



Summary of our report

Health sector: Results of the 2016/17 audits



Financial sustainability continues to be a challenge for District Health Boards (DHBs). The total deficit for all 20 DHBs increased significantly in 2016/17 and is expected to have increased further in 2017/18. Continued financial pressure makes it difficult for DHBs to invest for the future. It also affects their resilience and their ability to make investments to deal with significant changes in demand.

DHB-managed assets – generally hospitals and clinical equipment – are essential for providing health services. DHB-managed assets that are not adequately and regularly maintained can have significant consequences for New Zealanders.

During our 2016/17 audits of DHBs, we did not see much progress in addressing the recommendations from our 2016 report, *District health boards' response to asset management requirements since 2009*.

Recent reports about the condition of some Middlemore Hospital buildings are a timely reminder of how vulnerable DHB-managed assets can be when maintenance is deferred. In our view, asset management remains a significant risk to future service delivery for the entire health sector.

In our audits of DHBs, we look at their control environments, particularly their financial and service performance systems and practice. DHBs generally have largely effective systems and controls in place, and these systems and controls are improving. Many DHBs have also improved their performance reporting in recent years, which is important for transparency and accountability. However, further improvements to performance reporting would help demonstrate the difference DHBs are making to the well-being of New Zealanders.

DHBs procure a lot of services from third parties. To get the best value for money and quality of service, DHBs need to manage the procurement process well. Although DHBs have procurement policies and practices in place, particularly for day-to-day transactions, they need to focus more on managing contracts. DHBs often rely on trust rather than actively managing contracts to ensure that third parties deliver services to the required standard.

Careful management of sensitive expenditure, such as travel and expenses, remains crucial to maintaining New Zealanders' trust in the institutions that deliver public services and spend public money. It is particularly important

Vital statistics:

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that, as the employer of the chief executive, DHB boards ensure that New Zealanders' expectations of their senior public servants are met.

As well as our core audit work, we monitor changes and developments in the health sector to inform our audits and to help us focus on important issues.

Since 2016/17, pressures on the health sector have increased. In a sector as large and complex as health, issues are to be expected. However, when several significant issues happen at once, there could be an impression that the health sector has fundamental weaknesses and is at risk of more significant failures. Our audits, at least at an institutional level, suggest that public entities in the health sector have the internal controls and systems they need to operate effectively and be accountable for their performance.

The critical decisions for the health sector are about what services to provide, how to provide them, and where. The Ministry of Health plays an important role here. The health sector relies on clear and strong leadership to make the right choices for future services and meet the expectations of New Zealanders.

Financial results for district health boards, 2016/17

