECY AND SECURITY

The Administrator's *Data privacy, secrecy and security policy* outlines the approach to collection, use, storage, disclosure and destruction of data received by the Administrator or NHFB. The policy ensures data collection and use is in accordance with the Australian Privacy Principles and with the secrecy and patient confidentiality provisions in the Act and other statutory protections.

The Administrator and NHFB must handle 'personal information' in accordance with the requirements imposed by the *Privacy Act 1988*. Data held by the Administrator and/or the NHFB is 'personal information' if it relates to an individual whose identity is apparent or reasonably identifiable.

The policy outlines protocols to ensure identifiable information is not received by the Administrator or NHFB. The policy also outlines protocols for instances where information received by the Administrator or NHFB may become identifiable, and therefore caught by relevant privacy provisions. The protocols include advising the data steward of the instance, precluding officers from disclosing information, and disposing of records securely.

In 2016–17, the NHFB engaged an external consultant to review the *Data privacy, secrecy and security policy*. The recommendations from this review will be implemented in 2017–18.

TRANSPARENCY

INCREASING TRANSPARENCY WITH MONTHLY REPORTS

Section 240 of the Act requires that the Administrator provide monthly reports to the Commonwealth and each state and territory, and to make them publicly available. The reports are prepared by the NHFB and are published on the Administrator's website (publichospitalfunding.gov.au) once data is verified by states and territories.

Each month a national report, state and territory reports, and reports for each of the 140 local hospital networks are produced. Ministers, jurisdictional officials, researchers and members of the public can use the monthly reports to review and compare funding to local hospital networks.

The reports contain:

- + Amounts paid into each State Pool Account and State Managed Fund by the relevant state and by the Commonwealth
- + Amounts paid from each State Pool Account or State Managed Fund to local hospital networks, a State Managed Fund or other organisations or funds
- + Number of public hospital services funded for each local hospital network (including as a running financial year total)
- + Number of other public hospital services and functions funded from each State Pool Account or State Managed Fund (including a running financial year total).

As specified in the Administrator's *Three Year Data Plan*, states and territories are required to provide monthly report data within two weeks of the end of the month. The NHFB collate the monthly report data, and related data from the CCM.

OTHER ACCOUNTABILITIES

ASSETS MANAGEMENT

In 2016–17 the NHFB leased assets from the Commonwealth Department of Health.

PURCHASING

The NHFB's purchasing activities were conducted in line with the Commonwealth Procurement Guidelines and the NHFB Accountable Authority Instructions.

The NHFB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises and Small Enterprise participation statistics are available on the Department of Finance's website: finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The NHFB did not enter into any contracts precluding access by the Commonwealth Auditor-General.

EXEMPT CONTRACTS

The NHFB did not enter into any contracts that were exempt from publication on the AusTender website.

ADVERTISING AND MARKET RESEARCH

The NHFB did not undertake any advertising campaigns or market research in 2016–17.

ECOLOGICAL AND ENVIRONMENTAL REPORTING

The NHFB is committed to the principles of ecologically sustainable development.

In 2016–17 the NHFB continued to minimise its environmental impact by:

- + encouraging all staff members to reduce the volume of printing
- + turning off lights and computers when the office is not in use
- + using a waste recycling station
- + reducing our office space
- + limiting travel by using technological solutions whenever possible

INFORMATION PUBLICATION SCHEME

The *Freedom of Information Act 1982* (the FOI Act) gives members of the public a right to access copies of documents, other than exempt documents, held by the NHFB.

Agencies subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme.

In accordance with the FOI Act requirements, the NHFB publishes FOI information on its website at: nhfb.gov.au/contact-us/freedom-of-information

No FOI requests were received by the NHFB in 2016–17.

GRANT PROGRAMS

There were no grant programs undertaken by the NHFB in 2016–17.

CONSULTANTS

In 2016–17, the NHFB engaged consultants when specialist expertise or independent research, review or assessment was required.⁵ Decisions to engage consultants are made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and other internal policies. During 2016–17, the NHFB entered into three new consultancy contracts involving total actual expenditure of \$80,630 (inc. GST). All contracts were completed within the financial year.

⁵ The assessment and reporting of consultants in the Annual Report is line with Department of Finance guidelines.

- ✚ UNMODIFIED AUDIT OF FINANCIAL
STATEMENTS BY THE AUSTRALIAN
NATIONAL AUDIT OFFICE
- ✚ FINANCIAL STATEMENTS
- ✚ NOTES TO THE FINANCIAL STATEMENTS

Our Finances



NATIONAL HEALTH FUNDING BODY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

Opinion

In my opinion, the financial statements of the National Health Funding Body for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Health Funding Body as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the National Health Funding Body, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the National Health Funding Body in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the National Health Funding Body the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the National Health Funding Body's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists.

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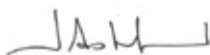
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Jocelyn Ashford
Senior Executive Director
Delegate of the Auditor-General
Canberra
22 September 2017

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the National Health Funding Body will be able to pay its debts as and when they fall due.

Signed



LYNTON NORRIS
CHIEF EXECUTIVE OFFICER

22 September 2017

Signed



KARIN VAN LEEUWEN
CHIEF FINANCIAL OFFICER

22 September 2017

**National Health Funding Body
Statement of Comprehensive Income
for the year ended 30 June 2017**

	Notes	2017 \$	2016 \$	Original Budget \$
NET COST OF SERVICES				
EXPENSES				
Employee benefits	2A	2,454,756	2,044,593	2,322,000
Suppliers	2B	2,207,042	2,418,216	2,036,000
TOTAL EXPENSES		4,661,798	4,462,809	4,358,000
OWN-SOURCE INCOME				
Own-source revenue				
Resources received free of charge	3A	90,000	55,000	51,000
Other		–	40,248	–
Total own-source revenue		90,000	95,248	51,000
Gains				
Other		–	–	–
Total gains		–	–	–
TOTAL OWN-SOURCE INCOME		90,000	95,248	51,000
NET COST OF SERVICES		4,571,798	4,367,561	4,307,000
Revenue from Government	3B	4,307,000	4,314,000	4,307,000
(DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		(264,798)	(53,561)	–
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		(264,798)	(53,561)	–

The above statement should be read in conjunction with accompanying notes.

**National Health Funding Body
Statement of Financial Position
for the year ended 30 June 2017**

	Notes	2017 \$	2016 \$	Original Budget \$
ASSETS				
Financial Assets				
Cash and cash equivalents	4A	25,444	25,000	12,000
Trade and other receivables	4B	1,451,341	1,971,776	1,689,000
Total financial assets		1,476,785	1,996,776	1,701,000
Non-Financial Assets				
Internally developed intangible asset — WIP at cost	5A	167,759	—	—
Total non-financial assets		167,759	—	—
TOTAL ASSETS		1,644,544	1,996,776	1,701,000
LIABILITIES				
Payables				
Suppliers	6A	243,203	505,531	261,000
Other payables	6B	18,177	53,973	54,000
Total payables		261,380	559,504	315,000
Provisions				
Employee provisions	7A	595,020	384,330	411,000
Total provisions		595,020	384,330	411,000
TOTAL LIABILITIES		856,400	943,834	726,000
NET ASSETS		788,144	1,052,942	975,000
EQUITY				
Retained surplus		788,144	1,052,942	975,000
TOTAL EQUITY		788,144	1,052,942	975,000

The above statement should be read in conjunction with accompanying notes.

National Health Funding Body
Statement of Changes in Equity
for the year ended 30 June 2017

	Retained earnings		Contributed equity/ capital		Total equity	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Opening balance						
Balance carried forward from previous period	1,052,942	1,106,503	-	-	1,052,942	1,106,503
Adjusted opening balance	1,052,942	1,106,503	-	-	1,052,942	1,106,503
Comprehensive income						
(Deficit) for the period	(264,798)	(53,561)	-	-	(264,798)	(53,561)
TOTAL COMPREHENSIVE INCOME	(264,798)	(53,561)	-	-	(264,798)	(53,561)
CLOSING BALANCE AS AT 30 JUNE	788,144	1,052,942	-	-	788,144	1,052,942
CLOSING BALANCE ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT	788,144	1,052,942	-	-	788,144	1,052,942

The above statement should be read in conjunction with the corresponding notes.

**National Health Funding Body
Cash Flow Statement
for the year ended 30 June 2017**

	Notes	2017 \$	2016 \$	Original Budget \$
OPERATING ACTIVITIES				
Cash received				
Appropriations		4,856,487	3,662,581	4,137,000
Sale of goods and rendering of services		–	150,000	110,000
Net GST received		175,223	215,935	152,000
Other		83,860	346,973	–
Total cash received		5,115,570	4,375,489	4,399,000
Cash used				
Employees		2,234,978	2,006,026	2,362,000
Suppliers		2,453,306	1,859,490	1,885,000
Section 74 receipts transferred to OPA		259,083	496,973	152,000
Total cash used		4,947,367	4,362,489	4,399,000
NET CASH FROM OPERATING ACTIVITIES		168,203	13,000	–
INVESTING ACTIVITIES				
Cash used				
Purchase of intangibles		167,759	–	–
Total cash used		167,759	–	–
NET CASH USED BY INVESTING ACTIVITIES		(167,759)	–	–
NET INCREASE IN CASH HELD		444	13,000	–
Cash and cash equivalents at the beginning of the reporting period		25,000	12,000	12,000
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4A	25,444	25,000	12,000

The above statement should be read in conjunction with the accompanying notes.

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NOTE 1: OVERVIEW

1.1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are general purpose financial statements and are required by s. 42 of the *Public Governance, Performance and Accountability Act 2013*. The financial statements have been prepared in accordance with:

- a. *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b. Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

1.2. NEW AUSTRALIAN ACCOUNTING STANDARDS

The NHFB adopted AASB 124 Related Party Disclosures for the first time in 2016–17. There is no financial impact on the NHFB following this adoption.

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material financial impact, and are not expected to have a future material financial impact on NHFB.

1.3. TAXATION

NHFB is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

1.4. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period affecting the financial statements.

NOTE 2: EXPENSES

	2017 \$	2016 \$
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NOTE 2A: EMPLOYEE BENEFITS

Wages and salaries	1,637,899	1,358,651
Superannuation		
Defined contribution plans	215,526	178,517
Defined benefit plans	106,582	87,709
Leave and other entitlements	494,749	419,716

TOTAL EMPLOYEE BENEFITS	2,454,756	2,044,593
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ACCOUNTING POLICY

The accounting policy for employee benefits is in note 7.

NOTE 2B: SUPPLIERS

GOODS AND SERVICES SUPPLIED OR RENDERED		
Consumables, printing, recruitment and training	48,624	115,418
Contractors	1,612,555	1,863,433
Information technology and communications	66,490	88,852
Professional fees	126,127	60,771
Property and utilities	19,548	15,540
Travel	77,775	105,825
Other	14,500	21,959

Total goods and services supplied or rendered	1,965,619	2,271,798
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OTHER SUPPLIERS

Operating lease rentals in connection with		
Minimum lease payments	209,367	126,056
Workers compensation expenses	32,056	20,362

Total other supplier expenses	241,423	146,418
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TOTAL SUPPLIER EXPENSES	2,207,042	2,418,216
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Continued.

NOTE 2: EXPENSES (CONTINUED)

	2017 \$	2016 \$
LEASING COMMITMENTS		
The NHFB in its capacity as sub-lessee has entered the following non-cancellable lease:		
<i>Lease for office accommodation</i>		
The NHFB has one current accommodation sub-lease in the ACT. The sub-lease commenced on 1 October 2016 for a period of 3 years and is for the NHFB's present accommodation in the ACT.		
There is an option to extend for a further 2 by 2 year periods and any increases in rent will be at a rate commensurate with CPI.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:		
Within 1 year	206,189	54,725
Between 1 to 5 years	257,736	–
TOTAL OPERATING LEASE COMMITMENTS	463,925	54,725
ACCOUNTING POLICY		
Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.		
SETTLEMENT TERMS FOR SUPPLIERS		
All payables are expected to be settled within 30 days.		

NOTE 3: INCOME

	2017 \$	2016 \$
OWN-SOURCE REVENUE		

NOTE 3A: RESOURCES RECEIVED FREE OF CHARGE

Remuneration of auditors	90,000	55,000
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TOTAL RESOURCES RECEIVED FREE OF CHARGE	90,000	55,000
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ACCOUNTING POLICY

Resources received free of charge

Resources received free of charge are recognised as revenue when the fair value can be reliably measured at the time of service would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

NOTE 3B: REVENUE FROM GOVERNMENT

Appropriations

Departmental appropriations	4,307,000	4,314,000
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TOTAL REVENUE FROM GOVERNMENT	4,307,000	4,314,000
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ACCOUNTING POLICY

Revenues from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the NHFB gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

NOTE 4: FINANCIAL ASSETS

	2017 \$	2016 \$
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NOTE 4A: CASH AND CASH EQUIVALENTS

Cash on hand or on deposit	25,444	25,000
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TOTAL CASH AND CASH EQUIVALENTS	25,444	25,000
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ACCOUNTING POLICY

Cash and Cash Equivalents

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a. cash on hand; and
- b. demand deposits in bank accounts with original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

NOTE 4B: TRADE AND OTHER RECEIVABLES

Good and Services receivables in connection with

Goods and services	18,249	–
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Total goods and services receivables	18,249	–
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Appropriations receivable

For existing program	1,414,434	1,963,921
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Total appropriations receivable	1,414,434	1,963,921
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Other receivables

GST receivable from the Australian Taxation Office	18,658	7,855
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Total other receivables	18,658	7,855
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TOTAL TRADE AND OTHER RECEIVABLES (GROSS)	1,451,341	1,971,776
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Continued.

NOTE 4: FINANCIAL ASSETS (CONTINUED)

	2017 \$	2016 \$
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NOTE 4B: TRADE AND OTHER RECEIVABLES (CONTINUED)

Less impairment allowance

Goods and services

	-	-
Total impairment allowance	-	-
TOTAL TRADE AND OTHER RECEIVABLES (NET)	1,451,341	1,971,776

ACCOUNTING POLICY

Trade and Other Receivables

Trade receivables, loans and other receivables that have a fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at their nominal value less impairment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

NOTE 5: NON-FINANCIAL ASSETS

NOTE 5A: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES*

	Computer Software \$	Total \$
As at 1 July 2016		
Gross book value	-	-
Accumulated depreciation, amortisation and impairment	-	-
TOTAL AS AT 1 JULY 2016	-	-
Additions		
Internally developed intangible asset – WIP at cost	167,759	167,759
TOTAL AS AT 30 JUNE 2017	167,759	167,759

Continued.

NOTE 5: NON-FINANCIAL ASSETS (CONTINUED)

	Computer Software \$	Total \$
Total as at 30 June 2017 represented by		
Gross book value	167,759	167,759
Accumulated depreciation, amortisation and impairment	–	–
TOTAL AS AT 30 JUNE 2017	167,759	167,759

** NHFB has not capitalised any property, plant and equipment as all assets were provided under agreement with the Department of Health.*

Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000 (excluding GST), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Intangibles

The NHFB's intangibles comprise internally developed software which have a threshold of \$100,000. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Work in progress

All assets not fully constructed at 30 June 2017 are recorded as work in progress and are valued at cost. Depreciation or amortisation will not commence until the project has been completed to a stage where it can provide service to the department.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the department using the straight-line method of depreciation.

Software and other intangible assets are amortised on a straight-line basis over its anticipated useful life. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date. Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2017	2016
INTANGIBLE ASSET	2–3 YEARS	N/A

NOTE 6: PAYABLES

	2017 \$	2016 \$
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NOTE 6A: SUPPLIERS

Trade creditors and accruals	243,203	505,531
TOTAL SUPPLIER PAYABLES	243,203	505,531

Suppliers expected to be settled within 12 months

Related entities ¹	59,602	262,079
External parties	183,601	243,452
TOTAL	243,203	505,531

Settlement was usually made within 30 days.

NOTE 6B: OTHER PAYABLES

Wages and salaries	15,595	8,672
Superannuation	2,582	958
Leave provisions payable	–	44,343
TOTAL OTHER PAYABLES	18,177	53,973

¹ For the years ended 30 June 2017 and 30 June 2016, this amount relates to payables to the Department of Health under a shared services arrangement and some small payables to other Commonwealth government agencies.

ACCOUNTING POLICY

Financial liabilities are recognised and derecognised upon 'trade date'. The NHFB's financial liabilities are measured at nominal amounts. No fair value measurement disclosures are required.

NOTE 7: PROVISIONS

	2017	2016
	\$	\$

NOTE 7A: EMPLOYEE PROVISIONS

Leave	595,020	384,330
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TOTAL EMPLOYEE PROVISIONS	595,020	384,330
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ACCOUNTING POLICY

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the NHFB is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the NHFB's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for the long service leave has been determined by our best estimates based on the NHFB staff profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Staff of the NHFB are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or employee nominated superannuation funds.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap and employee nominated superannuation funds are defined contribution schemes.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance's administered schedules and notes.

The NHFB makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The NHFB accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

NOTE 8: CONTINGENT ASSETS AND LIABILITIES

QUANTIFIABLE CONTINGENCIES

As at 30 June 2017, the NHFB had no quantifiable contingencies.

UNQUANTIFIABLE CONTINGENCIES

As at 30 June 2013, the NHFB had entered into an arrangement for an indemnity with the New South Wales Health Administration Council (HAC). No change has occurred during 2013–14, 2014–15, 2015–16 and remains current as of 30 June 2017.

The HAC is a statutory body whose functions include entering into contracts to support the functions of the NSW Minister for Health. HAC has a banking contract for its Pool accounts with the RBA. HAC has provided the RBA with an indemnity that places obligations upon HAC to accept risks on persons not in its direct control, being the staff of the NHFB. The HAC has in turn sought a 'back to back' indemnity from the Commonwealth. The indemnity is limited to cover the actions of NHFB staff in their capacity as users of Pool account information.

The most probable cost of the indemnity if called upon would be over \$20,000,000 (inclusive of GST).

A risk assessment has been undertaken in accordance with the Department of Finance's Guidelines for Issuing and Managing Indemnities, Guarantees, Warranties and Letters of Comfort. The contingent liability includes risks which are assessed as being significant or non-remote. The NHFB will make every effort to limit the risk to the Commonwealth under the arrangement through the adoption and implementation of appropriate risk management procedures.

Under the National Health Reform Agreement (NHRA), each of the States agreed to open a Reserve Bank of Australia (RBA) account (a 'State pool account') for the purpose of receiving all Commonwealth and activity-based State public hospital funding. The Administrator of the National Health Funding Pool (the Administrator) is responsible for making payments from each State pool account, at the direction of each State Health Minister. This process is supported by the NHFB.

SIGNIFICANT REMOTE CONTINGENCIES

As at 30 June 2017, the NHFB had no significant remote contingencies. (2016: Nil)

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2017, the NHFB did not have any contingency assets or liabilities (2016: Nil).

ACCOUNTING POLICY

Contingent assets and liabilities are not recognised in the balance sheet but are reported in this note. They may arise from uncertainty as to the existence of an asset or liability, represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

NOTE 9: KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the ANAO, directly or indirectly. The NHFB has determined the key management personnel to be the CEO and the Administrator.

	2017 \$	2016 \$
Short-term employee benefits		
Salary	307,355	304,527
Other	67,149	50,117
Total short-term employee benefits	374,504	354,644
Post-employment benefits		
Superannuation	50,232	45,613
Total post-employment benefits	50,232	45,613
Other long-term benefits		
Annual leave	24,285	21,665
Long-service leave	10,947	10,427
Total other long-term benefits	35,232	32,092
TOTAL EMPLOYMENT BENEFITS	459,968	432,349

Notes

The total number of key management personnel that are included in the above table is three (2016: 2).
The number of key management personnel includes one officer with a period of acting in excess of 4 weeks.

NOTE 10: RELATED PARTY DISCLOSURES

Related parties for the NHFB are the Key Management Personnel, the Portfolio Ministers, and other Australian Government entities. Significant transactions with related entities include the purchase of goods and services and payments in relation to a Memorandum of Understanding for shared services.

No payments were made outside of the normal course of business.

There are no related party transactions by Ministers requiring disclosure.

NOTE 11: FINANCIAL INSTRUMENTS

	2017 \$	2016 \$
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NOTE 11A: CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS		
Loans and Receivables		
Cash and Equivalents	25,444	25,000
Trade and other receivables	18,249	–
Total	43,693	25,000
CARRYING AMOUNT OF FINANCIAL ASSETS	43,693	25,000
FINANCIAL LIABILITIES		
At amortised cost:		
Trade creditors and accruals	243,203	505,531
Total	243,203	505,531
CARRYING AMOUNT OF FINANCIAL LIABILITIES	243,203	505,531

NOTE 11B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS

There is no income or expense from financial assets in 2016–17. (2015–16: Nil)

NOTE 11C: NET INCOME AND EXPENSE FROM FINANCIAL LIABILITIES

There is no net income or expense from financial liabilities in 2016–17. (2015–16: Nil)

NOTE 11D: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial assets and liabilities equals its carrying amount in 2016–17 and 2015–16.

Continued.

NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

ACCOUNTING POLICY

The NHFB classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at their nominal value less impairment.

Effective Interest Method

Income is recognised on an effective interest rate basis.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial liabilities

NHFB classifies its financial liabilities as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

NOTE 12: FINANCIAL ASSETS RECONCILIATION

	Notes	2017 \$	2016 \$
FINANCIAL ASSETS			
Total financial assets as per balance sheet		1,476,785	1,996,776
Less: non-financial instrument components:			
Appropriations receivable	4B	1,414,434	1,963,921
GST Receivable from the Australian Taxation Office	4B	18,658	7,855
Total non-financial instrument components		1,433,092	1,971,776
TOTAL FINANCIAL ASSETS AS PER FINANCIAL INSTRUMENTS NOTE		43,693	25,000

NOTE 13: APPROPRIATIONS

NOTE 13A: ANNUAL APPROPRIATIONS (RECOVERABLE GST EXCLUSIVE)

ANNUAL APPROPRIATION FOR 2017

	Annual Appropriation \$	Section 74 \$	Total appropriation \$	Appropriation applied in 2017 (current and prior years) \$	Variance ¹ \$	Section 51 determination \$
DEPARTMENTAL						
Ordinary annual services	4,307,000	259,083	4,566,083	(4,856,488)	(290,405)	–
TOTAL DEPARTMENTAL	4,307,000	259,083	4,566,083	(4,856,488)	(290,405)	–

ANNUAL APPROPRIATION FOR 2016

	Annual Appropriation \$	Section 74 \$	Total appropriation \$	Appropriation applied in 2016 (current and prior years) \$	Variance ² \$	Section 51 determination \$
DEPARTMENTAL						
Ordinary annual services	4,315,000	496,973	4,811,973	(4,375,488)	436,485	1,000
TOTAL DEPARTMENTAL	4,315,000	496,973	4,811,973	(4,375,488)	436,485	1,000

¹ The variance of \$290,405 is due to the NHFB drawing down on its prior year appropriation during 2016–17 to pay its 2015–16 trade creditors and accruals.

² The variance of \$436,485 is due to the NHFB drawing down on its prior year appropriation during 2015–16 to pay its 2014–15 trade creditors and accruals.

NOTE 13: APPROPRIATIONS (CONTINUED)

TABLE B: DEPARTMENTAL AND ADMINISTERED CAPITAL BUDGETS (RECOVERABLE GST EXCLUSIVE)

There was no Departmental Capital Budget appropriated to the NHFB in 2016–17 (2015–16: nil)

TABLE C: UNSPENT ANNUAL APPROPRIATIONS (RECOVERABLE GST EXCLUSIVE)

Authority	2017 \$	2016 \$
DEPARTMENTAL		
Appropriation Act (No 1) 2016–17	135,141	–
Appropriation Act (No 1) 2015–16	1,279,293	1,963,921
Cash at Bank	25,444	25,000
TOTAL	1,439,878	1,988,921

NOTE 14: BUDGETARY REPORTING – EXPLANATION OF MAJOR VARIANCES

The main variance for NHFB in 2016–17 between the original budget published in the 2016–17 Portfolio Budget Statements (PBS) and the actual results was an increase in suppliers expenses in the Statement of Comprehensive Income (9%). The increase was due to activity associated with implementation of the Addendum to the National Health Reform Agreement at the request of Government. Accordingly, the Department of Finance had approved a loss of \$500,000. The eventual loss was reduced because the NHFB capitalised a large component of work in the redevelopment of the Commonwealth Contribution Model (a financial model that enables the Administrator to accurately calculate the Commonwealth funding contribution to local hospital networks). A detailed capitalisation policy was developed and this was applied to capture all costs and support the amount to be capitalised. The reported loss for the period is \$264,798.

The Statement of Financial Position has the following variances:

- + Trade and other receivables is lower than budgeted reflecting the loss for the year, i.e. drawing down unused funds from prior year appropriations.
- + Under non-financial assets, internally generated software of \$167,759 has been reported for the first time as work-in-progress. This amount is also reflected in cash used for investing activities in the Cash Flow Statement.
- + A reduction in other payables as at 30 June 2017 as there was no leave provision payable.
- + An increase in employee leave provisions mainly due to the increase in salaries, staff accruing more leave and new staff commencing in NHFB (this does not impact on expenses as leave was transferred from other government entities).



Endnotes



Appendix 1

GUIDE TO FIGURES IN ANNUAL REPORT

FRONT COVER AND PAGE III HIGHLIGHTS

Source: Administrator National Health Funding Pool 2016–17 Annual Report, Funding and Payments

	Funding	National \$ billion
Commonwealth funding ¹	Section 241(2)B (page 51): Total amount paid by Commonwealth into State Pool Account in 2016–17	18.6
State funding receipted into state pool account ¹	Section 241(2)A (page 50): State Pool Account — ABF 2016–17	21.5
State funding receipted into state managed fund	Section 241(2)A (page 50): State Managed Fund — Block 2016–17	4.0
TOTAL FUNDING²	COMMONWEALTH FUNDING + STATE FUNDING	44.1
	Payments	National \$ billion
Activity Based Funding ¹	Section 241(2)C (page 53): Amount paid from State Pool Account to Local Hospital Networks in 2016–17	37.2
Block Funding from State Pool Accounts ¹	Section 241(2)C (page 53): Amount paid from State Pool Account to State Managed Fund in 2016–17	2.2
Block Funding from State Managed Funds	Section 241(2)A (page 50): Amount paid by State/Territory to State Managed Fund — Block in 2016–17	4.0
PAYMENTS TO AUSTRALIAN PUBLIC HOSPITALS²	ACTIVITY BASED FUNDING + BLOCK FUNDING	43.4

¹ Data can also be sourced from the Combined State Pool Account Financial Statement or respective State or Territory State Pool Account Financial Statement for the year ended 30 June 2017.

² Totals may not equal the sum of components due to rounding.

Acronyms

ACRONYM	MEANING
ABF	Activity Based Funding
AHMAC	Australian Health Ministers' Advisory Council
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFO/RAG	Chief Finance Officers and Reconciliation Advisory Group Committee
COAG	Council of Australian Governments
FOI Act	Freedom of Information Act
HAC	Hospital Acquired Complication
HOPD	Holder of Public Office
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
MBS	Medicare Benefits Schedule
NHFB	National Health Funding Body
NHIPPC	National Health Information and Performance Principal Committee
NHISSC	National Health Information Standards and Statistics Committee
NHR	National Health Reform
NHR Act 2011	<i>National Health Reform Act 2011</i>
NWAU	National Weighted Activity Unit
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
SES	Senior Executive Service
SME	Small and Medium Enterprise

Glossary

TERM	MEANING
(the) Act	The <i>National Health Reform Act 2011</i> .
Activity Based Funding	Refers to a system for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the Independent Hospital Pricing Authority. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Addendum	<p>The Addendum to the National Health Reform Agreement entered into by all states, territories and the Commonwealth in 2017, included as Schedule I to the Agreement.</p> <p>The Addendum sets out additional reforms to the way in which public hospitals are funded nationally.</p>
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and state and territory government departments, established under legislation of the Commonwealth and state and territory governments.</p> <p>The role of the Administrator, with support from the NHFB, is to administer the payment of public hospital funding according to the National Health Reform Agreement, and to oversee payments into and out of the State pool account for each state and territory, collectively known as the National Health Funding Pool.</p>
(the) Agreement	See <i>National Health Reform Agreement</i> .
block funding	<p>A system of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under National Health Reform, block funding will be provided to states and territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
COAG Health Council	Previously known as Standing Council on Health (SCoH).
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, state and territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
(the) Funding Pool	See <i>National Health Funding Pool</i> .
Independent Hospital Pricing Authority	An independent statutory body established under Commonwealth legislation to calculate and deliver an annual National Efficient Price used in the calculation of national Activity Based Funding for Australian public hospitals.

Continued.

TERM	MEANING
Local hospital networks	Recipients of the payments from the National Health Funding Pool, Commonwealth block funding and state managed funds.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in this Agreement.
National Health Funding Administrator Payments System (Payments System)	The Administrator's Payments System processes the national health reform Commonwealth, state/territory deposits and payments into and out of the National Health Funding Pool, as required under the Act.
National Health Funding Body	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, state and territory legislation.
National Health Funding Pool (the Funding Pool)	A collective name for the state pool accounts of all states and territories. The National Health Funding Pool was established under Commonwealth and state and territory legislation for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement.
National health reform	National health reform includes reforms to the way in which public hospitals are funded nationally in Australia, as set out in the <i>National Health Reform Agreement</i> entered into by all states, territories and the Commonwealth in August 2011.
National Health Reform Agreement (the Agreement)	The <i>National Health Reform Agreement</i> outlines the funding, governance, and performance arrangements for the delivery of public hospital services in Australia. The Agreement was entered into by all states, territories and the Commonwealth in August 2011.
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the National Efficient Price is paid. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
Public Governance, Performance and Accountability Act (PGPA Act)	<i>Public Governance, Performance and Accountability Act 2013</i> . This act replaced the <i>Financial Management and Accountability Act 1997</i> and the <i>Commonwealth Authorities and Companies Act 1997</i> from 1 July 2014.
Public Health funding	Public Health funding covers amounts previously relating to national public health, youth health services and essential vaccines (service delivery) in 2008–09 (\$244.0 million).
Reconciliation	The Reconciliation of actual ABF Service delivery volume undertaken within a State to the estimate of ABF Service delivery volumes provided by a State.

Continued.

TERM	MEANING
Safety and Quality adjustment	A reduction in funding payable to a State by the Commonwealth for Public Hospital Services, funded either under ABF or Block Funding, following the occurrence of a Hospital Acquired Complication or an Avoidable Hospital Readmission in accordance with the pricing and funding models to be developed by the Parties for this purpose.
Soft Cap	The limit in growth in Commonwealth funding for Public Hospital Services in a State of 6.5 per cent per annum.
state managed fund	A separate bank account or fund established by a state or territory for the purposes of health funding under the Agreement which must be undertaken in the state or territory through a state managed fund.
state pool account	A Reserve Bank account established by a state or territory for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement. The state pool accounts of all states and territories are collectively known as the National Health Funding Pool.

Disclosure Index

PART OF REPORT	DESCRIPTION	REQUIREMENT	LOCATION
LETTER OF TRANSMITTAL			
	Letter of transmittal	Mandatory	IV
AIDS TO ACCESS			
	Table of contents	Mandatory	1
	Alphabetical index	Mandatory	108–118
	Glossary of abbreviations and acronyms	Mandatory	99–102
	List of requirements	Mandatory	103
	Details of contact officer	Mandatory	inside front cover
	Agency website address	Mandatory	inside front cover
	Electronic address for report	Mandatory	inside front cover
REVIEW BY CEO			
	Review by CEO	Mandatory	2–3
OVERVIEW OF AGENCY			
	Role and functions	Mandatory	2
	Organisational structure	Mandatory	9, 11, 60
	Outcome and programme structure	Mandatory	15
	Purpose of the agency	Mandatory	14
	Portfolio structure	Portfolio departments – mandatory	N/A
	Where outcome and programme structures differ from Portfolio Budget Statement/Portfolio Additional Estimates Statements or other portfolio estimates statement that was prepared for the agency for the period, details of variation and reasons for change	If applicable, Mandatory	N/A

Continued.

PART OF REPORT	DESCRIPTION	REQUIREMENT	LOCATION
REPORT ON PERFORMANCE			
Annual Performance Statements	Annual performance statement in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	14
Report on Financial Performance	Discussion and analysis of the agency's financial performance	Mandatory	2–3, 16–17, 73–95
	Table summarising agency resource and payments	Mandatory	16–17
	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the agency; how the agency has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the agency's future operation or financial results.	If applicable, Mandatory	75, 95
MANAGEMENT AND ACCOUNTABILITY			
Corporate Governance	Information on compliance with section 10 (fraud systems)	Mandatory	48, 65
	Certification by CEO that fraud risk assessments and fraud control plans have been prepared	Mandatory	65
	Certification by CEO that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the agency are in place	Mandatory	65
	Certification by CEO that all reasonable measures have been taken to deal appropriately with fraud relating to the agency	Mandatory	65
	Outline of structures and processes in place for the agency to implement principles and objectives of corporate governance	Mandatory	58
	Statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance	If applicable, Mandatory	N/A

Continued.

PART OF REPORT	DESCRIPTION	REQUIREMENT	LOCATION
External Scrutiny	Significant developments in external scrutiny and the agency's response to the scrutiny	Mandatory	59, 63–64
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	If applicable, Mandatory	N/A
	Reports on operations of the agency by the Auditor-General, a Parliamentary Committee, or the Commonwealth Ombudsman	If applicable, Mandatory	73–74
	Capability reviews on the agency	If applicable, Mandatory	59
Management of Human Resources	Assessment of the agency's effectiveness in managing and developing employees to achieve agency objectives	Mandatory	50–55
	Statistics on the agency's APS employees on an ongoing and non-ongoing basis; including the following: + Statistics on staffing classification level + Statistics on full-time employees + Statistics on part-time employees + Statistics on gender + Statistics on staff location + Statistics on employees who identify as Indigenous.	Mandatory	50–53
	Enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	36, 37, 40, 52
	Number of SES and non-SES employees	Mandatory	52
	Salary ranges available for APS employees by classification level	Mandatory	53
	Non-salary benefits provided to employees	Mandatory	53,55

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PART OF REPORT	DESCRIPTION	REQUIREMENT	LOCATION
Management of Human Resources <i>(Continued.)</i>	Performance pay; including: + number of employees at each classification level who received performance pay + aggregate amounts of performance pay at each classification level + average amount of performance payment, and range of such payments, at each classification level + aggregate amount of performance payments.	If applicable, Mandatory	53
Assets Management	Assessment of effectiveness of assets management	If applicable, Mandatory	67
Purchasing	Assessment of agency performance against the Commonwealth Procurement Rules	Mandatory	68
Consultants	A summary statement detailing the number of new and ongoing contracts engaging consultants, including actual expenditure	Mandatory	68
	A statement of new and ongoing contracts	Mandatory	68
	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	68
	A statement regarding expenditure reporting in Annual Reports	Mandatory	68
Australian National Audit Office	Absence of provisions in contracts allowing access by the Auditor-General	If applicable, Mandatory	67
Exempt contracts	Contracts exempt from AusTender	If applicable, Mandatory	67
Small business	Statement of support for small and medium enterprise (SME) participation in Commonwealth Government procurement	Mandatory	67
	Procurement practices of the agency that support SMEs	Mandatory	67
	If agency is considered material in nature, statement of importance of timely payment to SMEs	If applicable, Mandatory	N/A
Financial Statements	Annual financial statements	Mandatory	73–95

Continued.

PART OF REPORT	DESCRIPTION	REQUIREMENT	LOCATION
OTHER MANDATORY INFORMATION			
	If the agency conducted advertising campaigns, a statement detailing the advertising campaign(s)	If applicable, Mandatory	N/A
	If the agency did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	68
	A statement regarding grants awarded to the agency	If applicable, Mandatory	68
	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	55
	Website reference to where the agency's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	68
	Correction of material errors in previous annual report	If applicable, Mandatory	N/A
	Information required by other legislation	Mandatory	67–68

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