



Government of **Western Australia**
PathWest



Annual Report 2018/19





Acknowledgement to country

PathWest acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal and Torres Strait Islander communities and their culture.

PathWest Laboratory Medicine WA

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13 PATH (7284)

The PathWest Laboratory Medicine WA (PathWest) Annual Report 2018/19 was published by PathWest in September 2019 and is available at <http://pathwest.health.wa.gov.au>.

This document can be made available in alternative formats on request.

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Statement of compliance

FOR YEAR ENDED 30 JUNE 2019

Honourable Roger Cook MLA Deputy Premier; Minister for Health; Mental Health.

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of PathWest Laboratory Medicine WA for the financial year ended 30 June 2019.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Joe Boyle
Chief Executive
PathWest Laboratory Medicine WA

17 September 2019

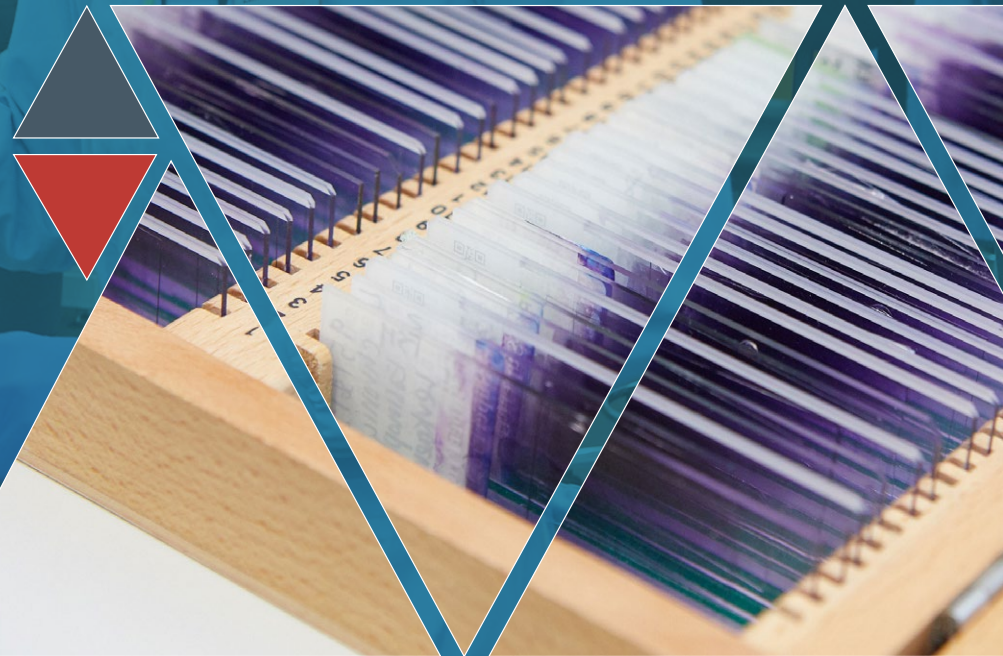


Contents

OVERVIEW OF AGENCY	5
Executive summary	6
Operational structure	8
Enabling legislation	8
Accountable authority	8
Minister	8
Executive structure	9
About PathWest	10
PathWest laboratory and collection centre locations	18
PathWest year at a glance	19
A history of pathology services in WA	20
Strategic direction	22
Operational achievements	24
Establishment as an HSP	24
Perfect Pathology framework	26
Research	27
Teaching and training	29
Risk management	31
Customer feedback mechanisms	31
Learning from clinical incidents	32
Accreditation	32
Performance highlights	35
Research Translation Projects	35
Forensic Biology relocation	37
New CT scanner for State Mortuary	38
Tackling influenza	39
New equipment	40
Mackenzie's Mission	41
Performance Management Framework	43
Cross-agency initiatives	44
AGENCY PERFORMANCE	45
Summary of financial performance	46
Operational activity	47

SIGNIFICANT ISSUES IMPACTING THE AGENCY	49
Laboratory information system	50
Organisational restructure	51
Changes to NPAAC supervision requirements	52
Infrastructure improvements	53
Pricing and costing project	55
Sustainable Health Review	56
Commissioners Instruction 23	56
Your Voice in Health Survey	57
Staff safety	57
DISCLOSURES AND COMPLIANCE	59
Audit opinion	60
Certification of Financial Statements	62
Financial statements	63
Key performance indicators	92
Ministerial directives	92
Other financial disclosures	92
Pricing policy	92
Capital works	92
Employment profile	93
Industrial relations	95
Staff development	95
Worker's compensation	97
Governance disclosures	98
Pecuniary interests and related party disclosure	98
Unauthorised use of credit cards	98
Other legal requirements	99
Expenditure on advertising	99
Disability access and inclusion plan outcomes	99
Compliance with public sector standards and ethical codes	100
Recordkeeping plans	101
Freedom of Information	101
Government policy requirements	103
Substantive equality	103
Occupational health, safety and injury management	104
APPENDICES	107
Appendix 1 – Abbreviations and acronyms	108
Appendix 2 – PathWest contact details	110

Overview of agency



Executive summary

On 1 July 2018, PathWest was established as a stand-alone Health Service Provider (HSP), and I was proud to join the organisation as Chief Executive (CE) in October 2018. In my role I am committed to enhancing PathWest's reputation as a world leader in pathology and forensic services. PathWest plays an important role in the patient journey and patient treatment, and is a critical part of healthcare in WA. An estimated 70 per cent of all clinical decisions and 100 per cent of cancer diagnoses rely on pathology.



PathWest Chief Executive Joe Boyle visiting the Busselton team.

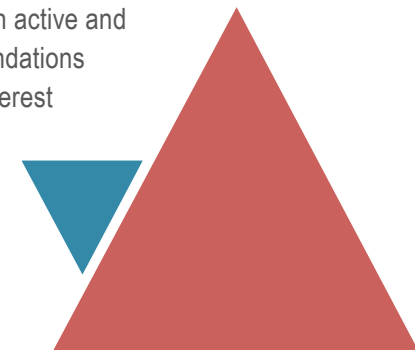
PathWest is dispersed across the State with a network of 27 laboratories and 76 collection centres. Our team of highly skilled scientists and pathologists perform more than 16 million tests annually, providing consistent, timely and accurate results to our clients and patients.



Following the significant work undertaken to transition PathWest to a HSP, during 2018/19 we focussed on shaping our own identity and developing our strategic direction and clinical governance framework. This re-enforced our immediate priorities and renewed our focus on initiatives that would consolidate PathWest as a high performing independent HSP. We also announced a new organisational structure to support these initiatives, including realigning some corporate and operational functions, in order to drive operational effectiveness, and transitioning to a single discipline model for all our service disciplines.

The successful delivery of the new laboratory information system remains the top priority for PathWest in the near term. We are committed to the successful implementation of this system, ensuring we have the best technology available to serve PathWest for the years to come.

The Sustainable Health Review provided an ambitious blueprint for the development of health services in WA. PathWest will play an active and leading role in implementation of a number of the recommendations highlighted in the review. A particular recommendation of interest for PathWest is the planned increase in investment in prevention. PathWest is well placed to play a vital role in the implementation of technology and processes that support this recommendation.



Executive summary

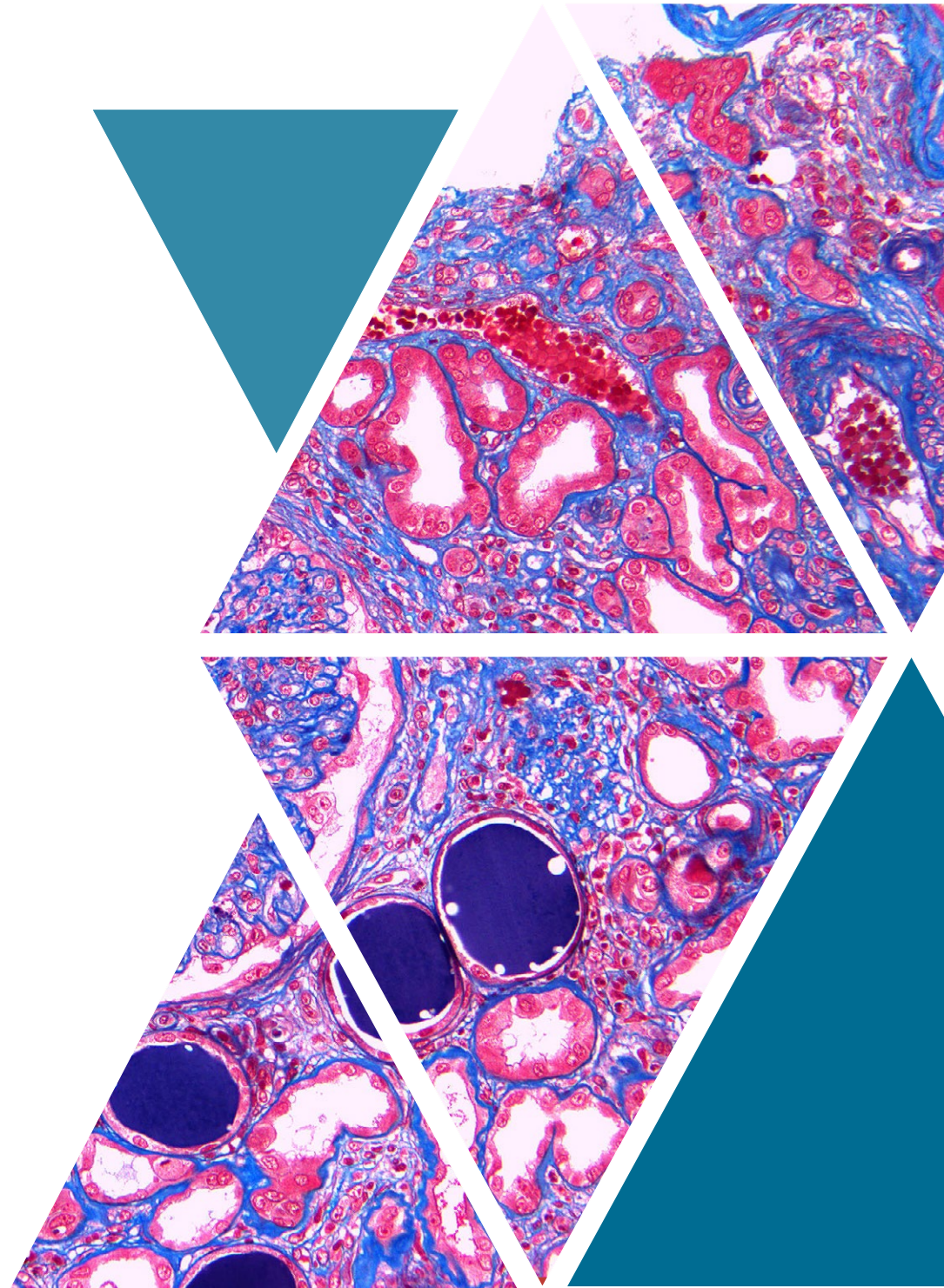
Throughout the year, there was increased activity across the organisation. This level of activity, paired with tight financial controls, led to a strong financial performance for PathWest in 2018/19. While capital expenditure on equipment replacement was lower than prior years, there was significant investment in Forensic Biology, financing their relocation to their new and improved facility, as well as the purchase of a state-of-the-art CT scanner for the State Mortuary.

I am proud of our staff and their achievements in 2018/19. They continue to personify our mission – providing excellence and innovation in pathology, testing, teaching and research, and positively contributing to the health and wellbeing of the community. Their enthusiasm and dedication towards the future growth and promotion of PathWest is inspiring.

I look forward to being part of the organisation's future achievements, as we work towards a holistic strategy for PathWest, focussing on innovation and excellence. This will ensure PathWest stays at the forefront of pathology and forensic services for the Western Australian community.

I am pleased to present the inaugural Annual Report for PathWest.

Joe Boyle
Chief Executive
PathWest Laboratory Medicine WA





Operational structure

Enabling legislation

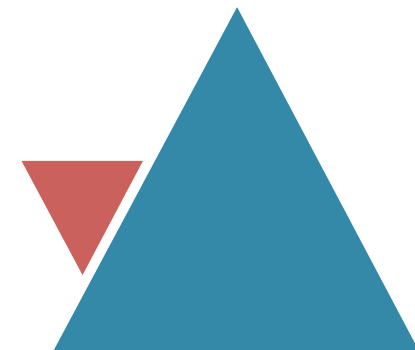
PathWest was established as a CE governed HSP from 1 July 2018, by the Minister for Health under section 32(1)(b) of the *Health Services Act 2016 WA* (the Act).

Accountable authority

The PathWest CE is the governing authority for PathWest and is required to perform the functions and exercise the powers of the HSP as stipulated in the Act or any other written law, including the *Public Sector Management Act 1994 (WA)* and *Financial Management Act 2006 (WA)*.

Minister

PathWest is responsible to the Minister for Health, the Honourable Roger Cook MLA.



Executive structure





About PathWest

PathWest is the pathology and forensic arm of the WA health system, providing excellence and innovation in pathology and forensic services, testing, teaching and research – positively contributing to the health and wellbeing of the entire WA community.

As Western Australia's leading referral pathology laboratory, PathWest responds to the needs of medical practitioners throughout the State, providing accurate information to inform an estimated 70 per cent of clinical decisions and 100 per cent of cancer diagnoses.

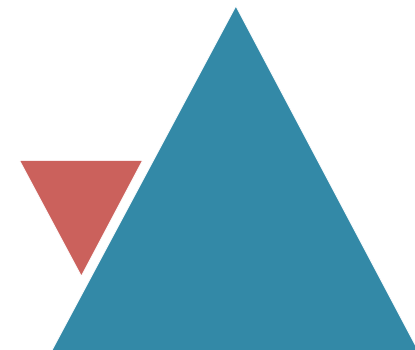
PathWest has a network of 27 laboratories and 76 collection centres spread across the State from Esperance in the south through to Kununurra in the north, making PathWest's services accessible to all Western Australians.

PathWest's pathology services cover the broadest range of routine, complex and rare tests, and provide diagnostic pathology, forensic pathology and commercial testing services within a multitude of laboratory medicine disciplines including pre-analytical, haematology, biochemistry, microbiology, anatomical pathology, immunology, forensic pathology, forensic biology and diagnostic genomics.

PathWest employs experienced, expert pathologists in all specialty disciplines and highly qualified and skilled scientific and technical staff, using the most modern equipment and techniques. PathWest's active teaching, clinical research and pathology development programs assist not only in enhancing diagnostic accuracy but also in improving the understanding of disease processes and of clinical care.

From the cradle to the grave

Each person starts their pathology journey early, in some cases receiving their first test while still in the uterus. This relationship continues throughout a person's life, and occasionally beyond, with post-mortem examination. At least 50 per cent of the WA population receive a pathology test every year.



Anatomical Pathology

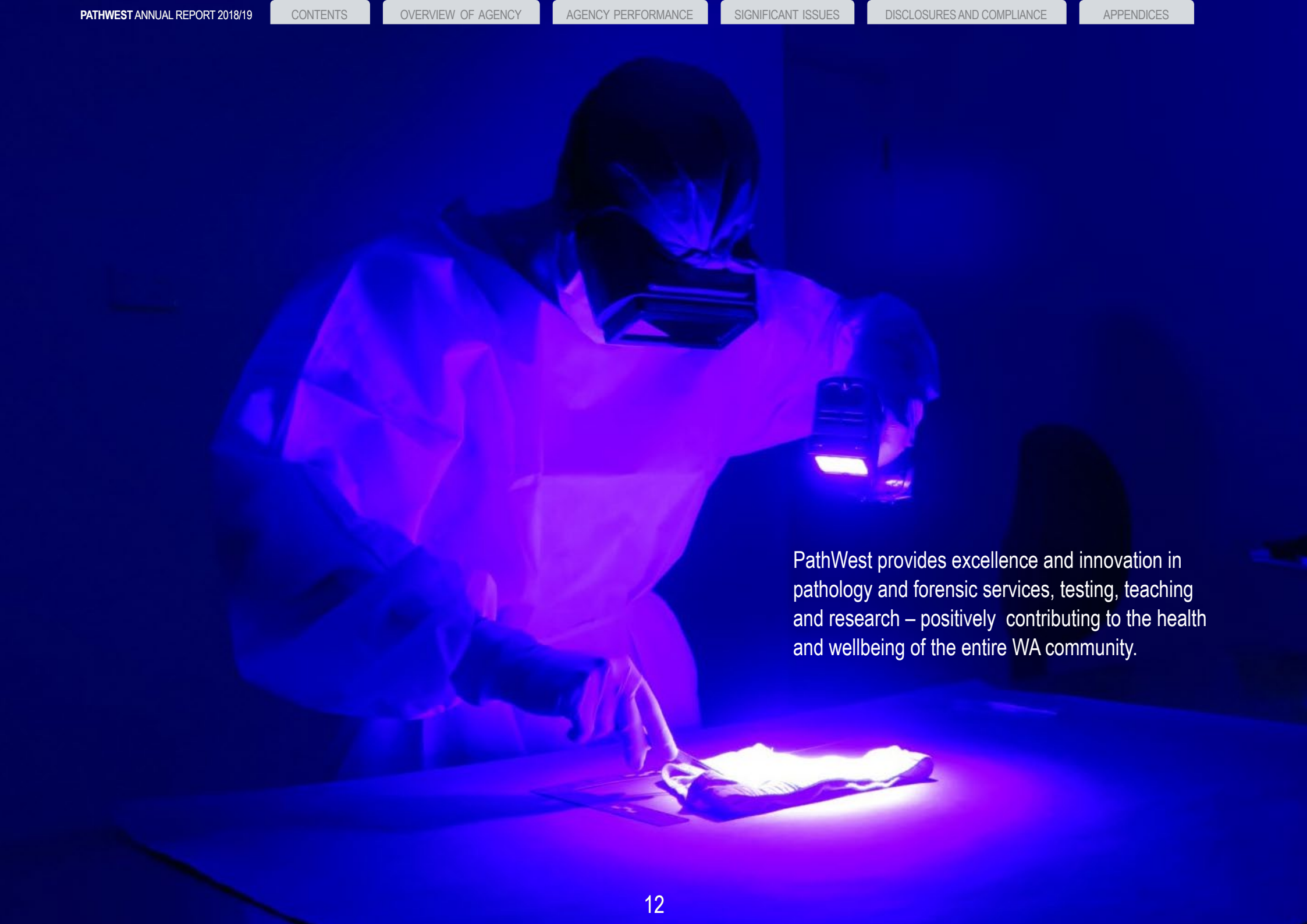
Through the Anatomical Pathology discipline, PathWest provides comprehensive diagnostic and clinical services in the fields of histopathology, cytology, immunohistochemistry, electron microscopy, molecular pathology, non-coronial post-mortem examination and frozen section service. The discipline provides expertise in many subspecialty areas including gynaecological pathology, lymphoma pathology, neuropathology, breast pathology, soft tissue and bone pathology, dermatopathology, renal pathology, head and neck pathology, cytopathology, endocrine pathology, gastrointestinal pathology, genitourinary pathology, paediatric pathology, pulmonary pathology, ultrastructural, molecular pathology and many more. These are led by expert pathologists providing a highly accurate specialised diagnostic service that enhances communications with subspecialised clinical services, optimises registrar training and promotes research and development.

The histopathology department provides a full range of diagnostic surgical and oncopathology services in almost all subspecialties. Associated with these are

specialised technical services providing molecular anatomic pathology, electron microscopy, in-situ hybridisation, and specialised immunochemistry assays, particularly focused on cancer biomarker testing. The cytology division offers a cervical screening service for human papilloma virus DNA testing, as well as specialised fine needle aspiration (FNA) services including rapid on-site evaluation of cytology samples by attending image guided FNAs.

Using cutting edge technology, the molecular pathology department provides specialised and complex DNA and RNA based analysis of somatic gene mutations, rearrangements and aberrations on all types of cancer specimens by applying the latest genomic technologies. These tests provide pathologists and clinicians critical information for accurate diagnosis, prognosis and treatment decision making in the era of personalised medicine. The discipline also provides services for numerous clinical trials and expert opinion consultation of cases referred from other pathology providers, including from interstate and overseas.





PathWest provides excellence and innovation in pathology and forensic services, testing, teaching and research – positively contributing to the health and wellbeing of the entire WA community.

Biochemistry

The Biochemistry discipline performs an extensive range of routine and specialised biochemical tests. Using high throughput technology combined with rapid analysis, PathWest ensures fast turnaround times for reporting of major biochemical analytes, crucial for rapid diagnosis and efficient patient management. The specialist biochemical genetics unit provides the Statewide service for the investigation of inherited metabolic disease and the WA Newborn Screening (Guthrie) Program. Other specialised testing includes high performance and ultra-high performance liquid chromatography with mass spectrometry as well as ultraviolet, fluorescence and electrochemical detection. The clinical pharmacology and toxicology department performs therapeutic and non-therapeutic drug screening services using mass spectrometric analytical techniques and the special chemistry department offers a range of specialised endocrine and neuroendocrine biochemical testing.

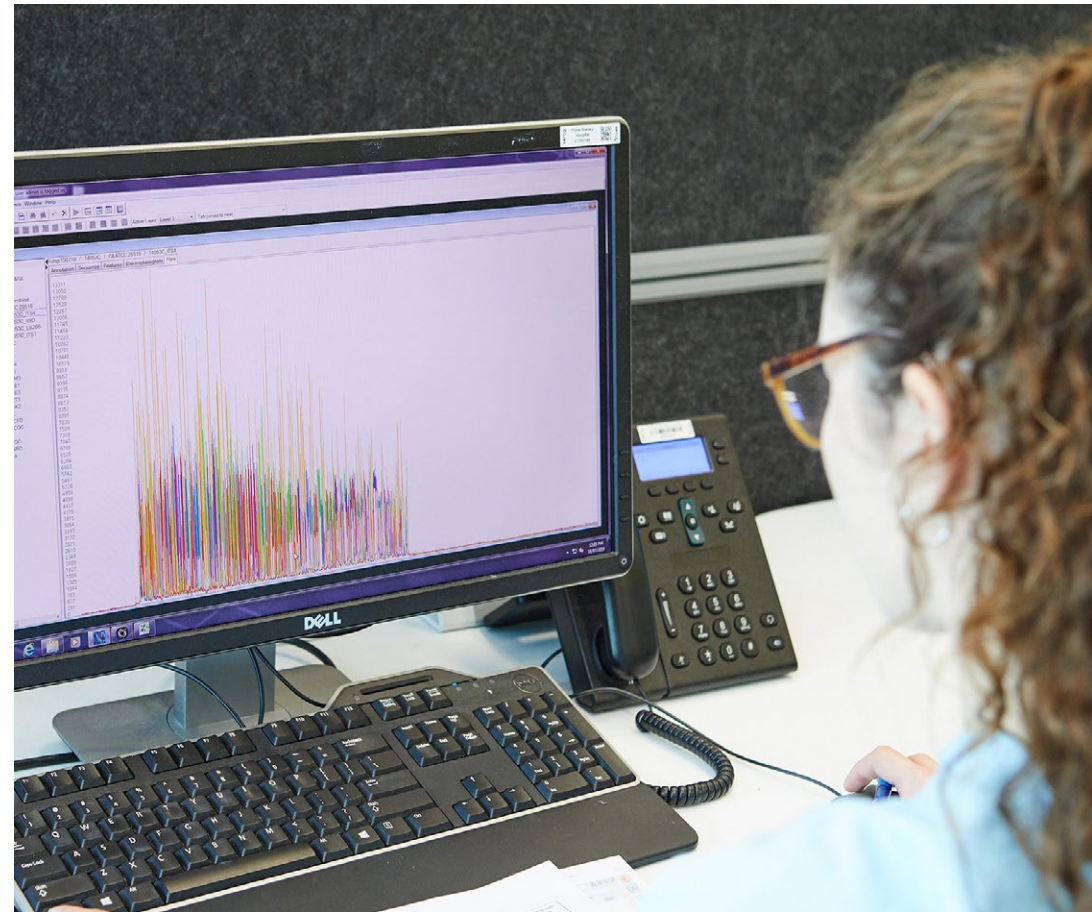
43,835 tests were performed by PathWest every day.



Diagnostic Genomics

The Diagnostic Genomics discipline provides a comprehensive service in the rapidly expanding field of genetic testing. The discipline performs medical genomic tests ranging from identifying disease, causing changes in single genes, to whole chromosome aneuploidy. Using advanced techniques and the latest equipment, the discipline performs diagnostic testing, carrier screening, pre-natal screening for high risk pregnancies and genotyping to predict responses to, and side effects of, therapeutic drugs. Other services include genetic testing for oncology genetics, neurogenetics, cytogenetics, reproductive genetics, cardiac genetics, testing for developmental disorders and other rare diseases. The discipline also provides specialised support for haematological and solid tumour testing, as well as a tissue banking facility for long term storage of DNA and preserved cell lines.

Diagnostic Genomics has seen a **15.4% increase** in activity in 2018/19



Forensic Biology

The Forensic Biology department is the sole forensic biology laboratory in WA, performing forensic DNA analysis and reporting services to support the WA Police Force (WAPF) and the WA justice system. Services provided include analysis of exhibits for the presence of biological materials in criminal cases, mass fatality disaster victim identification, criminal parentage and missing person cases. The department also performs DNA profiling of biological evidence, profiling comparisons of DNA recovered from forensic exhibits, as well as other forms of biological analysis including hair analysis, body fluid identification and blood stain pattern analysis. DNA profiles are added into the State DNA database in accordance with the

Forensic Biology analyse more than **30,000 crime scene exhibits** each year.



Criminal Investigation (Identifying People) Act 2002, as well as the National Criminal Investigation DNA Database. Scientists also issue reports and provide expert evidence in Court, as required.

Forensic Pathology

The Forensic Pathology department and State Mortuary facility provide a comprehensive Coronial post-mortem service for WA under the direction of the State Coroner. With a specialised team of forensic pathologists, anthropologists, odontologists, scientific and support staff, PathWest provides the sole forensic pathology service for the community, reporting findings to the Office of the State Coroner. The discipline also provides a specialist service assisting WAPF and other agencies with operational matters and supporting the WA Justice system, public health system and wider community.

Forensic Pathology is involved in more than **2,500 coronial cases** each year.



Haematology

The Haematology discipline provide a wide range of routine and specialised testing services to aid in the diagnosis of haematological malignancies and disorders. Specialist services include testing, monitoring and transfusion support for patients at risk of haemolytic disease of the newborn, neonatal allo-immune thrombocytopenia, haemoglobinopathy studies for thalassaemia and flow cytometry for identification and characterisation of leukaemias and lymphomas. The discipline also provides rotational thromboelastometry (ROTEM) analysers for use at selected sites to assist in the selection of appropriate blood product therapy in critically ill patients. The cytogenetics department services the whole of WA and is registered with the Children's Oncology Group, performing cytogenetics testing on all childhood leukaemias. The molecular haematology department is the reference laboratory for chronic and acute myeloid leukaemia and perform genetic testing for patients predisposed to stroke and other thrombotic complications. The coagulation department investigate a wide range of bleeding disorders and is the State referral laboratory for many thrombosis risk factors.



Immunology

The Immunology discipline provides a range of services that assist in the diagnosis, monitoring and treatment of immunological disorders and conditions relating to autoimmunity, allergy, immunodeficiency, transplantation and Human Immunodeficiency Virus (HIV). Using the latest DNA sequencing technology, the discipline performs specialised testing for immunogenetic-related assays and is the only Statewide provider of full HLA (tissue) typing and matching for solid organ and bone marrow transplantation.

The autoimmunity section of the discipline performs testing to assist in the diagnosis of autoimmune disease and testing of biopsy material for immune mediated skin and renal disease. Other specialised services include allergy and associated anaphylaxis testing, including drug and chemical allergen testing immunodeficiency testing for adult and paediatric patients, autoantibody testing and infection related immunology. The infection immunology section provides Statewide services for HIV monitoring and HIV drug resistance testing using advanced molecular techniques, servicing all private and public clinical service providers for HIV patients in WA, including those in regional and remote areas. A DNA sequencing service is provided to other organisations and research groups. The discipline is constantly seeking new technologies and more efficient and effective ways of performing its tests. An example of this is the current project to introduce third-generation DNA sequencing for HLA typing using the MinION platform. This work is being completed in collaboration with leading transplant laboratories in Europe and the UK.

Immunology has seen an **18.8% increase** in activity in 2018/19.





Microbiology

The Microbiology discipline offers a comprehensive range of specialised services for the detection of all major disease causing micro-organisms including bacteria, fungi, viruses, protozoa and helminths (worms). The service provides routine and diagnostic testing for the management and treatment of acute and chronic disease, advice on the use of antimicrobials for treatment of infectious diseases and microbial surveillance and research. Non-diagnostic services include food and water testing, media manufacturing and pharmaceutical testing. The mycobacteriology laboratory is the State's reference facility for the testing and epidemiological analysis and reporting of tuberculosis causing bacteria. Other specialised testing services include serological immunoassays, nucleic acid testing and genotyping of blood borne viruses. Using cutting edge molecular diagnostics techniques and the latest technology in microbial detection, PathWest is able to provide a rapid response to new and emerging infections and the detection of agents posing a high personal or public health risk.



Pre-analytical

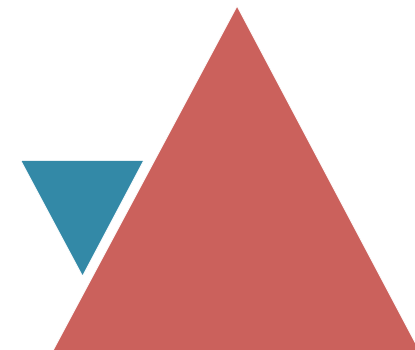
Pre-analytical services include specimen collection, reception and processing, and transportation. The specimen collection service covers all areas within hospital collection points, hospital ward rounds, metropolitan collection centres and domiciliary, while also maintaining oversight of procedural documentation and policies at regional collection centres. The service performs urine drug screen collections for various clients, including the Department of Justice, and provides training and supervision in specimen collection, urine drug screen collection and cannulation in emergency departments. The specimen reception service is responsible for the receipt and processing of all PathWest collected samples including those from external referrers, as well as referring samples to interstate and international laboratories for specialised testing. Through its fleet of 49 vehicles, the courier service is responsible transport of specimens, consumables and other items as required, and for the management of fleet vehicles.



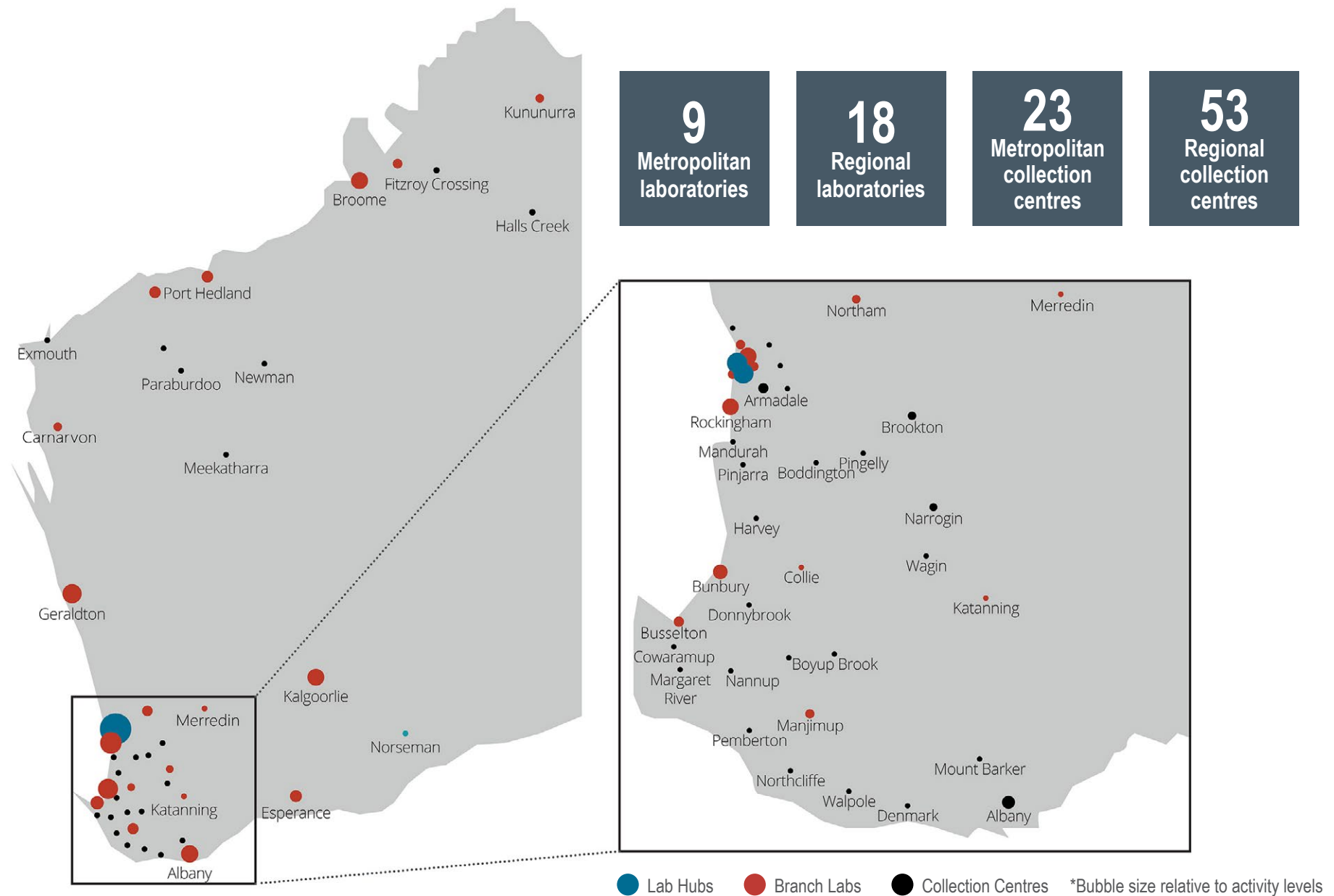
Regional support services

PathWest provide services to communities all over WA, from Kununurra in the north to Esperance in the south and every community in between. Regional staff are an integral part of their communities, fostering close working relationships with general practitioners, local community groups and colleagues from the WA Country Health Service; ensuring services provided are always fit-for-purpose. The specimen collection and laboratory testing services provided by the regional support services network are comprehensive and broad. Local laboratories handle a multitude of tests, with specialist testing sent to Perth. Although recruiting in regional and remote locations can be challenging, it is a priority for the health service to employ highly skilled staff, and PathWest prides itself on employing local wherever possible.

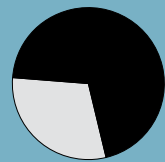
Turn-around times (TATs) are a reliable indicator of PathWest's level of service and efficiency, in providing crucial results to clinical areas. PathWest is focusing its efforts on reducing TATs of laboratory test results. TATs currently range from 40 minutes, for analytes such as potassium, to seven days, for breast biopsies, to up to 12 weeks for more complicated testing, such as gene sequencing.



PathWest laboratory and collection centre locations



PathWest year at a glance

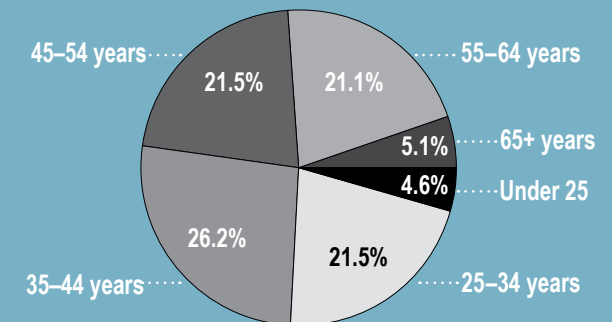


70% OF
CLINICAL DECISIONS
rely on pathology



PathWest performed
2,550 PER DAY
PATIENT BLOOD
COLLECTIONS

STAFF AGE PROFILE



100%
OF CANCER

is diagnosed by pathology

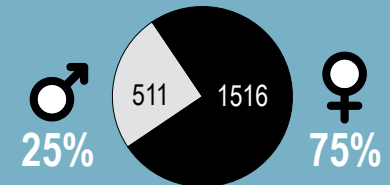


We were involved in almost

2,500
CORONIAL CASES



STAFF
GENDER
PROFILE



134,532
GUTHRIE TESTS
performed on newborns



We analysed almost
30,000
CRIME SCENE EXHIBITS
in about 11,000 cases

CERT III IN PATHOLOGY
COLLECTION GRADUATES

26



More than
16 million
LABORATORY TESTS
were performed



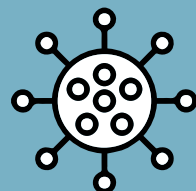
2465km

WERE TRAVELLED BY
COURIERS PER DAY
to collect samples



216

UNIVERSITY CLINICAL
PLACEMENTS
from Curtin, UWA and Murdoch
laboratory medicine programs



More than
33,600
MOLECULAR FLU TESTS
were performed

We employed
2027
STAFF
(1670.01 FTE)



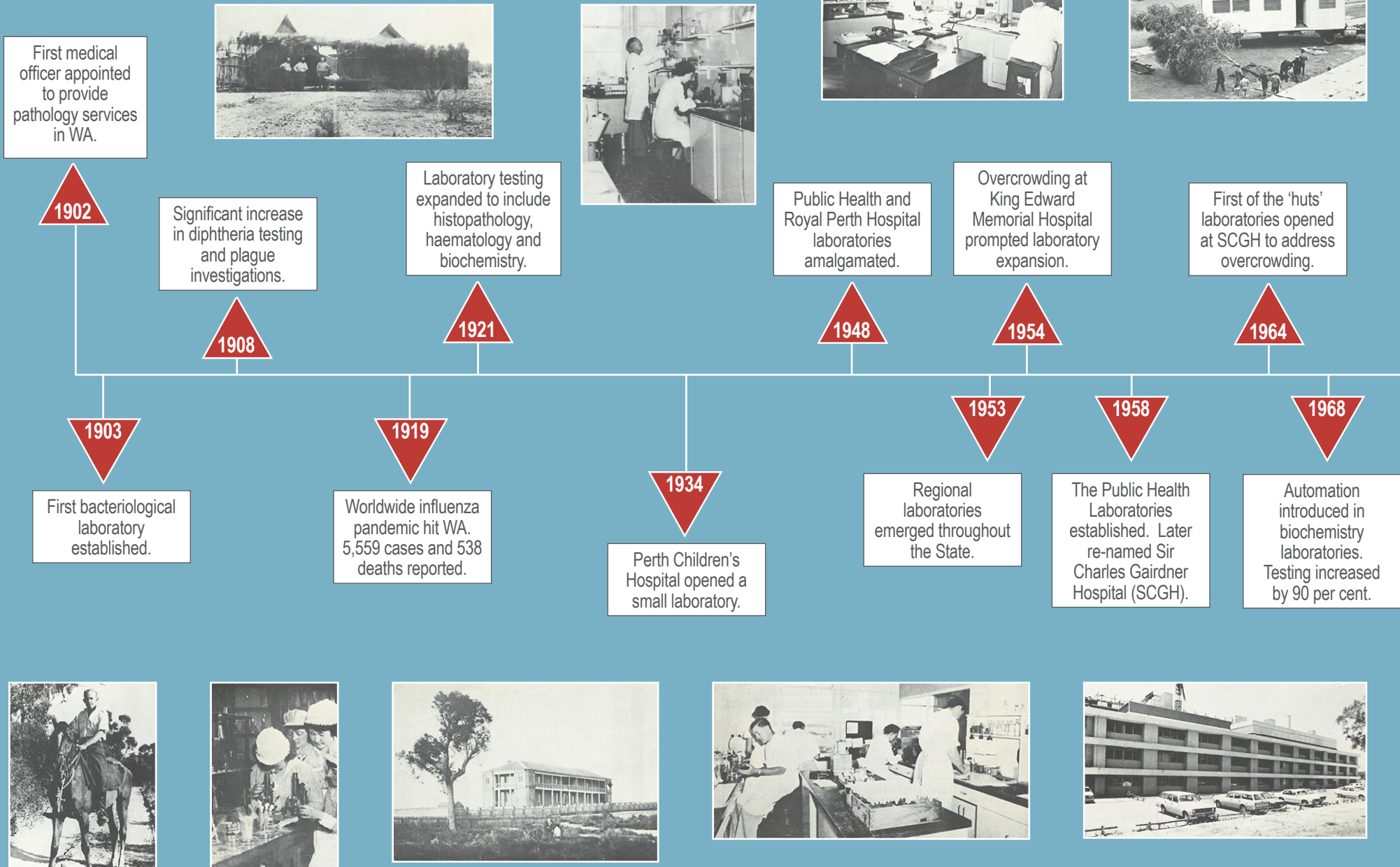
7
ABORIGINAL
PEOPLE
were employed

FRESH BLOOD
PRODUCTS USED IN
TRANSFUSION

Plasma and Cryoprecipitate 12,059
Platelets 7,865
Red cells 32,546



A history of pathology services in WA





Laboratories retitled
State Health
Laboratory Service.

1970



Pathology laboratory
system ULTRA
introduced.

1996

Pathologist,
Dr Robin Warren,
together with
Dr Barry Marshall,
won a nobel prize for
the discovery of
Helicobacter pylori.

2005

PathWest was
established as a CE
governed HSP by
the Minister for
Health.

2018

1995

PathCentre
established.

2003

McGrath Review
recommended a
single pathology
service model.

2005

PathWest
Laboratory
Medicine WA
was formed.



PathWest was established in July 2005 from the amalgamation of PathCentre at the Queen Elizabeth II (QEII) site, and the laboratories at Royal Perth Hospital (RPH), Fremantle Hospital (FH), King Edward Memorial Hospital (KEMH) and Princess Margaret Hospital (PMH), creating a single public pathology entity for the State.

At the time, PathWest also operated laboratories within the secondary hospitals at Armadale, Osborne Park, Bentley, Swan Districts and Rockingham as well as 19 rural and regional laboratories and more than 50 collection centres located throughout Western Australia. This amalgamation of services brought with it significant change at an executive and management level, and set the groundwork for a more efficient, productive and cost effective public pathology service.

PathWest continued to enable organisational change, both structurally and operationally. A complete organisation restructure was introduced in 2009, to create a unified and cohesive pathology service to support the recent amalgamation of pathology services. This involved the creation of three networks, six discipline planning committees and new lines for management, delegation, decision making and reporting combining both the clinical and scientific streams of the organisation.

The Fiona Stanley Hospital (FSH) was opened in October 2014, from the consolidation and relocation of laboratories at RPH and FH, to the new hospital facility. Similarly, with the opening of the Perth Children's Hospital (PCH) in May 2018, the laboratory at PMH was integrated with the QEII laboratory.

On 1 July 2018, PathWest was established as a CE governed HSP by the Minister for Health.

Strategic direction

PathWest has revised its strategic priorities and future direction, with the development of a strategic plan that supports its recent establishment as a CE governed HSP. The 2019/20 Strategic Directions identify the key priorities in line with PathWest's vision, mission and core values.

PathWest's five key strategic priorities include:

- Successful implementation and 'go-live' of the new Laboratory Information System (LIS)
- Building unity, a sense of belonging and shared purpose across the organisation
- Engaging with key stakeholders to develop a strong, sustainable business
- Establishing a robust and transparent financial model
- Clearly defining governance structures and accountabilities

The groundwork for achieving these priorities was laid during late 2018/19, with implementation to continue into 2020.



Vision

To be the pathology and testing service of choice.
Testing for today, teaching for tomorrow.

Mission

Across our services, we are committed to providing excellence and innovation in pathology, testing, teaching and research; positively contributing to the health and wellbeing of the community.

Core values

Excellence in everything we do
Respect for ourselves and others
Professionalism at all times
Commitment to all our staff and community



Operational achievements

Establishment as an HSP

On 1 July 2018, PathWest officially became a CE governed HSP under the *Health Services Act 2016* (the Act).

PathWest became responsible for its own governance, operations and financial sustainability, with a new reporting line to the system manager, the Department of Health.

As a CE governed HSP, PathWest sets its own strategic and operational directions, consistent with the Act, including developing internal functions such as communications, integrity and ethics, and audit.

PathWest's strategic directions 2019/20 identified service priorities, including the need to engage with stakeholders and provide a sustainable pathology service for WA.

Client relationships

PathWest has focussed on developing robust client relationships with other HSPs. Service Level Agreements define the services and standards provided by PathWest, as well as the partnership between PathWest and the HSP.

PathWest is committed to developing a performance and value based relationship with its clients, and has established Pathology Reference Groups (PRGs) with each HSP. The PRGs meet bi-monthly, and are a forum to analyse, review and report on performance for clinical and pathology services against agreed key performance indicators. The PRGs identify opportunities to reduce costs and improve services within the client/PathWest interface via clinical consultation.

Integrity and ethics

PathWest is committed to providing ethical and transparent services and acknowledges the crucial role of governance and accountability to the public.

Corporate governance issues including misconduct, fraud, corruption, conflicts of interest and unethical behaviour are rigorously managed through the Office of the Chief Executive, providing leadership, direction and advice regarding the implementation and ongoing management of PathWest's corporate governance framework.

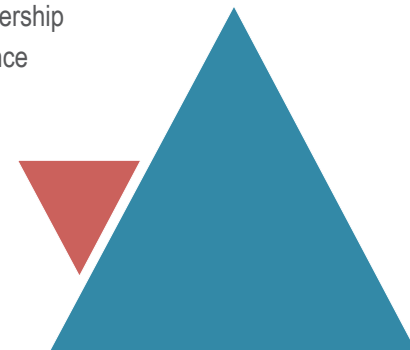
PathWest takes a zero tolerance stance towards misconduct, fraud and corruption. The task of building and embedding a strong culture of integrity is a priority.

Audit

During 2018/19, PathWest established a full Audit function, including the recruitment of an Audit Manager, consistent with the Treasurer's Instruction Part XII.

An audit Charter was developed, defining Internal Audit's purpose, authority, responsibility and position within PathWest, along with an audit plan.

An independently chaired Risk and Audit Committee was formed to assist the Chief Executive in providing independent oversight and leadership for financial management, risk management, audit, compliance and governance.



Communications

PathWest is responsible for managing its own corporate communications, media, public relations and corporate brand.

The opportunities and challenges this presents warranted the formation of an organisation-wide communications function within the Office of the Chief Executive to drive the development and implementation of a new strategic approach to communications to support PathWest in achieving its strategic and operational objectives.

Clinical governance

PathWest developed a framework for clinical governance to continue to contribute to, and enhance, the overall efficiency and effectiveness of the WA health system.

The framework was developed to interrogate each part of the pathology process (known as the request/test/report/clinical action cycle) from the perspective of identifying and managing risks to patient safety.

The framework enables PathWest, and its HSP partners, to develop clinically meaningful performance measures and to inform effective interventions to improve efficiency, reduce risk and enhance patient safety.





Perfect Pathology framework

PathWest is an integral partner in the care of patients in the WA health system. The Perfect Pathology initiative commenced in 2018 with the remit of collaborating with health consumers and clinical services to address key priorities at the interface between the clinical processes and diagnostic pathology.

The emphasis is on embedding and continuously improving the delivery of safe, high quality and high value patient-centred pathology services as viewed and communicated with its patients, health services and the WA community. This includes contribution to the WA Health High Value Healthcare and Choosing Wisely initiatives and supporting the WA Sustainable Health Review recommendations.

The first phase of the Perfect Pathology initiative has seen the development of performance indicators and reviewing processes that are of the greatest risk. A review of the management of high-risk test results has been undertaken and a new system with additional safe guards and transparent reporting will be implemented in 2019. The second project being undertaken is the creation of a data analytical reporting tool to drive efforts within the clinical services to reduce incidents related to incorrect specimen collection, failures in patient identification and incomplete pathology request information. These and additional elements are being incorporated in the pathology and clinical service quality reporting systems.



Research

Research is a fundamental component of an organisation, and underpins excellent evidence based practice. PathWest's focus of pathology, laboratory medicine and forensic research, positively contributes to new knowledge and translates to best practice and continuous improvements in clinical care and benchtop processes. PathWest's involvement in research activities also provides opportunities for its workforce, encourages and improves collaborations with colleagues both within and outside WA Health and academia, and assists in ensuring ongoing compliance with National Association of Testing Authorities (NATA) standards.

Throughout 2018/19, an extensive volume of research has been undertaken by PathWest, both as primary and secondary researchers, as well as supporting multiple hospital research projects with the provision of diagnostic information.

PathWest representatives are currently serving on the SMHS Health Human Research Ethics Committee and it is envisaged that this representation will increase over time, providing benefits both professionally, as well as adding important pathology expertise to these committees.

During 2018/19, PathWest recruited a Research Governance Coordinator to assist with the establishment of a PathWest Research Governance Office. This position ensures PathWest compliance with the WA Department of Health Research policy framework and the WA Research Governance Framework. Establishment of a process, along with a separate PathWest footprint in the WA Health IT system, Research Governance Service, will lead to more executive oversight and greater visibility of research within PathWest.

As the data management systems including Research Governance Service, become available to PathWest, it is envisaged that this will lead to more transparent targets, to assist with project planning, grant funding and university masters and PhD student projects.

Research in numbers

During 2018/19, PathWest staff were:



Published in almost
300 articles



Involved in
600 active research projects
supported by the QEII Clinical Trials Management Unit.



Invited to speak at more than
120 conferences



Published in more than
120 abstracts

Research by discipline

Anatomical Pathology contributed to research in anatomical pathology, oncology and cytology, as well as clinical and radiological collaborations, quality assurance, translational research, laboratory and diagnostic techniques.

Biochemistry staff were involved in a diverse range of research interests, with particular focus on lipids, vitamin D, andrology, bone biomarkers, endocrine hypertension, diabetes, sex hormones, adrenal androgens, metabolic bone diseases and thyroid.

Diagnostic Genomics focused their research on the genetics of children with short stature, preconception carrier screening to detect severe rare gene mutations and the role of sex hormones in biological ageing and neuromuscular diseases.

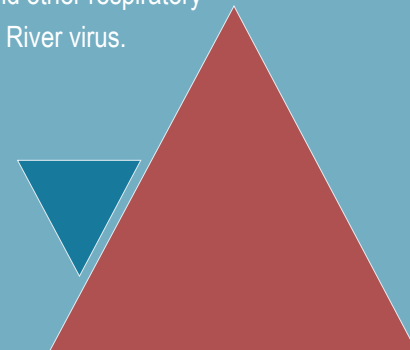
Forensic Biology's research particularly focuses on the detection of spermatozoa.

Forensic Pathology particularly focused on post-mortem artefacts in sexual assault cases, firearms and explosives injuries and the role of a forensic pathologist.

Haematology were involved in a diverse range of research topics with particular emphasis on haematologic malignancies (B- and T-cell lymphomas and acute and chronic leukaemias), thrombosis and malignancy.

Immunology focused their research activity on the areas of transplantation, allergy, autoimmunity, immunodeficiency and immunogenetics, and the development of new assays and/or new platforms to improve specificity, clinical applications, cost effectiveness and reduced turnaround times.

Microbiology has made contributions to research in a range of areas including bacteriology, mycology and virology and has been involved in translational research activities involving detecting antibiotic resistance, improving antibiotic choices and reducing the emergence of resistant organisms. Other research has focused on detecting, monitoring and controlling influenza and other respiratory viruses as well as Murray Valley encephalitis virus and Ross River virus.



Teaching and training

In continuing to provide quality services to public health care facilities and patients, PathWest is dedicated to ensuring the highest level of skills, experience, knowledge and competence in its future workforce.

Pathology registrar training

PathWest is committed to investing in the clinical leaders of tomorrow through the annual intake of registrars, who have chosen a career path as specialist pathologists. In 2018/19, PathWest supported advanced training of 45 registrars in various disciplines throughout PathWest. Consultants in Anatomical Pathology, Biochemistry, Diagnostic Genomics, Forensic Pathology, Haematology, Immunology and Microbiology take on a supervisory role, providing apprenticeship style training, to ensure registrars are trained to the highest level in their chosen discipline. This advanced pathology training leads to certification as a qualified pathologist and Fellow of the Royal College of Pathologists of Australasia (RCPA).

Professional placements

PathWest continues to support Curtin University's Laboratory Medicine program, through its provision of professional placements. Until recently, this program was the entry level requirement for employment as a medical scientist, and the only course accredited by the Australian Institute of Medical Scientists (AIMS) in WA. In April 2019, Murdoch University's Bachelor of Laboratory Medicine and University of Western Australia's Master of Clinical Pathology received full accreditation.

PathWest is committed to supporting AIMS accredited university programs where resources allow. By promoting a competitive environment, a highly skilled pool of graduates will be available for future employment opportunities. The organisation benefits by increasing its exposure to potential employees and by establishing professional relationships with the institutions who educate its future workforce.

In the 2018/19 year, PathWest provided 195, seven-week placements to Curtin and Murdoch University students, and 21 placements to University of Western Australia students. PathWest is dedicated to the teaching and training of laboratory medicine students, which is viewed as an investment in its future.

Emergency Department Cannulation Program expanded

The Emergency Department (ED) Cannulation Program, led by the pre-analytical team, is now in operation at RPH and FSH – with hours of service increasing in 2018/19.

The program aims to reduce turn-around times for pathology testing, reduce hospital acquired infections and improve pathology sampling and labelling compliance.

Since the program's inception in 2012 at FH, 21 hospital based phlebotomists have been trained in peripheral intravenous vascular cannulation insertion, and have assisted in the training and assessment of junior medical staff in this essential practice.

Acting General Manager Pre-analytical Services and QEII Network Tracy Dixon said the service is now integrated into the ED clinical team, providing high quality, adequately labelled samples for testing.

"We have also received interest from other government and private hospitals on how this service could be integrated into their emergency departments, which we will be considering in 2019/20," Tracy said.

Certificate III in Pathology Collection

PathWest has been delivering phlebotomy training to the general public for more than 20 years. PathWest delivers an accredited program through an affiliation with North Metropolitan Health Service's (NMHS) Registered Training Organisation. The accredited program was introduced in May 2014 and has since produced 162 graduates with a Certificate III qualification. In 2018/19, 26 people graduated from the course with a nationally recognised and accredited qualification.

PathWest's Certificate III in Pathology Collection is **recognised nationally**.



Aboriginal scholarships

PathWest is dedicated to increasing Aboriginal employment within its workforce, particularly in frontline services. In March 2016, PathWest introduced an Aboriginal scholarship program with four scholarships offered each year, allowing successful applicants to complete the six week Certificate III in Pathology Collection course.

All course fees and other associated costs including workbooks, textbooks and vaccinations are included. To date, PathWest has offered 12 scholarships, with 11 participants successfully completing the course - six of these graduates are currently employed with PathWest. In 2018/19 four scholarships were awarded.



Risk management

PathWest is committed to identifying, assessing, controlling and monitoring all risks associated with its activities at the strategic, operational and project level. In 2018/19, as part of the process of transitioning to the new governance arrangements as a standalone HSP, PathWest undertook a number of strategic planning workshops that identified major strategic risks and developed treatment action plans to mitigate these. PathWest Executive, through the Risk and Audit Committee, continue to monitor progress of risk mitigation as part of routine management oversight.

In 2018/19, PathWest began commissioning the Enterprise Risk Management System (ERMS) as a whole-of-agency risk management tool. Configuration and deployment of the ERMS continues in line with other HSPs and the System Manager. Once fully commissioned the ERMS will replace the existing risk registers and will be the main risk management tool used to identify, assess and mitigate risk.

Customer feedback mechanisms

PathWest welcomes feedback from patients, clients and customers, and relies on this feedback in order to continuously improve its service. PathWest has a number of mechanisms for obtaining feedback. Feedback provided in person at collection centres is consistently referred on to supervisors and managers for resolution. Anonymous feedback may be provided via the 'Contact Us' webpage on the PathWest website or via the Patient Opinion link on the website homepage. Alternatively, feedback may be provided to the PathWest Marketing team via email or via the 13 PATH phone line. Detailed information and links to these feedback mechanisms are provided via the PathWest website, 'Compliments, suggestions, concerns or complaints' page.

PathWest endeavours to:

- Acknowledge feedback within five working days of receipt
- Assess and investigate all issues raised
- Keep patients, clients and customers informed of the resolution process
- Provide a final response within 30 days of receipt, in cases where contact details are provided.

One of the main areas identified for improvement in 2018/19, was in relation to patient wait times for specimen collection services. This issue has become a key action item for pre-analytical services with potential solutions including the introduction of automated systems for measuring and monitoring wait times as well as a call back service, allowing patients to leave the centre and receive an automated notification to return when appropriate.

Patient feedback

“I was having my Gestational Diabetes Glucose Tolerance Test and was blown away by the care and professionalism of the staff at the centre. I did not have a good reaction to the glucose drink but was well looked after by the phlebotomist who made me feel very safe and not embarrassed about the situation at all. I have had many blood tests in my life and she is most certainly the best I have ever had.”

“Just wanted to say thank you to the lady who took the bloods for my 10 week old son yesterday at PCH. I was very emotional as we are just starting on our journey to find out about his condition. She was most patient and listened to me, shared her own story as I cried my heart out. Unfortunately, I could not remember her name, but just wanted to let her know that she made an amazing difference and I wish everyone would show such compassion. PathWest can be proud to have such a wonderful employee.”

“Yesterday I had blood taken at Beaufort St., Mount Lawley. I switched to PathWest as I have had so much trouble with other clinics 'finding' my veins and have had no end of pain and troubles in the past. The phlebotomist was amazing, kind and calm and compassionate and got me sorted first time. I was SO relieved.”

“I had a blood test this afternoon at RPH PathWest and the “nurse”, was lovely. She was considerate, sociable and empathetic.”

Learning from clinical incidents

A clinical incident is an event resulting from the provision of health care that could have or did lead to the unintended harm of a patient. PathWest actively encourages all staff to report clinical incidents. The process of investigating and learning from incidents is fundamental in the prevention of harm to patients in the future.

Clinical incidents resulting in serious harm to a patient is assigned a Severity Assessment Code (SAC) rating of SAC1. Regrettably, and despite the best intentions of PathWest's highly skilled staff, there were two SAC1 incidents reported during 2018/19, contributing to serious harm to patients. As a result, a review of these incidents was undertaken. The outcome of these reviews led to improved staff understanding of the importance of following the policies and procedures in place, and improved diagnostic processes related to complex and difficult cases.

The structure of the Datix CIMS database will be modified from 1 July 2019 to ensure better access to this database for PathWest staff. This will enable improved efficiency and effectiveness for investigating and reporting of clinical incidents, enabling compliance with the WA Health Clinical Incident Management Policy.



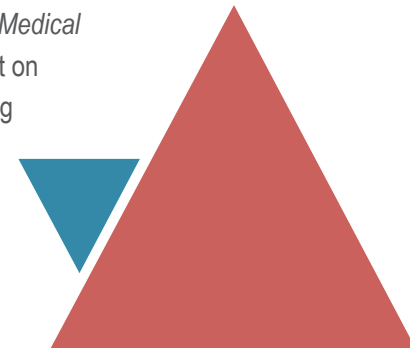
Accreditation

PathWest services in medical, forensic and biological testing continue to hold accreditation based on international and national standards for testing laboratories. All of PathWest's medical testing laboratories are accredited NATA to the Australian and International Standard AS ISO 15189-2013: *Medical laboratories - Requirements for quality and competence* and supporting requirements outlined by the National Pathology Accreditation Advisory Council (NPAAC).

Accreditation is confirmed by audit, with at least one audit activity being undertaken by NATA every year at each laboratory following a four year cycle. Audit findings are applied across all medical laboratories to ensure ongoing accreditation compliance across the service.

As well as medical testing laboratories, PathWest operates a forensic testing laboratory and two biological testing laboratories. These three facilities are accredited by NATA to AS ISO/IEC 17025: 2018 : *General requirements for the competence of testing and calibration laboratories*. This follows a three year cycle of assessment that includes external audit activities. NATA also assess the toxicology laboratory and supporting collection services to Australian Standard AS/NZS 4308:2008 *Procedures for Specimen collection and the Detection and Quantitation of Drugs of Abuse in Urine*.

In 2018/19 NPAAC released a number of new documents that significantly changed the requirements for medical testing laboratories and specifically prescribed a number of requirements for the supervision of clinical governance. NPAAC *Requirements for Supervision in the Clinical Governance of Medical Pathology Laboratories (Fifth Edition 2018)* comes into effect on 1 August 2019 and PathWest has been actively implementing the required changes in governance during the year to ensure all medical testing laboratories are compliant with the new requirements by the due date.



PathWest has a number of other external assessment bodies that accredit specific areas of the laboratory services. Every two years the Therapeutic Goods Administration (TGA) assess PathWest's human leukocyte antigen immunogenetics and transplant immunology laboratory and the serology and microbial contamination testing laboratory against *The Australian Code of GMP for Human Blood & Blood Components, Human Tissues & Human Cellular Therapy Products, April 2013*. Also the Pharmaceutical Testing is assessed by the TGA against *PE009-13 PIC/S Guide to Good Manufacturing Practice for Medical Products*.

The human leukocyte antigen immunogenetics and transplant immunology service is also accredited by The American Society for Histocompatibility and Immunogenetics (ASHI) against the ASHI Standards 2017 that follows a three year cycle of assessments.

Annually the Australian Government Department of Water Resources audits vitamin assay laboratory, water examination laboratory and PC3 facility to confirm continuing compliance to biological containment level 1 and biological containment level 3 standards.

Lastly the bone marrow transplant laboratory is accredited by the Foundation for the Accreditation of Cellular Therapies (FACT) against the *FACT-JACIE International Standard for Haemopoietic Cellular Therapy Product Collection, Processing and Administration (currently 7th Ed)*. This laboratory is accredited by the Australian Bone Marrow Donor Registry (ABMDR) and complies with the ABMDR world quality standards and ABMDR guidelines.

PathWest considers external accreditation by independent bodies, assessing against international and national quality standards, as fundamental to providing assurance to the WA community, ensuring that laboratory testing facilities are operating at world standard. Through its ongoing accreditation, the quality of the testing available from all of PathWest's laboratories is assured.

With **26 medical testing laboratories**, PathWest has an external NATA assessment undertaken at one of its sites on average every two weeks.





Performance highlights

Research Translation Projects

The Research Translation Projects (RTP) program, established in 2007, seeks to support high-quality research projects that have the potential to demonstrate improved cost effectiveness and/or efficiencies to WA Health while maintaining or improving patient outcomes, with a focus on translation of research outcomes into health care policy and practice in WA. Projects address relevant contemporary challenges faced by WA Health and link to WA Health priorities.

In 2018/19, PathWest was awarded funding for three Department of Health-funded RTPs.

Cancer computer

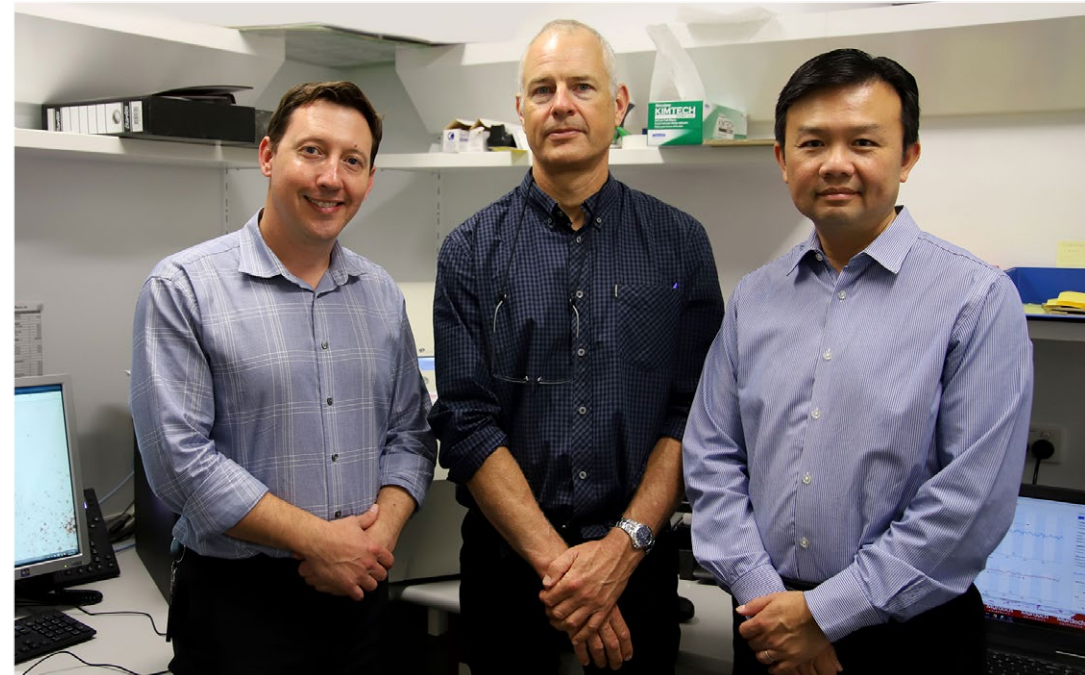
Artificial intelligence (AI) is a hot topic globally, and PathWest is front and centre in that space with AI “Cancer Computer” research. Led by Dr Jeremy Parry, in partnership with Murdoch University, the computer uses AI algorithms to detect abnormalities in lymph nodes that may or may not be malignant.

Dr Parry said the aim of his project is not to replace pathologists in analysing samples, but to assist in the review and validation of their findings. The project is exploring the use of convolutional neural networks, image registration to combine routine stains with immunohistochemistry, and automated and semi-automated techniques for image labelling.

In the second part of the project, Dr Parry and his team will assess the value of using digitised whole-slide scans of tissue samples across the WA health system.

The current system for examining tissue samples involves putting them on glass slides so that they can be viewed under a microscope.

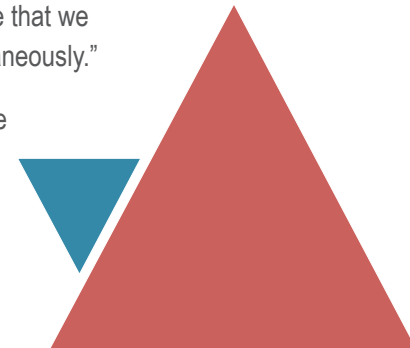
“If we need a second opinion we must physically transport the slide to wherever the person is, which could be at another hospital or even in another State,” Dr Parry explained.



PathWest's Chris Yeoman and Jeremy Parry with Murdoch University's Kevin Wong

“However if we take the sample on the slide and then scan it using our digital whole-slide pathology scanner, we have access to an image that we can send anywhere in the world and can be viewed instantaneously.”

Dr Parry says that digitisation would add an extra step to the processing of these samples, but has potential benefits which include improved flexibility for information sharing, reduced time and cost of transporting slides and improved storage and preservation of images.



Sepsis FASTtrack

Sepsis is a major concern for health services in WA, with an estimated annual case load of over 5,000 laboratory confirmed patients per year. It is the most common medical reason for long distance aeromedical evacuation, and often involves prolonged hospitalisation for intravenous antibiotic treatment.

Associate Professor Tim Inglis and his team have developed an ultra-rapid method of antibiotic testing (FAST) for direct use on bacteria in blood samples in a previous translational research project.

“The present project will convert our research laboratory method into a robust clinical laboratory process that accelerates the diagnosis of severe infection and rapidly works out the most suitable antibiotics,” Professor Inglis said.

“The team plans to work entirely with existing laboratory specimens, and discover the optimal combination of biomarker tests, rapid blood culture detection and FAST method to improve antibiotic treatment decisions during the early stages of sepsis.”

The team will develop these tests for application throughout WA, optimising test selection, laboratory workflow and result reporting.



WASABI

The West Australian SMART Application of Blood culture Initiative (WASABI), is a Statewide multi-disciplinary research collaboration using data analytics to optimise the diagnosis and management of patients with suspected serious blood stream infection.

Clinical Associate Professor Susan Benson and her team are working alongside senior experts from each HSP, the Department of Health, Telethon Kids Institute, the Australian Institute of Health Innovation and Curtin University, to improve the management of patients with serious infection and reducing low value care.

Professor Benson said preliminary analysis has identified the inefficient use of up to 50 per cent of blood cultures.

“The project aims to optimise pathogen detection, reduce waste from poorly collected samples, reduce unnecessary testing, and evaluate the WASABI methodology,” Professor Benson said.

WASABI will analyse the laboratory data from one million blood cultures over the last decade, with the objective of measuring variation within the State and assessing the impact of historical and current improvement efforts. The findings will be translated into changes in practice, and a prospective monitoring and feedback system will be designed and implemented in partnership with clinicians.

The project is expected to improve the care of 25,000 patients each year and reduce costs from low-value care by \$1.7 million a year. WASABI will also build capacity in the WA health system for the use of big data and serve as a model for multidisciplinary collaboration.



Forensic Biology relocation

The Forensic Biology department analyse exhibits recovered from crime scenes to look for biological evidence such as blood, saliva, semen, skin cells and hairs. Modern techniques are so sensitive that it is now possible to recover DNA from invisible traces of material deposited onto an item.

Due to the confidential and secretive nature of the work, PathWest's role in helping solve crimes throughout WA is largely unknown, however, Forensic Biology has been an integral part of the police investigative process in WA since the early 1900s. Each year the Department analyse almost 30,000 crime scene exhibits from about 11,000 cases.

In a constantly evolving and growing speciality, and to ensure PathWest can remain a leader in this field, the Department and its 135 staff moved to a new highly specialised facility in May 2019.

Head of Forensic Biology Dr Gavin Turbett said Forensic Biology staff analyse thousands of exhibits, cases and reference samples annually, with the number growing year on year.

"The new facility offers significantly more space, allowing PathWest to increase capacity and improve process workflows leading to better outcomes of this essential service – supporting the WA Police Force with criminal investigations, as well as the State Coroner and the Sexual Assault Resource Centre," Dr Turbett said.

"The facility will also allow for the introduction of new and emerging technologies, keeping PathWest at the forefront of best practice."

"I've had feedback from a number of victims who have said 'we thought the police had dropped this' or that 'we'd been forgotten.' Importantly for them and their families they are now seeing results of not just good police work but it is being complemented by the work that PathWest does."

WA Police Commissioner Chris Dawson

The new facility features:

- Audio visual rooms allowing forensic scientists to conduct remote court appearances when providing expert evidence.
- Dedicated space for research and development to assess emerging technologies and testing advances.
- Dedicated spaces for cold case (unsolved homicide and sexual assault) testing.
- Improved workspaces will decrease the risks of contamination.
- Additional dark rooms for the analysis of sexual assault cases.
- A dedicated laboratory specifically for multi-disciplinary joint examinations between Forensic Biology, WAPF and ChemCentre.
- Dedicated positive and negative air-pressure zones for contamination minimisation.
- Dedicated rooms for freezers to permit the long-term storage of forensic DNA extracts.

"This is a facility that most people will never see and never really know about but it's so important in terms of our criminal justice system and it's so important for bringing perpetrators before the courts."

*Minister for Police
Michelle Roberts*



Dr Gavin Turbett with Minister for Police Michelle Roberts and Police Commissioner Chris Dawson at the new Forensic Biology facility

New CT scanner for State Mortuary

Each year, the State Mortuary is involved in more than 2,500 coronial cases.

Historically all coronial cases involved an invasive post-mortem examination in order to determine cause of death.

In June 2019, Attorney General, the Honourable John Quigley MLA officially opened the first CT scanner for the State Mortuary. The scanner was purchased from the State Government allocation of \$1.1 million in the 2017/2018 State budget. A further allocation of \$1.2 million has been granted over the next four years for staffing and maintenance costs.

The images and three dimensional renderings produced by the 128-slice scanner will enable forensic pathologists to see internally, and potentially identify cause of death, without always having to perform an autopsy.

Head of Forensic Pathology Dr Jodi White said a CT scan will not entirely replace all conventional investigations; however it will enable us to reduce our need for invasive examination in a significant number of cases – while still maintaining quality and accuracy of the cause of death finding.

“The scanner also provides a permanent virtual record of the body and increased capacity for disaster victim identification in the case of a mass fatality incident,” Dr White said.

In the 2018/19 financial year, more than 180 scans were completed. This number will significantly increase in the coming years, as capacity and skills grow within the department.

“This is a game changer for the PathWest State Mortuary, with the state-of-the-art CT scanner providing greater detail and revealing forensic evidence much faster than a conventional autopsy examination.”

*Minister for Health
Hon Roger Cook*



Attorney General John Quigley, PathWest Chief Executive Joe Boyle and Forensic Pathologist Dr Dan Moss

“This is going to be a big step forward in forensic pathology and it’s also going to unblock some of the backlog in the Coroner’s Court, where people have been waiting to find out the cause of death of their loved ones.”

Attorney General Hon John Quigley



Attorney General John Quigley and Forensic Pathologist Dr Dan Moss

Tackling influenza

The 2019 influenza (flu) season started much sooner and peaked much higher than anticipated, with significantly more confirmed cases in 2019 than for the same time in previous years. About 30 per cent of swabs were testing positive for influenza at the peak for this year.

The Microbiology departments at QEII and FSH have been inundated with requests for molecular flu testing, and have worked hard to ensure that test results are available to hospitals and general practitioners as soon as possible.

To help manage this increased workload, the Microbiology discipline procured rapid flu testing machines, ensuring PathWest could keep up with demand while reducing turn-around times for hospitalised patients. The rapid testing machines provide results within 35 minutes from loading of the specimen, ensuring patients can begin the correct treatment as soon as possible, and assisting with hospital bed management.

Table 1. Approximate number of molecular flu tests performed by PathWest May and June 2017 to 2019

Year	May	June
2016/17	1,401	1,630
2017/18	1,835	2,012
2018/19	4,486	6,551

PathWest performed **59% more influenza tests** in 2018/19 compared with the previous year.



New equipment

As part of its commitment to providing a quality service to customers, PathWest prioritises the procurement of the latest technology and equipment, ensuring the organisation stays at the forefront of pathology and forensic services.

During 2018/19, more than \$3 million was invested in new and emerging equipment and technology.

Table 2. Equipment purchased in 2018/19

Equipment	Total 2018/19
Coagulation instruments	\$357,150
ELISA workstation	\$88,000
Biochemistry analysers	\$1,200,860
Serology analyser	\$117,672
Blood gas analyser	\$58,300
Drugs of abuse analyser	\$145,500
Haematology analysers	\$195,400
Thermal cyclers	\$90,904
Flow cytometers	\$215,000
Fluorescence microscope	\$35,532
Refrigerated centrifuge	\$31,653
Histopathology equipment	\$34,573
Genetic sequencer	\$297,366
Liquid handling robot	\$25,874
Media steriliser	\$45,400
Minor equipment	\$75,146
Total	\$3,014,329

An additional investment of more than \$450,000 worth of equipment, using surplus operational own-source revenue, was purchased to replace ageing equipment. The increased investment was a result of the tight financial controls and savings made during the 2018/19 year. Replacement equipment included:

- Class II biological safety cabinet
- Plate dispensing carousel
- QiaAgility instruments
- CO² incubator
- Nanodrop
- Microtome
- Fridges and freezers
- Multiplate platelet function analyser
- Sterilisers
- -80 degree cabinet
- Thermocycler
- Biological hazard fume hood
- Haematology film stainers



Analysers a game changer for PathWest

In 2018/19, PathWest invested more than \$1.2 million in upgrading the routine biochemistry and immunoassay analysers at the QEII Medical Centre and FSH laboratories.

The new Alinity ci analysers are compact, easy to use analysers which will maximise PathWest's throughput and efficiency, ensuring the high-performing laboratories continue to run at their best, providing quality results.

At QEII the new analyser will allow transfer of routine serology testing from Microbiology to the Core Biochemistry laboratory.

Mackenzie's Mission

On 11 March 2017, Rachael and Jonathan Casella excitedly welcomed baby girl Mackenzie into the world.

At 10 weeks old, the new parents noticed that Mackenzie wasn't moving as she should, and she was subsequently diagnosed with Spinal Muscular Atrophy (SMA) type one – a genetic illness that results in the loss of motor neurons and progressive muscle wasting.

Neither Jonathan nor Rachael knew they were carriers of SMA. Carriers of recessive conditions like SMA do not have the condition themselves, but have an increased chance of having a child with the condition – a one in four chance for every pregnancy.

At seven months, 11 days old, Mackenzie took her last breath in her parent's arms.

Through their grief, the Casella's launched a campaign to raise awareness of genetic carrier screening, calling for screening to be routine and free for all prospective parents in Australia.

In 2018, following years of lobbying by patient support groups and researchers, the Federal Government allocated \$20 million to a research study into reproductive genetic carrier screening. The project is part of the \$500m Australian Genomics Health Futures Mission and is administered by Australian Genomics.

PathWest's Diagnostic Genomics Department is proud to be working with the Australian Genomics Health Alliance and other hospitals, universities and research institutes on the research project aptly named Mackenzie's Mission.

From late 2019, the project will see 10,000 Australian couples receive screening before they conceive or in early pregnancy for more than 1,000 severe or life-limiting genetic conditions including SMA, fragile X syndrome and cystic fibrosis.

This will identify couples with an increased chance of having children with the debilitating or fatal genetic conditions screened for.

Screening will start in the first year for couples in selected regions of New South Wales, Victoria, WA and the Australian Capital Territory. In the second year, screening will be extended to couples in the other States and Northern Territory.

The PathWest Diagnostic Genomics Department will be one of three diagnostic laboratories performing the testing. Head of Diagnostic Genomics Dr John Beilby said if both parents have a recessive genetic mutation in the same gene, there is a 25 per cent chance their child will inherit the faulty gene from both parents, and have the genetic condition.

"If we can identify this prior to conception, we can offer reproductive options, ensuring the couples can, if they wish, make an informed choice and increase their chance of having a healthy baby," Dr Beilby said.

"One option is to use in-vitro fertilisation to only implant embryos that have been pre-screened, and do not have the mutated gene."

Researchers will also investigate how carrier screening could be rolled out as a national program, with the long-term aim to inform how reproductive carrier screening can be best made available for free to every couple who wants it.



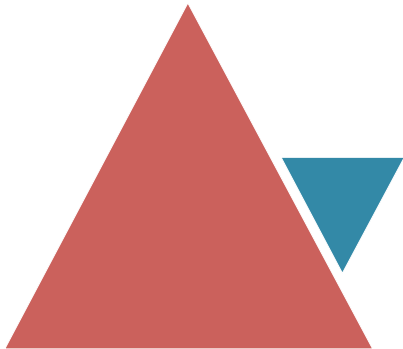
More information can be obtained about Mackenzie's Mission from the Mackenzie's Mission website at Australian Genomics: <https://www.australiangenomics.org.au/our-research/disease-flagships/mackenzie-mission/>



Performance Management Framework

Compliance with the Outcome Based Management (OBM) framework is a Department of Treasury mandatory requirement for all State government agencies.

Due to PathWest's recent establishment as an independent CE governed HSP, the Department of Treasury granted PathWest an exemption from OBM Key Performance Indicator (KPI) reporting for the 2018/19 period. PathWest is working with the Department of Treasury to establish its KPIs for the 2019/20 financial year.



Cross-agency initiatives

PathWest holds a unique position within the WA health system, not only providing accurate and timely results and diagnosis to clinicians across the public hospital system and to general practitioners throughout the State, but also various other government and non-government agencies including:

- Forensic Biology provides forensic DNA analysis and reporting services to support WAPF, State Coroner and the WA justice system, with more than 30,000 exhibits analysed and 800 court reports issued each year.
- Forensic Pathology, including State Mortuary, perform external, limited and full internal autopsies for more than 2,500 Coronial cases, providing reporting to the State Coroner and WAPF.
- The Environmental Microbiology Unit has an excellent working relationship with the Water Corporation, Department of Environmental Regulation and other organisations, primarily focused on microbiological testing of a wide range of samples including food, water and vitamins.

- The Immunology Department includes the Western Australian arm of the Organ Match program, managing the input of donor organ data into the Organ Match system as part of their partnership with the National Organ and Tissue Authority. They also manage the input of data into the national and international bone marrow donor registry in partnership with the Australian Red Cross, Australian Bone Marrow Donor Registry and World Marrow Donor Association.
- PathWest provides urine drugs of abuse screening services for various mining companies and for the Department of Corrective Services, in line with AS/NZS 4308 standard.
- The Pharmaceutical Testing Facility is a TGA licensed facility, providing sterility and microbiological testing for many different customers, including government and non-government hospitals, pharmaceutical and device manufacturers or distributors. Testing is carried out to the specification or requirement of the customer.
- PathWest works closely with universities, research institutes and other education providers on research, teaching and training initiatives across all disciplines.



WA Health Awards 2018

The PathWest SMART Sepsis project at FSH was a finalist in the 2018 WA Health Excellence Awards in the Improving safety and quality category.

The project worked with a multi-disciplinary team at the hospital to develop strategies to improve the diagnosis of patients with suspected infection.

PathWest Microbiologist and State Project Lead Dr Susan Benson explained that the project aimed to reduce diagnostic error, improve patient outcomes with timely diagnosis and reduce the misuse of antibiotics.

“This project is an important example of how pathology can play an even greater role in improving healthcare,” Dr Benson said.

Agency performance



Summary of financial performance

PathWest's annual budget is reported to the Minister for Health under Section 40 of the *Financial Management Act 2006* and Treasurer's Instruction 953. The annual estimates were developed based on the initial 2018/19 Service Agreement.

Results for 2018/19 against agreed financial targets (Section 40 estimates) are presented in Table 3. Full details of PathWest's financial performance during 2018/19 are provided in the financial statements.

Table 3. Comparison of actual financial performance against agreed financial targets

	2018/19 Estimates	2018/19 Actual	Variation +/-
	\$'000	\$'000	\$'000
Total cost of services (expense limit) (sourced from Statement of comprehensive income)	325,239	319,468	5,771 ^(a)
Net cost of services (sourced from Statement of comprehensive income)	138,479	126,521	-11,958 ^(b)
Total equity (sourced from Statement of financial position)	163,190	168,279	-5,089 ^(c)
Net increase/(decrease) in cash held (sourced from Statement of cash flows)	0	7,938	7,938 ^(d)
Approved salary expense level	220,467	218,773	1,694 ^(e)

Explanation of Variance

- (a) The 2018/19 Total Cost of Service Actuals of \$319.468M was \$5.771M higher than annual estimates due to \$6.8M of timing of capitalisation of projects which was subsequently reflected in the mid-year review. Offsetting this change was \$1M of higher operating costs relating to SPA activities which has a corresponding increase in Own Sourced Revenue.
- (b) The \$11.958M favourable variance in Net Cost of Service was largely driven by higher activity/SPA driven Own Sourced Revenue of \$6.9M. In addition, the \$6.8M reduction in depreciation expenses contributed to the favourable variance in Net Cost of Services, which was partially reduced by \$1M of SPA related activities.
- (c) 2018/19 Total Asset Actuals of \$243.912M was \$9.774M above the annual estimate of \$234.138M mainly driven by higher activity. 2018/19 Total Liability actuals of \$75.633M was \$4.868M above the annual estimate of \$70.947M largely due to the increase in employee provisions and timing of payables. This has resulted in a net increase in equity of \$5.089M
- (d) Increase in cash and cash equivalents is due to higher than budgeted activity.
- (e) FTE level below budget due to cost controls and capitalisation of internal labour costs relating to the LIS Project.

For 2018/19 PathWest has an exemption from Treasurers Instruction 904 *Key Performance Indicators* and will not be reported as a standalone service in WA Health's Outcome Based Management Framework in the 2018/19 Budget Statements.

Operational activity

Table 4. PathWest Activity

	2016/17	2017/18	2018/19
Test panels performed	9,903,702	10,050,611	10,357,932
Increase in activity		1.5%	3.1%
Increase in full time equivalent (FTE) (excl. LIS and Forensic Biology)		1.4%	-0.5%
Increase in tests per FTE		0.5%	3.6%

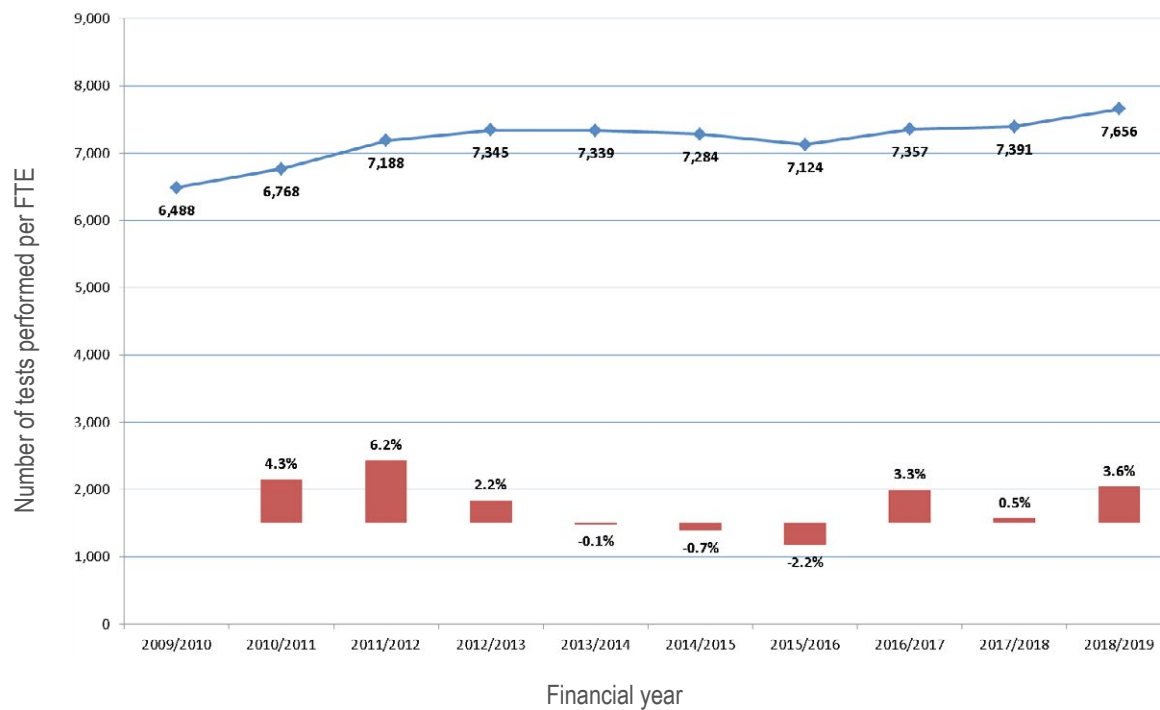
Table 5. Activity by discipline (Test panels performed)

	2016/17	2017/18	2018/19
Biochemistry	5,154,393	5,388,180	5,536,812
Diagnostic Genomics	30,199	28,200	32,537
Haematology	1,875,607	1,899,449	1,983,685
Immunology	236,283	240,635	285,802
Microbiology	2,106,717	1,970,284	2,008,051
Toxicology and Pharmacology	85,831	86,303	90,045
Transfusion Medicine	191,301	197,355	198,721
Total	9,903,702	10,050,611	10,357,932

Table 6. Increase in activity by discipline

	2017/18	2017/18	2018/19	2018/19
Biochemistry	233,787	4.5%	233,787	2.8%
Diagnostic Genomics	-1,999	-6.6%	-1,999	15.4%
Haematology	23,842	1.3%	23,842	4.4%
Immunology	4,352	1.8%	4,352	18.8%
Microbiology	-136,433	-6.5%	-136,433	1.9%
Toxicology and Pharmacology	472	0.5%	472	4.3%
Transfusion Medicine	6,054	3.2%	6,054	0.7%
Total	146,909	1.5%	146,909	3.1%

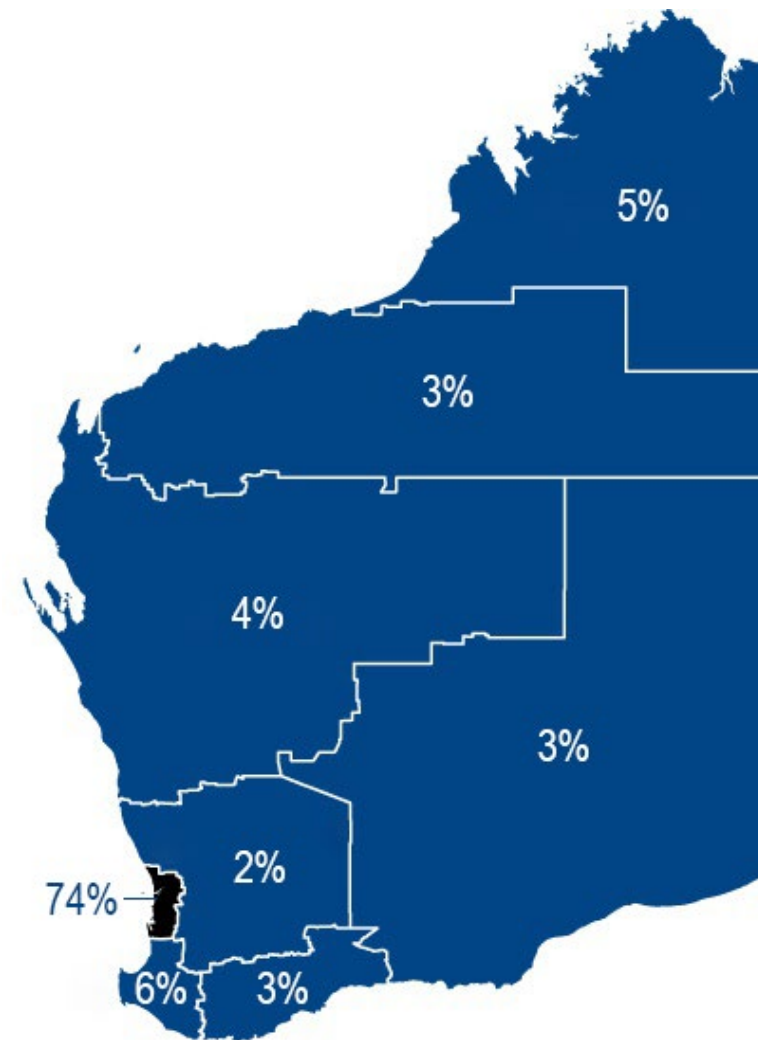
Table 7. Number of tests and % increase of tests performed per FTE per year



Despite an increase in the number of tests performed, PathWest has seen a decrease in FTE. This has resulted in an increase in the number of tests performed per FTE.



Diagram 2. Tests performed by region (%)



26% of all tests performed by PathWest originate from regional areas



Significant issues impacting the Agency



Laboratory information system

PathWest currently operates four separate laboratory information systems (LIS), which will be replaced by a new single LIS solution to record, manage and store clinical laboratory data.

The new LIS will use the latest technology to deliver integrated laboratory functional areas including test ordering, specimen tracking, report preparation and delivery, and billing management.

The new system will deliver efficiencies by increasing standardisation and automation, enabling PathWest to align its business processes with best practice.



Iffat Rana and Soumaya Davids testing out new software and equipment

These benefits will allow PathWest to accommodate increasing demands from the growing and ageing population and the increasing development of new and more complex tests.

Delays to the planned 'go-live' date for the new LIS resulted in significant internal and external reviews, and PathWest took immediate steps to improve the project's resourcing, governance and oversight. In late 2018, an experienced Project Director and Information Communications Technology (ICT) Project Manager were engaged to run the project, and a new Project Board was established. Chaired by the PathWest CE, the Board includes the Project Director, Project Manager and contracted external project management services. In addition, the LIS Replacement Project is governed by WA Health's ICT Executive Board chaired by the Director General, Department of Health and a separate, dedicated LIS Advisory Board chaired by the Assistant Director General, Strategy and Governance.

A performance audit of the project was conducted by the Office of the Auditor General (OAG), with the audit report released in late June 2019. The OAG found the newly implemented management arrangements provide PathWest more robust control of project progress, cost and timelines.

The reset project timeline will deliver a pilot roll-out of the new LIS in early 2020 at Bentley and Busselton hospital laboratories, with 'go-live' for all other laboratories delivered in a staged roll-out schedule.

In the 2019/20 State budget, the LIS project was allocated an additional \$23.7 million to the \$26.8 million previously allocated.

By mid-2020, the new LIS will be fully implemented for PathWest's laboratory test catalogue and across all facilities, including 76 collection centres and 27 laboratories. The integrated LIS will provide doctors and patients with faster turnaround times for pathology results, leading to better patient outcomes.

Organisational restructure

On establishment as an HSP on 1 July 2018, corporate and executive functions, previously provided under the auspices of NMHS ceased. This presented an opportunity for PathWest to consider the best organisational structure to lead the organisation into the future – as the leading pathology and forensic service provider in WA.

The restructure, to date, has included:

- Realignment of corporate and operational functions to drive operational effectiveness, including the creation of an Executive Director, Operations with oversight for service provision across all laboratory services in the State.
- Creation of Executive Director, Corporate Services to lead workforce services, organisational development, risk management, quality, governance, records management and information technology functions.
- The decision to transition to a single discipline model for all pathology services, and the creation of Pathology Director positions for Haematology, Biochemistry, Microbiology and Immunology in addition to the two existing Pathology Director positions, with full operational performance, financial accountability and strategy responsibility.

During 2019/20, the organisational structure changes will continue to be implemented.

The revised organisational structure can be found here



Changes to NPAAC supervision requirements

The National Pathology Accreditation Advisory Council (NPAAC) considers and makes recommendations to the Federal, State and Territory Governments on matters related to the accreditation of pathology laboratories. NPAAC plays a key role in ensuring the quality of Australian pathology services through the development and maintenance of standards and guidelines for pathology practices.

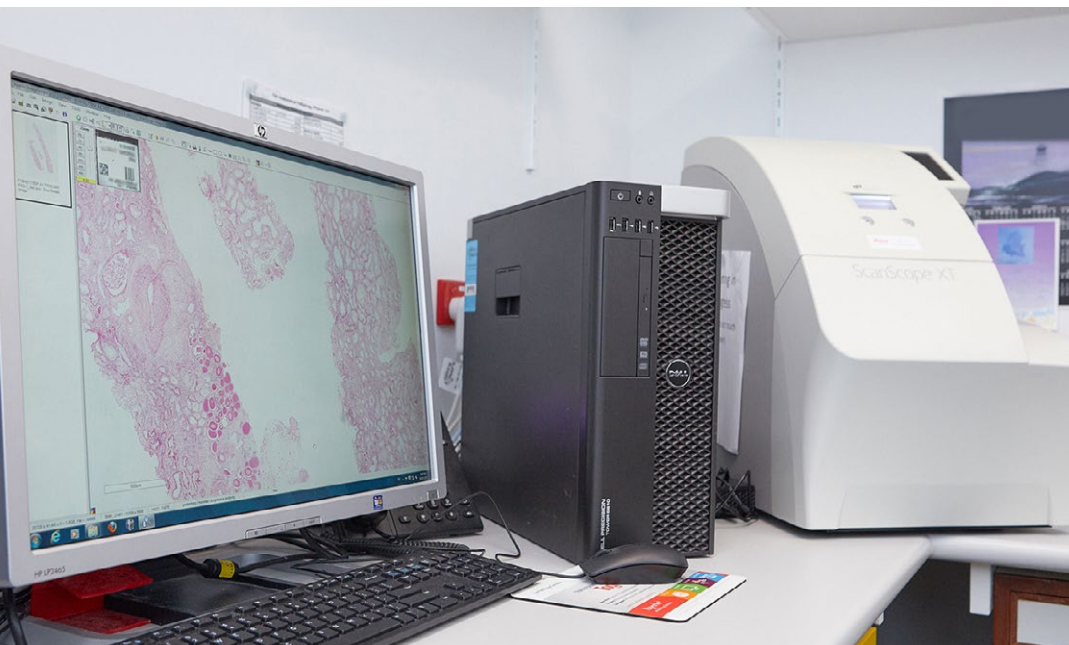
PathWest is an Accredited Pathology Laboratory (APL), and as such complies with the specified quality standards as expressed in the accreditation material developed and maintained by NPAAC in the context of the Australian pathology accreditation framework.

To ensure best practice in pathology and to ensure optimal patient safety, clinical governance frameworks should be embedded in an organisation's structure. To enforce this principle, NPAAC introduced the *Requirements for Supervision in the Clinical Governance of Medical Pathology Laboratories (Fifth Edition 2018)*. This document comes into effect on 1 August 2019.

Under the current legislative framework, it is mandated that pathology services must be supervised by a pathologist or medical specialist, in order to be rebated under Medicare. The *Requirements for Supervision in the Clinical Governance of Medical Pathology Laboratories* require a governance system whereby a designated medical practitioner leading a medical pathology service is accountable for the provision of accurate and timely results and describes the role and responsibilities of the designated person.

To comply with these requirements, PathWest has implemented the following changes to the clinical governance structure and function:

- Classification of the PathWest laboratory at RPH as a Category GY laboratory (linked to the GX laboratory at FSH), under the control of the PathWest Director of Pathology East Metropolitan Health Service (EMHS).
- Classification of the PathWest laboratory at KEMH as a Category GY laboratory (linked to the GX laboratory at QEII), under the control of the PathWest Director of Pathology Child and Adolescent Health Service (CAHS).
- Increased use of communication technology to enable enhanced clinical governance of PathWest's branch laboratories.



Infrastructure improvements

State Mortuary minor refurbishments and CT scanner installation

In 2017/18, the State Government allocated \$1.1 million for a CT scanner to be installed in the State Mortuary. A further \$1.2 million over four years was allocated for staffing and maintenance costs.

Minor refurbishment of works included the refurbishment of the QEII J block basement to accommodate the CT scanner, control booth and relocation of existing functionality, as well as ensuring the new facility met radiation shielding requirements.

Additional minor building works included painting of corridors and ceilings, replacement of cupboards and furniture, installation of lighting, shelving and a fume hood, and completion of the replacement of flooring in the teaching theatre.

Forensic Biology relocation

In the 2017/18 budget, \$4 million was allocated for the relocation of the Forensic Biology laboratory.

The new laboratory became fully operational in June 2019, offering twice the space and accommodating five genetic analysers with the combined capacity to generate up to 120 DNA profiles every 30 minutes, a significant improvement from the three previous analysers (decommissioned in September 2018) that had a combined capacity to generate 48 DNA profiles in the same time.

The introduction of video conference rooms increases the efficiency for the forensic scientists when giving expert evidence.



Forensic Biology staff at work in their new location

Narrogin Health Service

In May 2019, PathWest relocated from an old, standalone building located on the edge of the Narrogin Hospital campus into the new purpose-built \$2.2 million facility within the main health service building (operated by WA Country Health Service).

The new area offers a welcoming environment for patients and staff. It includes a well-appointed laboratory, two dedicated collection rooms and storage space. The new location is easier for clients and staff to access with improved support services provided to the inpatient wards and the emergency department.

PathWest Narrogin staff happy to move into their new space



Karratha Health Campus

In October 2018, the Hon Mark McGowan MLA, Premier opened the \$207.15 million Karratha Health Campus, the biggest regional hospital investment ever made in WA.

An expanded PathWest laboratory and collection centre were included in this state-of-the-art hospital, operated by the WA Country Health Service, with all services relocating from Nickol Bay Hospital to the new health campus.

Warren Health Service

The Hon Roger Cook, MLA, Minister for Health officially opened the \$37 million Warren Health Service in July 2018, replacing the former Manjimup Hospital.

Part of the new health service, operated by WA Country Health Service, included a new PathWest laboratory and collection centre.

Warren Health Service



Pricing and costing project

In February 2017, an independent review of PathWest's governance model, performance framework and funding arrangement was conducted, to enable PathWest to deliver more effective and contemporary pathology and forensic services.

The review made a number of recommendations, which informed the initiation of the pricing and costing (PAC) project to develop a more financially sustainable costing-funding model that is a cost-reflective pricing structure instead of the current Commonwealth Medicare Benefit Scheme (CMBS) based pricing model.

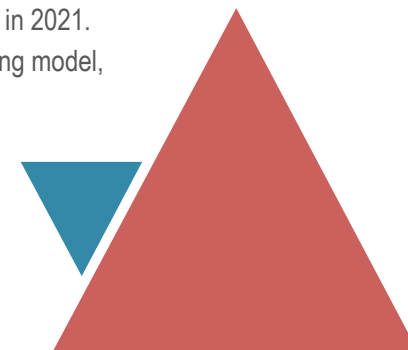
PathWest has an annual budget of more than \$320 million, currently funded through a mixture of fee for service activities, external revenue, block funded services and block funded Net Cost of Service (NCOS) allocation.



The PAC project aims to:

- Gain a better understanding of, and control over, PathWest's direct, indirect and overhead costs.
- Enable PathWest to charge a price for tests and services which is reflective of the cost.
- Establish a flexible pricing model to respond to internal and external influences.
- Increase transparency about how full unit costs are calculated including direct, indirect and overheads.
- Follow best practice, making more informed decisions and improving efficiencies.
- Provide a spotlight on activities such as community service obligations for which PathWest receives no revenue.
- Establish a simpler, faster and more flexible method for preparing prices for commercial activities.

The project commenced in June 2019 with a pilot in the Microbiology department. The project will continue in 2019/20, with completion due in 2021. PathWest will then implement the newly established pricing model, charging HSPs and other stakeholders a transparent and cost reflective fee for service.



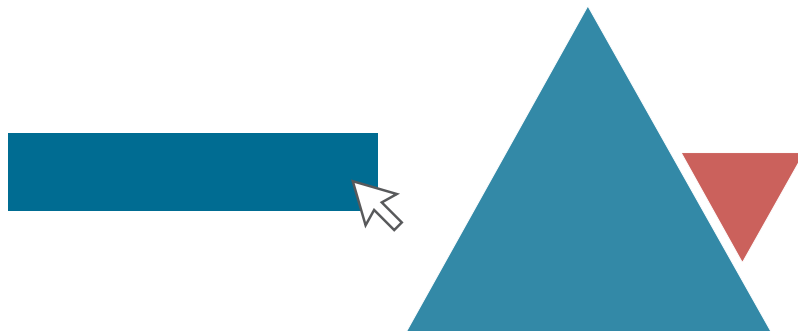
Sustainable Health Review

In June 2017, the State Government announced the Sustainable Health Review to develop a more sustainable health system for WA. An extensive two-year consultation, planning and development period followed, and a panel of experts was appointed to consider recommendations from stakeholders.

The final Sustainable Health Review Report was delivered on 11 April 2019, outlining eight enduring strategies and 30 recommendations. The report provides a detailed plan for the development of health services in WA, focussing on workplace culture, engagement, investment and governance, as well as an increased emphasis on preventative health.

PathWest set to become a board-governed HSP

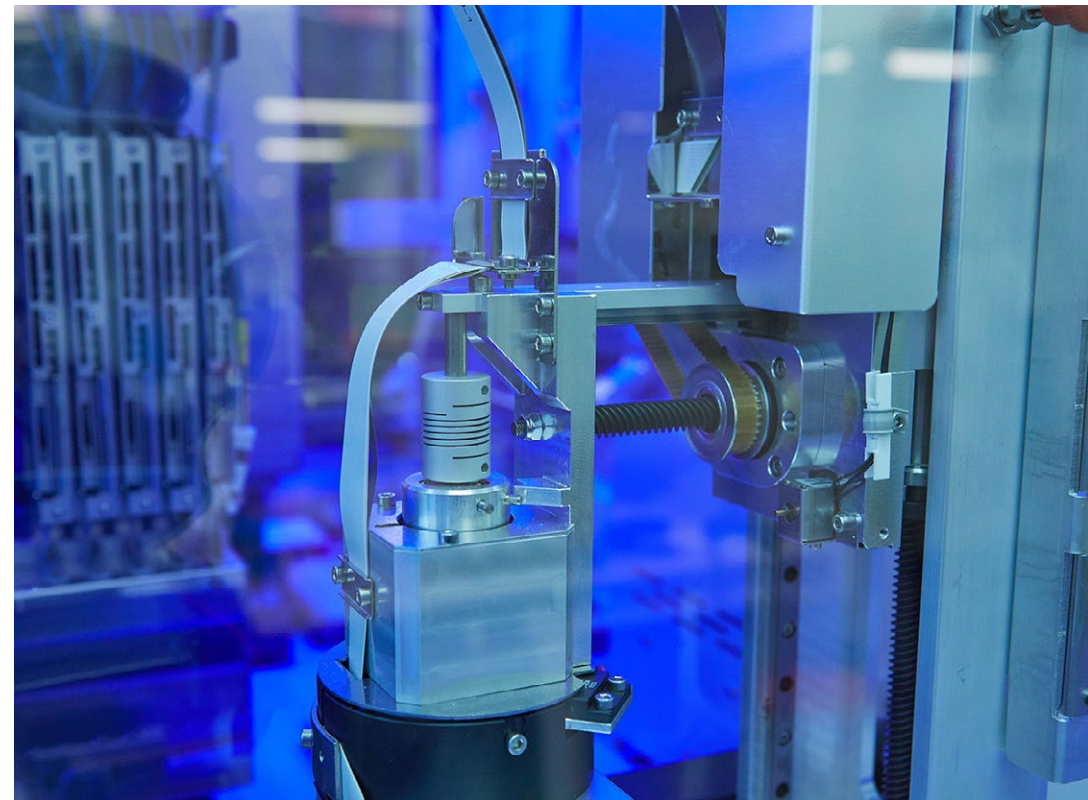
The board will be responsible for overall governance, management and the strategic direction of PathWest and most importantly, ensuring the interests of PathWest's key stakeholders are upheld.



Commissioners Instruction 23

The State Government is committed to providing permanent (ongoing) employment for public sector employees. Human resource practices should support permanent employment wherever possible and the use of fixed term contract and casual arrangements only where it is appropriate to do so.

In 2018/19, PathWest identified 330 employees eligible for assessment under Commissioners Instruction 23.



Your Voice in Health Survey

In December 2018, State Government announced a five-year annual employee engagement survey, with the first survey conducted in March 2019.

The WA Health-wide survey provided an opportunity for employees to share opinions about their workplace, to communicate what works well, identify issues and focus on health and wellbeing. PathWest achieved a 76 per cent response rate and will continue to address issues identified ahead of the next survey, scheduled for mid-2020.

Staff safety

Violent and aggressive behaviour by clients/patients towards frontline health staff has increased over recent years. In response, the State Government committed \$2.2 million over three years toward protective equipment, including anti-stab vests and duress alarms.

PathWest takes the safety of its staff seriously, and is working with the State Government and other HSPs to make serious changes to ensure staff feel safe in their workplace. In 2018/19, 52 duress alarms were procured for frontline staff in metropolitan and regional collection centres, with the procurement of anti-stab vests planned for 2019/20.





Disclosures and compliance



Audit opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

PATHWEST LABORATORY MEDICINE WA

Report on the Financial Statements

Opinion

I have audited the financial statements of PathWest Laboratory Medicine WA which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of PathWest Laboratory Medicine WA for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with 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 PathWest in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical 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.

Responsibility of the Chief Executive for the Financial Statements

The Chief Executive is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of PathWest.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are 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 Australian Auditing Standards will always detect a material misstatement when it exists. 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 Australian Auditing Standards, I exercise professional judgment 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 agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- Conclude on the appropriateness of the Chief Executive'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 agency'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.
- 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 the Chief Executive 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.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by PathWest Laboratory Medicine WA. The controls exercised by PathWest are those policies and procedures established by the Chief Executive to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by PathWest Laboratory Medicine WA are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

The Chief Executive's Responsibilities

The Chief Executive is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Audit opinion

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

My Independence and Quality Control Relating to the Reports on Controls

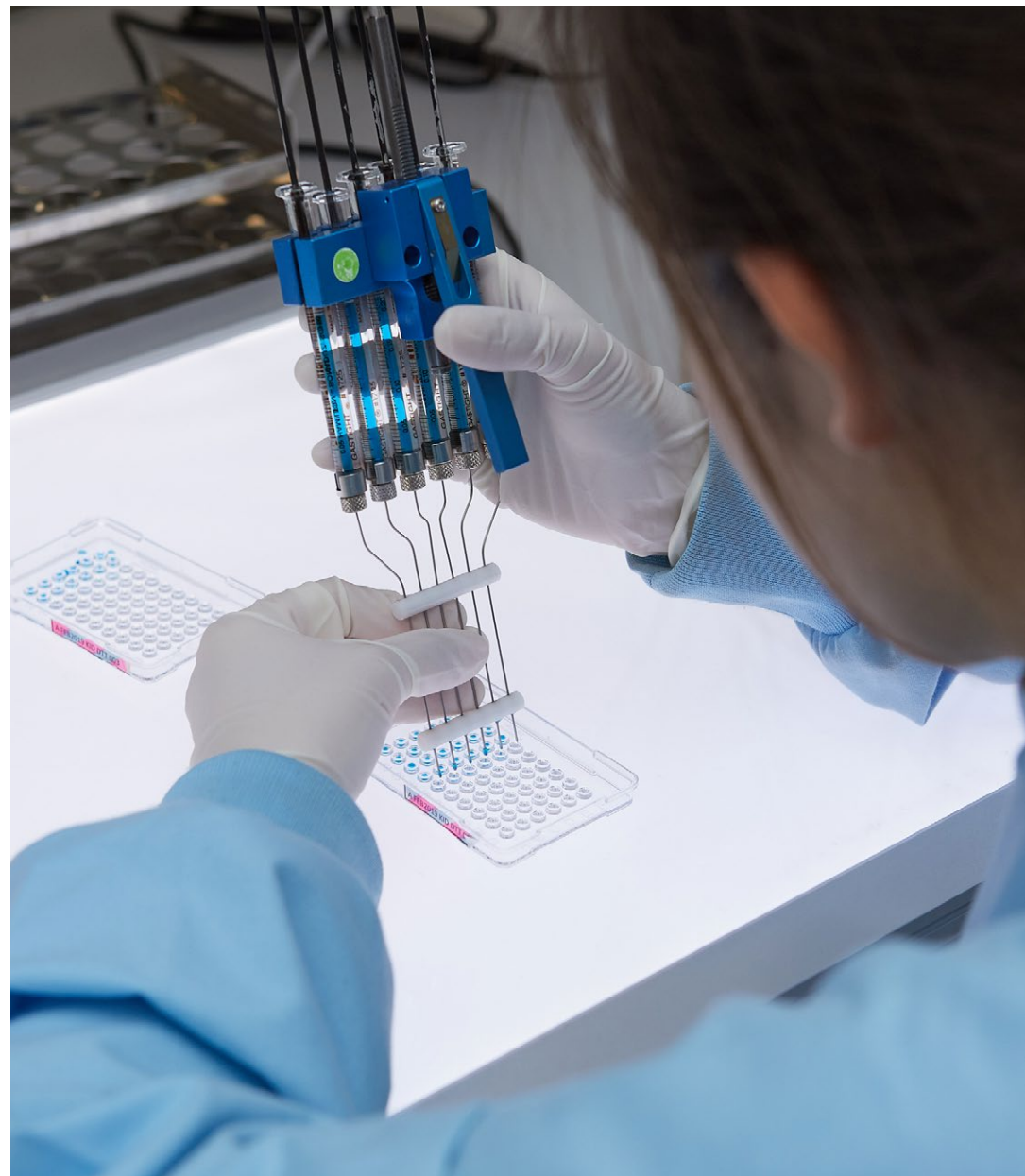
I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements

This auditor's report relates to the financial statements of PathWest Laboratory Medicine WA for the year ended 30 June 2019 included on PathWest's website. PathWest's management is responsible for the integrity of PathWest's website. This audit does not provide assurance on the integrity of PathWest's website. The auditor's report refers only to the financial statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
17 September 2019



Certification of Financial Statements for the year ended 30 June 2019

The accompanying financial statements of the PathWest Laboratory Medicine WA have been prepared in accordance with the provisions of the *Financial Management Act 2006* from accounts and records to present fairly the financial transactions for the financial year ended 30 June 2019 and the financial position as at 30 June 2019.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Adrian Bautista
Chief Finance Officer
PathWest Laboratory Medicine WA
13 September 2019



Joe Boyle
Chief Executive
PathWest Laboratory Medicine WA
13 September 2019

Financial statements

Statement of financial position for the year ended 30 June 2019

	Note	2019 \$'000
COST OF SERVICES		
Expenses		
Employee benefits expense	2.1.1	219,321
Domestic contracts	2.2	1,352
Depreciation and amortisation expense	4.1.1	6,849
Loss on disposal of non-current assets	2.3	233
Repairs, maintenance and minor equipment	2.2	10,118
Other supplies and services	2.2	69,896
Other expenses	2.2	11,322
Total cost of services		319,091
Income		
Revenue		
Patient charges	3.1	35,412
Other fees for services	3.2	147,540
Other grants and contributions	3.3	4,187
Other revenue	3.4	5,431
Total revenue		192,570
Total income other than income from State Government		192,570
NET COST OF SERVICES		126,521

	Note	2019 \$'000
Income from State Government		
Service appropriation	3.5	122,118
Services received free of charge	3.6	9,657
Total income from State Government		131,775
SURPLUS FOR THE PERIOD		5,254
OTHER COMPREHENSIVE INCOME		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,254

PathWest is operating as an HSP for the first year and therefore no comparative figures are disclosed. The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position for the year ended 30 June 2019

	Note	2019 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	6.1.1	14,514
Restricted cash and cash equivalents	6.1.2	5,438
Receivables	5.1	25,774
Inventories	5.4	819
Other current assets	5.3	640
Total Current Assets		47,185
Non-Current Assets		
Restricted cash and cash equivalents	6.1.2	2,439
Amounts receivable for services	5.2	79,362
Property, plant and equipment	4.1	92,245
Intangible assets	4.2	22,681
Total Non-Current Assets		196,727
TOTAL ASSETS		243,912
LIABILITIES		
Current Liabilities		
Payables	5.5	10,898
Provisions	2.1.2	51,463
Other current liabilities	5.6	4
Total Current Liabilities		62,365
Non-Current Liabilities		
Provisions	2.1.2	13,268
Total Non-Current Liabilities		13,268
TOTAL LIABILITIES		75,633
NET ASSETS		168,279

	Note	2019 \$'000
EQUITY		
Contributed equity	8.8	163,025
Accumulated surplus/deficit		5,254
TOTAL EQUITY		168,279

PathWest is operating as an HSP for the first year and therefore no comparative figures are disclosed. The Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of changes in equity for the year ended 30 June 2019

		Contributed equity	Accumulated surplus/(deficit)	Total equity
	Note	\$'000	\$'000	\$'000
Balance at 1 July 2018		–	–	–
Other contributions by owners	8.8	150,665		150,665
Adjustment to contributions by owners		(3,871)	–	(3,871)
Restated balance at 1 July 2018		146,794	–	146,794
Surplus / (deficit)		–	5,254	5,254
Total comprehensive income for the period		–	5,254	5,254
Transactions with owners in their capacity as owners:				
Capital appropriations		14,105	–	14,105
Transfer of net assets from other agencies		2,126	–	2,126
Total		16,231	–	16,231
Balance at 30 June 2019		163,025	5,254	168,279

PathWest is operating as an HSP for the first year and therefore no comparative figures are disclosed.
The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2019

	Note	2019 \$'000
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriation		113,597
Capital appropriation		14,105
Net cash provided by State Government		127,702
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employees benefits		(215,454)
Supplies and services		(80,627)
Receipts		
Receipts from customers		33,582
Other grants and contributions		4,187
Other receipts		152,901
Net cash provided by/ (used in) operating activities		(105,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments		
Payment for purchase of non-current physical and intangible assets		(14,917)
Receipts		
Proceeds from sale of non-current physical assets		130
Net cash provided by/ (used in) investing activities		(14,787)
Net increase/(decrease) in cash and cash equivalents		7,504
Cash and cash equivalents at the beginning of the period		14,887
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.1	22,391

PathWest is operating as an HSP for the first year and therefore no comparative figures are disclosed.
The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2019

NOTE 1. Basis of preparation

PathWest is a WA Government Health Service Provider and is controlled by the State of Western Australia, which is the ultimate parent. PathWest is a not-for-profit entity as profit is not its principal objective.

A description of the nature of its operations and its principal activities have been included in the 'Overview of Agency' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of PathWest on 13 September 2019.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

- *Financial Management Act 2006* (FMA)
- Treasurer's Instructions (the Instructions or TIs)
- Australian Accounting Standards (AAS) – Reduced Disclosure Requirements
- Where appropriate, those AASs paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (The instruction) take precedence over AAS. Several AASs are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

Australian Accounting Standards Board (AASB) Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

Notes to the financial statements for the year ended 30 June 2019

NOTE 2. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how PathWest's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by PathWest in achieving its objectives and the relevant notes are:

		2019 \$'000
Employee benefits expenses	2.1.1	219,321
Employee benefits provisions	2.1.2	64,731
Other expenditure	2.2	92,688

2.1.1 Employee benefits expense

	2019 \$'000
Wages and Salaries	200,706
Superannuation ^(a)	18,615
Total employee benefits expenses	219,321

(a) Defined contribution plans include West State Superannuation (WSS) Scheme, Gold State Superannuation (GSS) Scheme, Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance are included in Note 2.2 'Other Expenditure'.

Wages and salaries

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax and leave entitlements.

Termination benefit

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when PathWest is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Superannuation

The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole of government reporting. It is however a defined contribution plan for Agency purposes because the concurrent contributions (defined contributions) made by PathWest to GESB extinguishes PathWest's obligations to the related superannuation liability.

PathWest does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by PathWest to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Notes to the financial statements for the year ended 30 June 2019

2.1.2 Employee benefits provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2019 \$'000
<u>Current</u>	
<i>Employee benefits provision</i>	
Annual leave ^(a)	26,682
Time off in lieu leave ^(a)	1,534
Long service leave ^(b)	23,204
Deferred salary scheme ^(c)	43
Total current employee related provisions	51,463
<u>Non-current</u>	
<i>Employee benefits provision</i>	
Long service leave ^(b)	13,259
Deferred salary scheme ^(c)	9
Total non-current employee related provisions	13,268
	64,731

a) Annual leave and time off in lieu leave liabilities

Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

b) Long service leave liabilities

Unconditional long service leave provisions are classified as current liabilities as PathWest does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because PathWest has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as PathWest does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

c) Deferred salary scheme liabilities

Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Notes to the financial statements for the year ended 30 June 2019

2.1.2 Employee benefits provisions (continued)

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating PathWest's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

2.2 Other expenditure

Domestic Contracts

	2019 \$'000
Domestic charges	1,321
<i>Fees for visiting medical practitioners</i>	(2)
Food supplies	33
Total domestic contracts expenses	1,352

Repairs, maintenance and minor equipment

Repairs and maintenance	7,029
Minor equipment	3,089
Total	10,118

Supplies and services

Supply costs	60,128
Utilities	164
Services provided by Health Support Services (HSS)	
Information, communication and technology (ICT) services	5,769
Supply chain services	1,759
Financial services	147
Human resource services	1,929
Total supplies and services expenses	69,896

Notes to the financial statements for the year ended 30 June 2019

2.2 Other expenditure (continued)

	2019 \$'000
Other expenses	
Communications	457
Document management	123
Information, communication and technology	988
Research, development and other grants	13
Workers compensation insurance	571
Training	304
Travel and accommodation	1,462
Operating lease expenses	1,818
Other insurances	363
Consultancy fees	364
Other employee related expenses	381
Printing and stationery	1,145
Expected credit losses expense	893
Motor vehicle expenses	288
Bank fees and charges	48
Subscriptions and periodicals	1,154
Licences and fees	571
Rates and charges	3
Legal	12
Advertising	9
Audit fees	59
Other	296
Total other expenses	11,322
Total other expenditure	92,688

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Operating lease payments

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Repairs and maintenance

Repairs, maintenance and cleaning costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

Doubtful debt expense

Doubtful debt expense is recognised as the movement in the allowance for doubtful debts. From 2018, expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. PathWest has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Employee on-cost

Employee on-cost includes workers' compensation insurance and other employment on-costs. The on costs liability associated with the recognition of annual and long service leave liabilities is included at Note 2.1.2 Employee benefit provision. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Other

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Notes to the financial statements for the year ended 30 June 2019

2.3 Net loss on disposal of non-current assets

	2019 \$'000
Net loss on disposal of non-current assets	
<u>Carrying amount of non-current assets disposed:</u>	
Property, plant and equipment	363
	363
<u>Proceeds from disposal of non-current assets:</u>	
Property, plant and equipment	(130)
	(130)
Net loss	233

Gains or losses

Realised and unrealised gains or losses are usually recognised on a net basis. These include gains or losses arising on the disposal of non-current assets and some revaluations of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the Statement of Comprehensive Income (from the proceeds of sale).

NOTE 3. Our funding sources

How we obtain our funding

This section provides additional information about how PathWest obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by PathWest and the relevant notes are:

		2019 \$'000
	Notes	
Patient charges	3.1	35,412
Other fees for services	3.2	147,540
Other grants and contributions	3.3	4,187
Other revenue	3.4	5,431
Service appropriations	3.5	122,118
Services received free of charge	3.6	9,657

3.1 Patient charges

	2019 \$'000
Inpatient other charges	11,516
Outpatient charges	23,896
Total patient charges	35,412

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised on delivery of the service to the customer.

Notes to the financial statements for the year ended 30 June 2019

3.2 Other fees for services

	30 June 2019
	\$'000
Clinical services to other health organisations	6,901
Non clinical services to other health organisations	225
Pathology services to other Health Services and other government agencies ^(a)	140,414
Total other fees for services	147,540

(a) Representing the pathology services billed to other Health Services (CAHS, SMHS, EMHS and WACHS) and other government agencies (WA Police Force and Department of Justice)

3.3 Other grants and contributions

	2019
	\$'000
Other grants and contributions	
Department of Health	4,187
Total other grants and contributions	4,187

Grants, donations, gifts and other non-reciprocal contributions

Grant income arises from transactions described as:

- Non reciprocal (where PathWest does not provide approximate equal value in return to a party providing goods or assets (or extinguishes a liability); or
- Reciprocal (where PathWest provides equal value to the recipient of the grant provider).

For non-reciprocal grants, PathWest recognises revenue when the grant is receivable at its fair value as and when its fair value can be reliably measured. Contributions of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated. For reciprocal grants, PathWest recognises income when it has satisfied its performance obligations under the terms of the grant.

Grants can further be split between general purpose grants and specific purpose grants. General purpose grants refers to grants which are not subject to conditions regarding their use. Specific purpose grants are received for a particular purpose and/or have conditions attached regarding their use.

3.4 Other revenue

	2019
	\$'000
RiskCover insurance premium rebate	558
Clinical trials	598
Commercial pathology	3,684
Other	591
	5,431

Notes to the financial statements for the year ended 30 June 2019

3.5 Service appropriations

	2019 \$'000
Appropriation revenue received during the period:	
Service appropriations (funding via the Department of Health)	122,118
	<u>122,118</u>

Service appropriations are recognised as revenues at fair value in the period in which PathWest gains control of the appropriated funds. PathWest gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net costs of services delivered (as set out in note 2). Appropriations revenue comprise a cash component and a receivable (asset). The receivable (holding account – note 5.2) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

3.6 Services received free of charge

	2019 \$'000
Services received free of charge from other State government agencies during the period:	
Department of Health – Assets transferred	53
Services received from Health Support Services (HSS):	
Information, communication and technology (ICT) services	5,769
Supply chain services	1,759
Financial services	147
Human resource services	1,929
	<u>9,657</u>

Assets or services received free of charge or for nominal cost, that PathWest would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position. Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

Notes to the financial statements for the year ended 30 June 2019

NOTE 4. Key assets

Assets PathWest utilises for economic benefit or service potential

This section includes information regarding the key assets PathWest utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

		2019 \$'000
Property, plant and equipment	4.1	92,245
Intangibles	4.2	22,681
Total key assets		114,926

4.1 Property, plant and equipment

	2019 \$'000
Buildings	
<i>Clinical:</i>	
At fair value	72,352
Accumulated depreciation	(2,503)
	69,849
Total buildings	69,849
Leasehold improvements	
At cost	2,126
Accumulated depreciation	(71)
	2,055

Computer equipment

At cost	255
Accumulated depreciation	(64)
	191

Furniture and fittings

At cost	123
Accumulated depreciation	(11)
	112

Medical equipment

At cost	22,225
Accumulated depreciation	(3,969)
	18,256

Other plant and equipment

At cost	635
Accumulated depreciation	(97)
	538

Works in progress

Buildings under construction (at cost)	587
Other works in progress (at cost)	657
	1,244

Total property, plant and equipment

2019 \$'000
255
(64)
191
123
(11)
112
22,225
(3,969)
18,256
635
(97)
538
587
657
1,244
92,245

Notes to the financial statements for the year ended 30 June 2019

4.1 Property, plant and equipment (continued)

Reconciliations of the carrying amounts of property, plant, equipment, vehicles and other leased plant and equipment at the beginning and end of the reporting period are set out in the tables below.

	Contribution by owner	Adjustments	Additions	Disposals	Depreciation	Carrying amount at the end of the period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019						
Buildings	72,352				(2,503)	69,849
Leasehold improvements	–		2,126		(71)	2,055
Computer equipment	258	(18)	15		(64)	191
Furniture and fittings	76	(12)	72	(11)	(13)	112
Medical equipment	18,579	(762)	4,874	(336)	(4,099)	18,256
Other plant and equipment	770	(118)		(15)	(99)	538
Works in progress	557		687		–	1,244
Total	92,592	(910)	7,774	(362)	(6,849)	92,245

Notes to the financial statements for the year ended 30 June 2019

4.1 Property, plant and equipment (continued)

Initial recognition

Items of property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

The initial cost for a non-financial physical asset under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of buildings and historical cost for all other property, plant and equipment. Buildings are carried at fair value less accumulated depreciation and accumulated impairment loss. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Buildings are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Buildings were revalued by Western Australian Land Information Authority (Valuations and Property Analytics) on 1 July 2018. The revaluation was performed during the year ended 30 June 2018 and recognised at 30 June 2019. Fair Value of buildings were determined based on current replacement cost. The valuation does not differ materially from the carrying value assumed by PathWest on that date. The carrying values assumed on 1 July 2018 for buildings was \$72,352,000.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Judgements made by management in applying accounting policies – Buildings

A number of buildings that are located on the land of local government agencies have been recognised in the financial statements. PathWest believes that, based on past experience, its occupancy in these buildings will continue to the end of their useful lives.

Key sources of estimation uncertainty – Buildings

In order to estimate fair value on the basis of existing use, the depreciated replacement costs are determined on the assumption that the buildings will be used for the same functions in the future. A major change in utilisation of the buildings may result in material adjustment to the carrying amounts.

Notes to the financial statements for the year ended 30 June 2019

4.1.1 Depreciation and impairment

Charge for the period

	2019
	\$'000
<u>Depreciation</u>	
Buildings	2,503
Leasehold improvements	71
Computer equipment	64
Furniture and fittings	13
Medical equipment	4,099
Other plant and equipment	99
Total depreciation for the period	6,849

As at 30 June 2019 there were no indications of impairment to property, plant and equipment.

All surplus assets at 30 June 2019 have either been classified as assets held for sale or have been written-off.

Please refer to note 4.2 for guidance in relation to the impairment assessment that has been performed for intangible assets.

Finite useful lives

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

In order to apply this policy, the following methods are utilised:

- Buildings – straight line
- Plant and equipment – straight line

Asset's useful lives are reviewed annually. Estimated useful lives for each class of depreciable assets for current years are:

Buildings	50 years
Leasehold improvements	Term of lease
Computer equipment	4 to 10 years
Furniture and fittings	5 to 20 years
Motor vehicles	4 to 7 years
Medical equipment	3 to 25 years

Impairment

Non-financial assets, including items of plant and equipment, are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered to be impaired and is written down to the recoverable amount and the impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

As PathWest is a not-for-profit entity, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

Notes to the financial statements for the year ended 30 June 2019

4.1.1 Depreciation and impairment (continued)

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling, or where there is significant change in useful life. Each relevant class of asset is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

4.2 Intangible assets

Work in Progress

Computer software under development (at cost)

2019
\$'000
22,681
22,681

Reconciliations:

Work in progress

Contributions by owners

Additions

Carrying amount at end of period

12,095
10,586
22,681

Initial recognition

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$5,000 or more that comply with the recognition criteria as per AASB 138.57 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Notes to the financial statements for the year ended 30 June 2019

4.2 Intangible assets (continued)

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- An intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefit;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

Subsequent measurement

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

4.2.1 Amortisation and impairment

As at 30 June 2019 there were no indications of impairment to intangible assets.

PathWest held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by PathWest have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

Software 10 Years

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 4.1.1.

NOTE 5. Other assets and liabilities

This section sets out those assets and liabilities that arose from PathWest's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations.

		2019
	Notes	\$'000
Receivables	5.1	25,774
Amounts receivable for services	5.2	79,362
Other current assets	5.3	640
Inventories	5.4	819
Payables	5.5	10,898
Other liabilities	5.6	4

Notes to the financial statements for the year ended 30 June 2019

5.1 Receivables

	2019 \$'000
Current	
Patient fee debtors	9,649
Other receivables	6,610
Less: Allowance for impairment of trade receivables	(1,235)
Accrued revenue	10,750
Total receivables current	25,774

PathWest does not hold any collateral or other credit enhancements as security for receivables.

Trade receivables are recognised and carried at original invoice amount less any allowance for uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

5.2 Amounts receivable for services (Holding Account)

	2019 \$'000
Non-current	79,362
Balance at end of period	79,362

Amounts receivable for services represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Amounts receivable for services are not considered to be impaired (i.e. there is no expected credit loss of the holding accounts).

5.3 Other assets

	2019 \$'000
Current	
Prepayments	640
Total current	640
Balance at end of period	640

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

5.4 Inventories

	2019 \$'000
Pharmaceutical stores – at cost	558
Engineering stores – at cost	261
Balance at end of period	819

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

Inventories not held for resale are valued at cost unless they are not required, in which case they are valued at net realisable value.

Notes to the financial statements for the year ended 30 June 2019

5.5 Payables

	2019
	\$'000
Current	
Trade creditors	4,319
Other creditors	39
Accrued expenses	2,842
Accrued salaries	3,698
Total current	10,898
Balance at end of period	10,898

Payables

Payables are recognised at the amounts payable when PathWest becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. PathWest considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See Note 6.1.2 "Restricted cash and cash equivalents") consists of amounts paid annually, from Agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

5.6 Other liabilities

	2019
	\$'000
Current	
Paid parental leave scheme	4
Total current	4
Balance at end of period	4

NOTE 6. Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of PathWest.

	Notes
Cash and cash equivalents	6.1
Reconciliation of cash	6.1.1
Restricted cash and cash equivalents	6.1.2
Commitments	6.2
Non-cancellable operating lease commitments	6.2.1
Capital commitments	6.2.2
Other expenditure commitments	6.2.3

6.1 Cash and cash equivalents

6.1.1 Reconciliation of cash

	2019
	\$'000
Current	14,514
Total current	14,514

For the purpose of the Statement of Cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in value.

Notes to the financial statements for the year ended 30 June 2019

6.1.2 Restricted cash and cash equivalents

	2019 \$'000
Current	
Restricted cash assets held for other specific purposes ^(a)	5,438
Total current	5,438
Non-current	
Accrued salaries suspense account ^(b)	2,439
Total non-current	2,439
Balance at end of period	7,877

(a) Funds held for specific purposes including capital works.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year.

6.2 Commitments

6.2.1 Non-cancellable operating lease commitments

	2019 \$'000
Commitments in relation to non-cancellable leases contracted at the end of the reporting period but not recognised as liabilities are payable as follows:	
Within 1 year	2,314
Later than 1 year and not later than 5 years	5,611
Later than 5 years	6
	7,931

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

Operating lease commitments predominantly consist of contractual agreements for office accommodation and residential accommodation. The basis of which contingent operating leases payments are determined is the value for each lease agreement under the contract terms and conditions at current values.

6.2.2 Capital commitments

	2019 \$'000
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:	
Within 1 year	9,332
Total capital expenditure commitments	9,332

The total presented for capital commitments are GST inclusive

6.2.3 Other expenditure commitments

	2019 \$'000
Other expenditure commitments contracted at the reporting period but not recognised as liabilities are payable as follows:	
Within 1 year	9,478
Later than 1 year and not later than 5 years	1,325
Total other expenditure commitments	10,803

The total presented for capital commitments are GST inclusive

Judgements made by management in applying accounting policies – operating lease commitments

PathWest has entered into a number of leases for buildings for collection office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

Notes to the financial statements for the year ended 30 June 2019

NOTE 7. Risks and contingencies

This section sets out the key risk management policies and measurements techniques of PathWest.

	Notes
Financial instruments	7.1
Contingent liabilities	7.2.1
Contingent assets	7.2.2

7.1 Financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2019 \$'000
<u>Financial Assets</u>	
Cash and cash equivalents	14,514
Restricted cash and cash equivalents	7,877
Financial assets at amortised cost ^(a)	105,136
Total financial assets	127,527
<u>Financial Liabilities</u>	
Financial liabilities at amortised cost	10,898
Total financial liabilities	10,898

(a) The amount of receivables/Financial assets at amortised cost excludes Goods and Services Tax (GST) recoverable from the Australian Taxation Office (ATO) (statutory receivable).

7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

7.2.1 Contingent liabilities

The following contingent liabilities are additional to the liabilities included in the financial statements:

Litigation in progress

PathWest is not aware of any litigation proceedings as at reporting date.

Contaminated sites

Under the *Contaminated Sites Act 2003* PathWest is required to report known and suspected contaminated sites to the Department of Water and Environment Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated, PathWest may have a liability in respect of investigation or remediation expenses.

At the reporting date, PathWest does not have any suspected contaminated sites reported under the Act.

7.2.2 Contingent assets

At the reporting date, PathWest does not have any contingent assets.

Notes to the financial statements for the year ended 30 June 2019

NOTE 8. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key management personnel	8.3
Related party transactions	8.4
Related bodies	8.5
Affiliated bodies	8.6
Remuneration of auditors	8.7
Equity	8.8
Supplementary financial information	8.9
Explanatory statement	8.10

8.1 Events occurring after the end of the reporting period

To the best of its knowledge, PathWest is not aware of any material events relating to the reporting period.

8.2 Initial application of Australian Accounting Standards

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial instruments*:

Recognition and Measurement for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

PathWest applied AASB prospectively, with an initial application date of 1 July 2018.

The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. PathWest is adopting AASB 9 in its first financial statements and does not have comparative balances to be restated.

Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss (P/L). The classification is based on two criteria: PathWest's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of PathWest's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to PathWest.

PathWest did not designate any financial assets as at fair value through profit and loss.

Impairment

The adoption of AASB 9 has fundamentally changed PathWest's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires PathWest to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

PathWest will adopt AASB 9 for its first financial statements and therefore has not been impacted by impairment of opening Trade receivables.

Notes to the financial statements for the year ended 30 June 2019

8.3 Key management personnel

PathWest has determined that key management personnel include Ministers and senior officers of PathWest. However, PathWest is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation (total fees, salaries, superannuation, non-monetary and other benefits) for senior officers of PathWest for the reporting period are presented within the following bands:

	2019
Compensation band (\$)	
\$50,001 - \$100,000	1
\$150,001 - \$200,000	3
\$250,001 - \$300,000	1
\$300,001 - \$350,000	1
\$500,001 - \$550,000	1
	<hr/> 7 <hr/>
	\$'000
Total compensation of senior officers	1746

Total compensation includes the superannuation expense incurred by the Agency in respect of senior officers.

8.4 Related party transactions

PathWest is a wholly owned and controlled entity of the State of Western Australia.

Related parties of PathWest include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;
- associates and joint ventures, that are included in the whole of government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Material transactions with related parties

PathWest had no material related party transaction with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

8.5 Related bodies

PathWest had no related bodies during the financial year.

Notes to the financial statements for the year ended 30 June 2019

8.6 Affiliated Bodies

An affiliated body is a body which receives more than half its funding and resources from PathWest but is not subject to operational control by PathWest.

Pathwest had no affiliated bodies during the financial year.

8.7 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2019
	\$'000
Auditing the accounts, financial statements and controls	57

8.8 Equity

Contributed equity

Balance at start of period	150,665
Adjustment	(3,871)

Contributions by owners

Capital appropriation	14,105
Transfer of net assets from WA Police Force	2,126
Total contributions by owners	16,231

Balance at end of period

163,025

8.9 Supplementary financial information

	2019
	\$'000
(a) Revenue and debts written off under the authority of the Accountable Authority	793
(b) Public and other property written off PathWest's asset register under the authority of the Accountable Authority	363
	1,156

Notes to the financial statements for the year ended 30 June 2019

8.10 Explanatory statement

All variances between estimates (original budget) and actual results for 2019 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than 5% and \$ 6.5 million for the Statement of Comprehensive Income and Cash Flows, and \$4.7 million for the Statement of Financial Positions.

Statement of Comprehensive Income

		Estimate 2019	Actual 2019	Variance between estimate and actual
	Note	\$'000	\$'000	\$'000
COST OF SERVICES				
Expenses				
Employee benefits expense		220,467	219,321	1,146
Contracts for services		3,392	–	3,392
Patient support costs	1	57,987	1,352	56,635
Depreciation and amortisation expense	2	14,536	6,849	7,687
Loss on disposal of non-current assets		–	233	(233)
Repairs, maintenance and consumable equipment		9,077	10,118	(1,041)
Other Supplies and services	1	10,391	69,896	(59,505)
Other expenses		9,389	11,322	(1,933)
Total cost of services		325,239	319,091	6,148

Statement of Comprehensive Income

	Estimate 2019	Actual 2019	Variance between estimate and actual
Note	\$'000	\$'000	\$'000
Income			
<i>Revenue</i>			
Patient charges	36,924	35,412	(1,512)
Other fees for services	149,265	147,540	(1,725)
Other grants and contributions	–	4,187	4,187
Other revenue	571	5,431	4,860
Total Revenue	186,760	192,570	5,810
Total income other than income from State Government	186,760	192,570	5,810
NET COST OF SERVICES	138,479	126,521	11,958
Income from State Government			
Service appropriation	128,593	122,118	(6,475)
Services received free of charge	9,886	9,657	(229)
Total income from State Government	138,479	131,775	(6,704)
SURPLUS FOR THE PERIOD	–	5,254	5,254
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	5,254	5,254

Notes to the financial statements for the year ended 30 June 2019

8.10 Explanatory statement (continued)

Statement of Financial Position

		Estimate 2019	Actual 2019	Variance between original budget and actual
Note		\$'000	\$'000	\$'000
ASSETS				
Current Assets				
		7,235	14,514	7,279
		5,213	5,438	225
		22,588	25,774	3,186
		905	819	(86)
	3	6,885	640	(6,245)
Total Current Assets		42,826	47,185	4,359
Non-Current Assets				
		2,439	2,439	–
	4	71,656	79,362	7,706
	5	98,853	92,245	(6,608)
		18,363	22,681	4,318
Total Non-Current Assets		191,311	196,727	5,416
TOTAL ASSETS		234,137	243,912	9,775

Statement of Financial Position

	Estimate 2019	Actual 2019	Variance between original budget and actual
Note	\$'000	\$'000	\$'000
LIABILITIES			
Current Liabilities			
	9,386	10,898	1,512
	48,934	51,463	2,529
	–	4	4
Total Current Liabilities	58,320	62,365	4,045
Non-Current Liabilities			
	12,627	13,268	641
Total Non-Current Liabilities	12,627	13,268	641
TOTAL LIABILITIES	70,947	75,633	4,686
NET ASSETS	163,190	168,279	5,089
EQUITY			
	145,539	163,025	17,486
	11,568	–	(11,568)
	6,083	5,254	(829)
TOTAL EQUITY	163,190	168,279	5,089

Notes to the financial statements for the year ended 30 June 2019

8.10 Explanatory statement (continued)

Statement of Cash Flows

		Estimate 2019	Actual 2019	Variance between original budget and actual
Note	\$'000	\$'000	\$'000	
CASH FLOWS FROM STATE GOVERNMENT				
		114,057	113,597	(460)
Service appropriation				
Capital contributions	6	12,528	10,644	(1,884)
Net cash provided by State Government		126,585	124,241	(2,344)
Utilised as follows:				
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employees benefits		(220,467)	(215,454)	5,013
Supplies and services		(80,350)	(80,627)	(277)
Receipts				
Receipts from customers	7	186,189	37,043	(149,146)
Other grants and contributions		–	4,187	4,187
Other receipts	7	571	152,901	152,330
Net cash used in operating activities		(114,057)	(101,950)	12,107

Statement of Cash Flows

	Estimate 2019	Actual 2019	Variance between original budget and actual
Note	\$'000	\$'000	\$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Payment for purchase of non-current physical and intangible assets	(12,528)	(14,917)	(2,389)
Receipts			
Receipts from sale of non-current physical assets	–	130	130
Net cash used in investing activities	(12,528)	(14,787)	(2,259)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments			
Net increase/(decrease) in cash and cash equivalents	–	7,504	7,504
Cash and cash equivalents at the beginning of the period	14,887	14,887	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14,887	22,391	7,504

Notes to the financial statements for the year ended 30 June 2019

8.10 Explanatory statement (continued)

Major Variance Narratives

Variances between estimate and actual

Statement of Comprehensive Income

- 1 A reclassification was undertaken for certain income and expenditure items in the 2018/19 actuals to provide a more appropriate disclosure and alignment of the account category and the nature of the related activity.
- 2 There was lower than estimated depreciation expenditure for the year mainly due to the timing of capitalisation of projects as reflected in the 2018/19 Mid-Year Review.

Statement of Financial Position

- 3 The variance between the 2018/19 estimates and actuals include movements during the year. During the year, Debtor Clearing Account balances relating to prior years were correctly reconciled and cleared.
- 4 The increase in Amounts Receivable for Services relates to the Capital and Accrual Appropriation which were not included in the Section 40 Estimated submission in July 2018.
- 5 The Property, Plant and Equipment variance for the year is due to depreciation expenditure not included in the Section 40 Estimated submission in July 2018.
- 6 The movement in equity for the year relates to opening balances adjustments due to the devolution of PathWest from North Metropolitan Health Service.

Statement of Cash Flows

- 7 The movement in Receipts from Customers and Other Receipts is mainly due to account reclassifications to improve the presentation and disclosure of revenue receipts.

Key performance indicators

For 2018/19 PathWest has an exemption from TI 904 *Key Performance Indicators*. PathWest will not be reported as a standalone service in WA Health's Outcome Based Management Framework in the 2018/19 Budget Statements.

Ministerial directives

Treasurer's Instruction 903(12) requires HSPs to disclose any ministerial directives relevant to the setting or achievement of desired outcomes or operational objectives, investment activities, and financial activities.

PathWest did not receive any ministerial directives in 2018/19.

Other financial disclosures

Pricing policy

Pathology fees and charges are set under Schedule 1 Division 4 of the *Health Services (Fees and Charges) Order 2016* and are reviewed annually.

PathWest charges patients for pathology services in accordance with Section 6.6 of the *WA Health - Patient Fees and Charges Manual 2018/19* issued by the Department of Health dated May 2019.

The charge payable in respect of a pathology service specified in the CMBS is 100 per cent of the CMBS amount.

Public patients in public hospitals and patients of public emergency departments are treated free of charge. PathWest raises an account for its services with the public hospital concerned. These fees are reviewed from time to time; from 1 July 2012, they have been set at 90 per cent of the CMBS.

All other patients are charged a percentage of the CMBS according to the rules set out in Section 6.6 of the *WA Health Fees and Charges Manual 2018/19*.

Capital works

PathWest was established as a HSP on 1 July 2018 and is preparing its annual report for the first time. A Strategic Asset Management Plan is currently under development which is identifying building assets, plant, medical equipment and other general equipment that require consideration for a planned replacement program.

PathWest has a substantial Asset Investment Program in the improvement of key operational assets and systems during the 2018/19 financial year.

Major capital works in progress	Total cost at end of previous period	Estimated total cost 2018/19	Estimated completion date
	\$'000	\$'000	
Replacement of Laboratory Information System (LIS)	9,185	10,485	April 2020
PathWest Forensic Biology – Laboratory Equipment and asset replacement	650	537	June 2020
CT Scanner for State Mortuary	0	1,203	June 2019

Employment profile

Government agencies are required to report a summary of the number of employees on an FTE basis, compared with the preceding financial year.

By staff category	2017/18	2018/19	% difference
Administration and clerical	177.9	187.2	5.2%
Anthropologist	0.9	1.0	11.1%
Consultant	100.3	96.6	-3.7%
Information technology	24.8	25.6	3.2%
Nursing	0.3	0.1	-66.7%
Odontologist	0.2	0.2	0%
Phlebotomy	92.3	91.3	-1.1%
Registrar	37.4	35.5	-5.1%
Scientist	686.6	704.7	2.6%
Technical	533.2	533.7	0.1%
Total	1,653.9	1,675.9	1.3%

By department	2017/18	2018/19	% difference
Regional	261.1	257.1	-1.5%
Laboratory information system	17.7	37.8	113.6%
Executive and corporate services	100.6	96	-4.6%
Pre-analytical	212.2	208.9	-1.6%
Forensic biology	96.4	106.5	10.5%
Forensic pathology	25.1	26.3	4.8%
Biochemistry	137.3	140.3	2.2%
Haematology	135.2	136.5	1.0%
Immunology	60.2	61.0	1.3%
Anatomical pathology	210.7	212.3	0.8%
FSH management and support services	16.6	15.1	-9.0%
Microbiology	310.4	307.4	-1.0%
Diagnostic genomics	44.2	44.5	0.7%
QEll management and support services	26.1	26.0	-0.4%
TOTAL	1,653.9	1,675.9	1.3%





Joe Boyle with Jo Mccran, Frances Brogden and Julie Feeney at 2018 Emerging Leaders Program graduation

Industrial relations

PathWest established a new Principal Industrial Relations Consultant position in 2018 to provide expert advice and support to Workforce Services on industrial relations matters. A core responsibility of the role is to promote and foster productive relationships with employees, unions and other key stakeholders.

Major industrial relations activities undertaken in the 2018/19 period included:

- Representation and advocacy in matters before the WA Industrial Relations Commission (WAIRC), Public Service Arbitrator (PSA) and Public Service Appeal Board (PSAB).
- Advice and interpretation of industrial agreements and their application.
- Advice and case management of claims and disputes related to investigations, disciplinary matters and contractual claims, such as conditions and entitlements.
- CI23 (conversion to permanency) forums.
- Contributing to the renegotiation of the *WA Health System – Medical Practitioners – AMA Industrial Agreement 2016*.
- Ongoing advice and support for the implementation of workforce change, including management of all consultative and change management matters with key stakeholders.
- Participation in forums and working groups as required, such as the Medical Payroll Working Group.
- Advice on matters relating to strategic planning including the Workforce, Equity and Diversity Plan.
- Management of medical retirements (retirements on the grounds of ill health) and industrial elements of fitness for work matters.
- Development, review and implementation of workforce policies, strategies, systems and processes relating to industrial relations, such as family and domestic violence leave and workforce compliance and requirements.

Staff development

PathWest is committed to building a highly skilled and motivated workforce and recognises that investing in the development of employees is integral to supporting its strategic directions and performance measures.

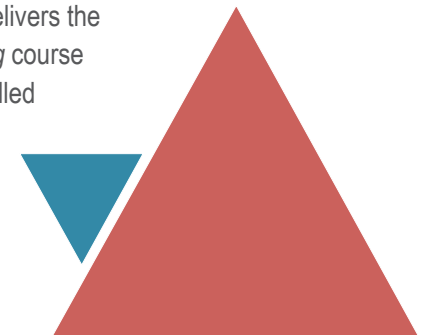
During 2018/19, senior staff engaged in a strategic workshop to inform planning of the organisation's future training and development program. The workshop highlighted a number of potential new initiatives, areas for improvement and continued investment. PathWest has a strong focus and understanding of its direction for the growth and improvement of both current and future training and development activities and has developed a three year training and development strategic plan.

Technical staff traineeship program

PathWest provides traineeship program in which technical laboratory staff are offered the opportunity to complete a Certificate IV in Laboratory Techniques or a Diploma of Laboratory Technology. The program is designed to improve employee satisfaction and engagement through continued professional development, as well as to upskill technical staff, while recognising the skills and knowledge already gained through employment and previous experience. Since inception in 2011, 74 PathWest staff have completed a traineeship, with nine staff enrolled in 2018/19.

Urine and drug screening accreditation

It is a requirement of Australian Standards (AS) 4308 that staff performing urine drug screen collections complete an accredited course of study. Through an affiliation with the NMHS Registered Training Organisation, PathWest delivers the *HLTPAT005 - Collect specimens for drugs of abuse testing* course to phlebotomists across WA. More than 100 staff are enrolled in the online course, with 28 staff successfully completing the training in 2018/19.



Emerging leaders

PathWest recognises the importance of developing its future leaders through leadership development. With the support of the Institute for Health Leadership (IHL), a leadership development program was introduced in 2019. The program has supported the leadership development potential of 12 participants with three additional applicants participating in the IHL Emerging Leaders Program.



E-learning

Through the e-learning Portal, PathWest is working with all disciplines to develop online content to ensure the delivery of relevant training and development. The portal contains mandatory training such as a *Patient Confidentiality* course and other specialist courses including *Customer Service - Specimen Collection* and the accredited unit of competence, *HLTPAT005 Collect Specimens for drugs of abuse testing*. A separate Learning Management System subsite is dedicated to the new LIS training.

Short courses

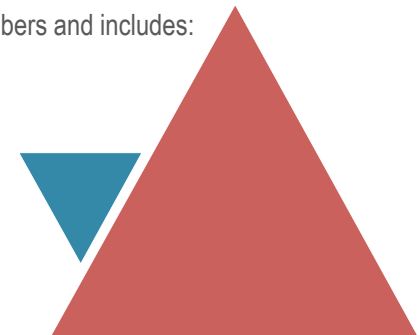
PathWest offers a package of one-day training courses for staff. These are designed to equip them with the 'soft skills' to cope effectively with stress and be efficient and effective in their roles. The annual calendar of training includes eight courses offered at both QEII Medical Centre and FSH, including *The Difficult Conversation*, *Introduction to Emotional Intelligence*, *Change Stress and Resilience*, *High Performing Teams* and *The Confident Leader*. The program involves a feedback mechanism for continuous improvement purposes. In 2018/19, 204 staff participated in the suite of short courses.

Other training initiatives were offered throughout 2018/19 in response to emerging issues, an identified skills gap or by specific request from management. Examples include *Chemical Safety*, *Risk Management*, *Train the Trainer* and *Change Management*.

Mandatory training

Mandatory training is provided to all new and existing staff members and includes:

- Patient Confidentiality
- Accountable and Ethical Decision Making
- Record Keeping Awareness
- Aboriginal Cultural Awareness



Workers compensation

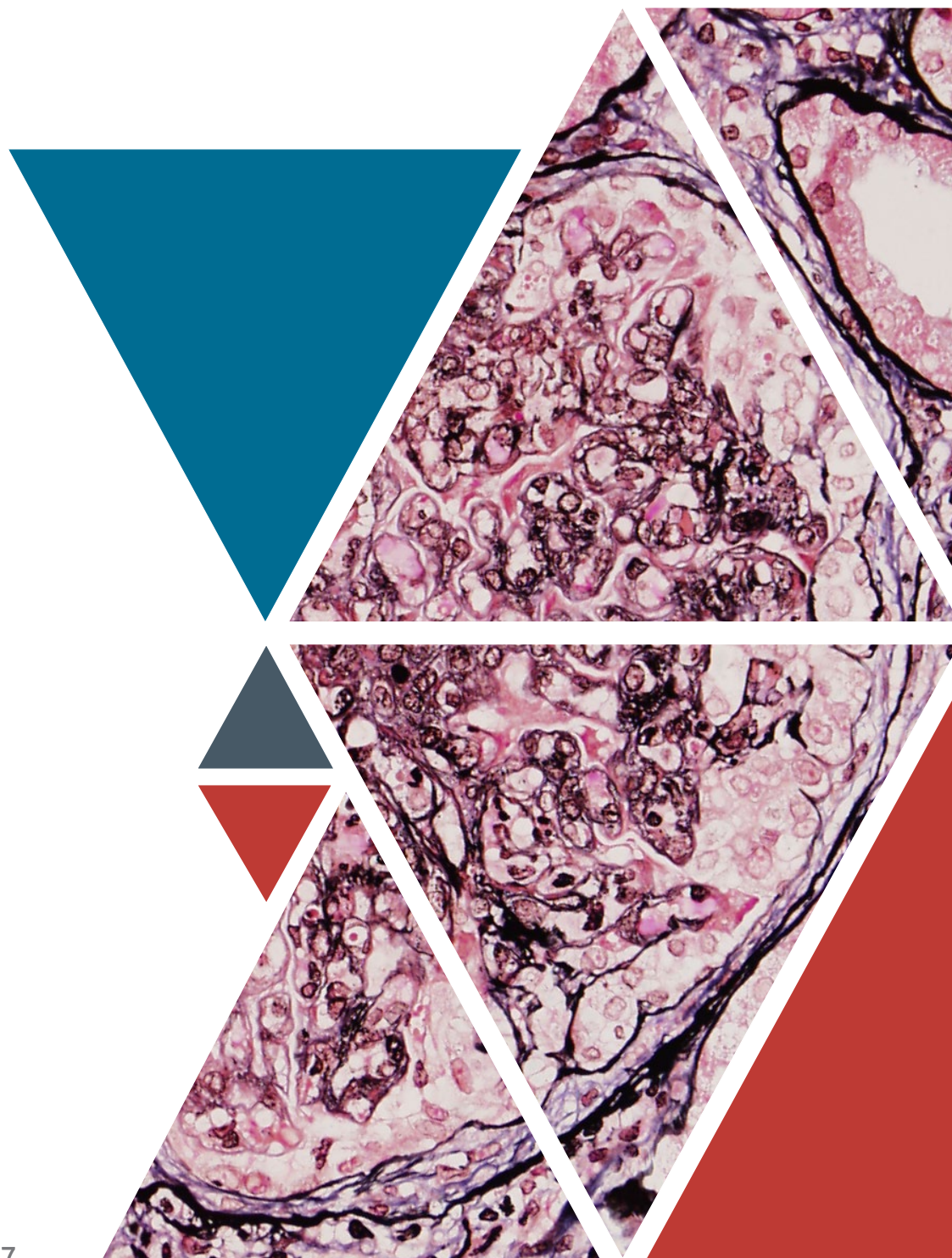
PathWest is committed to providing staff with a safe work environment as well as support in the event of an accident or injury, in accordance with the *Workers Compensation and Injury Management Act 1981 (WA)*.

Workers' compensation claims data is used to develop injury prevention packages and risk assessment checklists for a systematic approach to injury management. PathWest has a strong focus on early intervention and return to work and works with RiskCover to manage claims.

In 2018/19 there was a 50 per cent (15 claims) reduction in workers' compensation claims as well as earlier return to work, for injured staff. This has been achieved through the development of return to work plans, liaison with RiskCover to ensure staff receive appropriate workers compensation entitlements and counselling through the Employee Assistance Program where appropriate.

Workers compensation claims

Nature of injury	2017/18	2018/19
Burns	1	0
Contusion and crushing	1	0
Foreign body, ear, eye, nose, respiratory	2	0
Fractures	1	0
Mental disorders	3	0
Musculoskeletal system and connective tissue	8	6
Open wound	3	3
Sprains, strains and dislocations	7	3
Superficial injury	0	2
All other diseases	4	1
Total number of workplace injuries	30	15





Governance disclosures

Pecuniary interests and related party disclosure

Senior officers are required to declare any pecuniary interests in which an interest in an existing or proposed contract has, or could result in, the member receiving financial or other benefits. In addition, key management personnel are required to disclose any related party disclosures in which compensation is received or where transactions with related parties are made.

In 2018/19 no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with PathWest other than normal contracts of employment of service.

Unauthorised use of credit cards

PathWest uses purchasing cards for purchasing goods and services to achieve savings through improved administrative efficiency and more effective cash management. A purchasing card is a credit card that provides a clear audit trail for management.

PathWest credit cards are only provided to employees who are required to make purchases. Credit cards are strictly not for personal use. Should a cardholder use a credit card for personal use, they are required to submit a *Notice of Non-Compliance* and refund the total within five working days.

During the reporting period, there were no instances where credit cards were used for personal purposes.

Other legal requirements

Expenditure on advertising

In accordance with Section 175ZE of the *Electoral Act 1907* PathWest is required to report its total advertising expenditure. In 2018/19 the total expenditure incurred was \$9,247. The organisations from which advertising services were procured and the amount paid to each organisation are detailed in the table below:

Category	Provider	Amount
Media advertising organisations	Australian Institute of Medical Scientists	\$150
	Sign Craft	\$2,194
	Huyong Trading Pty Ltd T/A Splash Promotions	\$1,750
	Telstra Corporation Limited	\$5,080
	Town of Cambridge	\$73
	Total advertising expenditure	\$9,247



Disability access and inclusion plan outcomes

PathWest developed a Disability Access and Inclusion Plan in 2016 covering the period 2016 to 2021 to ensure people with disability:

- have the same opportunities as other people to access the services of, and any events organised by PathWest.
- have the same opportunities as other people to access the buildings and other facilities of PathWest.
- receive information from PathWest in a format that will enable them to access the information as readily as other people are able to access it.
- receive the same level and quality of service from the staff of PathWest as other people.
- have the same opportunities as other people to make complaints to PathWest.
- have the same opportunities as other people to participate in any public consultation by PathWest.
- have the same opportunities as other people to obtain and maintain employment with PathWest.

PathWest recognises that the majority of its facilities are under the control of other HSPs, and has limited capacity to make facility changes. PathWest does, however, work constructively with other HSPs to identify improvement opportunities for access and inclusion of people with disabilities to services and employment.

Compliance with public sector standards and ethical codes

The Public Sector Commissioner (PSC) establishes minimum standards of merit, equity and probity for which all public sector bodies and their employees must comply. Furthermore, public sector bodies must report annually to the Commissioner on compliance with the standards.

The *Public Sector Standards in Human Resource Management* (the Standards) relate to human resource activities relevant to the principles outlined in Sections 7, 8 and 9 of the *Public Sector Management Act 1994*.

The current Standards are:

- **Employment** - The Employment Standard requires four principles to be complied with when filling a vacancy; merit, equity, interest and transparency.
- **Performance Management** - The performance of all employees is fairly assessed to achieve the work-related requirements of the public sector body, while paying proper regard to employee interests.
- **Grievance Resolution** - The process used by an employing authority to resolve or redress employee grievances is fair.
- **Redeployment** - The minimum standards of merit, equity and probity are to be complied with by the employing authority in matters involving redeployment of employees.
- **Termination** - Termination decisions are fair and all entitlements are provided.
- **Discipline** - The discipline process observes procedural fairness.

PathWest has a number of systems and processes in place to educate employees and managers in the application of the Standards. Through the mandatory annual online induction program, PathWest provides detailed information to new and existing employees and managers on the rights, entitlements and responsibilities of staff as well as the relevant policies that apply to these Standards. Examples of these policies include:

- WA Health Employee Grievance Resolution Policy
- WA Health Recruitment, Selection and Appointment Policy
- WA Health Discipline Policy

The PathWest Management Course, a three day course developed for new and existing P3/G8 and higher level managers, provides education about human resource management, with a particular focus on the Standards.

The Workforce Services team comprises a number of human resource consultants and managers with responsibilities encompassing advice to employees and managers on human resource related matters, consistent with the Standards.

In 2018/19, PathWest was the subject of two breach claims, down from three in the previous year. Both claims were unable to be resolved in the prescribed 15 days and were referred to the PSC.

The breach of Standard claim relating to the standards of Performance Management, Grievance Resolution and Discipline was reviewed by the PSC and the Commissioner determined that Regulation 11(A) (1) (a) of the Regulations would apply, which states the Commissioner can decide not to deal with a claim if the claim does not relate to a matter the Commissioner has the power to deal with. As such, no further action was taken by the PSC.

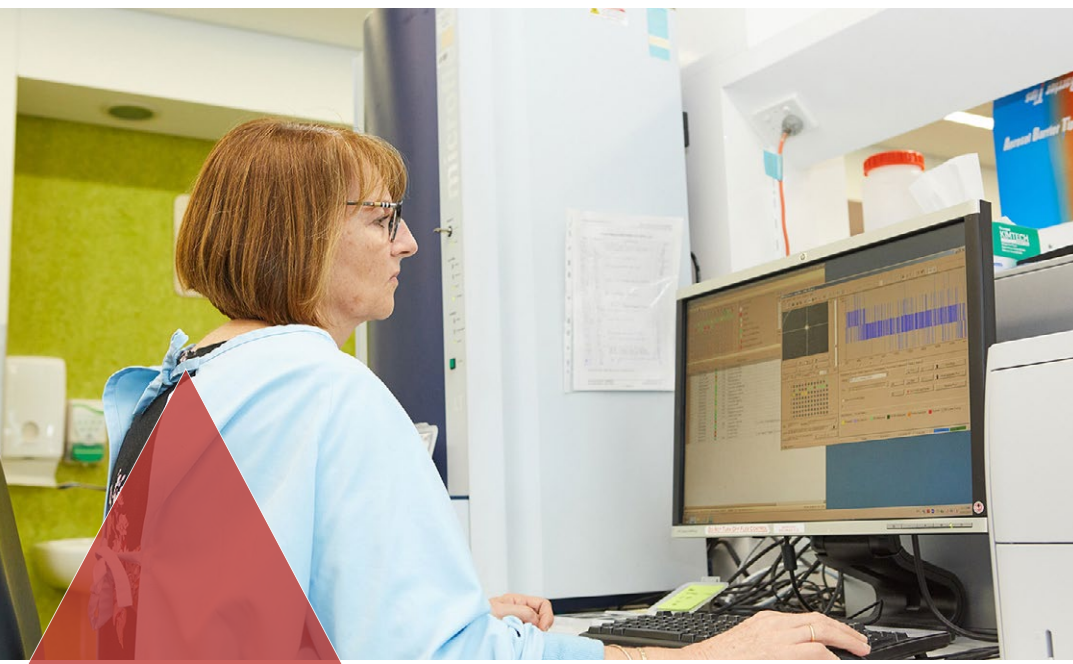
The second breach of standard claim related to the standard of Employment (Recruitment) and was reviewed by the PSC. It was determined under 11A of the *Public Sector Management (Breaches of Public Sector Standards) Regulations 2005* that the claim was based solely on the merit of the claimant and, therefore, was declined.

Recordkeeping plans

In accordance with *Section 19 of the State Records Act 2000*, PathWest lodged an amended Recordkeeping Plan with the State Records Office which was subsequently approved by the State Records Commission.

In developing the plan, PathWest reviewed the efficiency and effectiveness of its current recordkeeping systems and identified some areas for improvement. As a newly established HSP, PathWest recognises that a number of recordkeeping elements are at a low maturity level and will continue to improve these in 2019/20. Areas for improvement include the introduction of an electronic records management system across corporate services to support the implementation of new recordkeeping practices across PathWest.

All staff are required to complete an online training module on recordkeeping on commencement of employment. Training clerical staff in the use of the Records Management System continues, and a partial review of the Retention and Disposal Schedule has occurred.



Freedom of Information

The *Freedom of Information Act 1992 (WA)* gives all Western Australians a right of access to information held by PathWest. The type of information held by PathWest includes:

The type of information held by PathWest includes:

- pathology results
- fact sheets, bulletins and pamphlets
- publications relating to health planning and management.contract and tender records
- minutes and agendas
- general administrative records
- financial and budget records
- human resource records

Access to information can be made through a Freedom of Information (FOI) application that involves the lodgement of a written request. The written request must provide sufficient detail to enable the application to be processed, including contact details and an Australian address for correspondence. In the case of an application for amendment or annotation of personal information, the request must include:

- detail of the matters in relation to which the applicant believes the information is inaccurate, incomplete, out of date or misleading.
- the applicant's reasons for holding that belief.
- detail of the amendment that the applicant wishes to have made.

All requests for information can be granted, partially granted or may be refused in accordance with the FOI Act. If dissatisfied with the process or the reasons provided or in the event of an adverse access decision, applicants may lodge an appeal.

Information about how to lodge an FOI request can be found here.

More information on the Freedom of Information Act can be found here.



Government policy requirements

Substantive equality

PathWest is committed to the implementation of the WA Health Substantive Equality Policy and addressing all forms of systemic discrimination in service delivery. PathWest recognises the importance of a diverse workforce and upholds the principles of substantive equality.

The WA Aboriginal Health and Wellbeing Policy directs HSPs to prepare and implement an action plan to support the strategies identified in the Aboriginal Health and Wellbeing Framework 2015-2030. In response, PathWest formed a steering committee to oversee the development of an action plan which was submitted to the Department of Health in January 2019.

The Aboriginal Workforce Policy aims to increase representation of Aboriginal people at all levels of the workforce to improve Aboriginal health outcomes and achieve the PSC's Aboriginal employment target of 3.2 per cent. PathWest is currently taking steps to address the new Aboriginal Workforce policy.

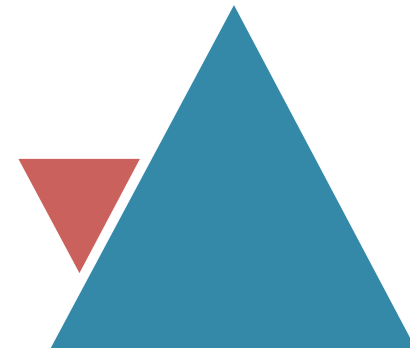
Requirements relevant to PathWest include:

- The application of section 511 of the *Equal Opportunity Act 1984* to recruitment processes.
- Establishment of employment pathways for Aboriginal people.
- Offering employment opportunities for Aboriginal cadets, interns, graduates and/or trainees.
- Offering employment opportunities to Aboriginal Allied Health and Health Science graduates.

PathWest has taken significant steps towards increasing Aboriginal employment within its workforce, particularly in frontline services where staff can make a positive contribution towards achieving improved access to health care for indigenous Australians. PathWest offers an Aboriginal scholarship program allowing successful applicants to complete PathWest's six-week Certificate III in Pathology Collection course. The scholarship covers all course costs including vaccinations, course materials and textbooks. The program specifically targets those seeking a career in phlebotomy and specimen collection, and promotes the employment of graduates.

In line with the principles of substantive equality, the course application process has been modified to assist Aboriginal people in addressing the essential criteria required for acceptance into the course. Participants are also given additional support through the NMHS Aboriginal Workforce Consultant who assists with preparation of applications and meets with scholarship recipients during the course to follow up on progress. The Aboriginal Workforce Consultant is also available to assist with any issues or difficulties students might be facing during the course of their study.

During 2018/19, PathWest introduced a full day face to face training workshop on Cultural Awareness. Facilitated by Ken Hayward, a Noongar anthropologist, the workshop raised cultural awareness and worked towards building positive interactions between staff and clients. Twenty seven staff attended the workshop and positive feedback was received from participants. Additional workshops are planned for 2019/20.



Occupational health, safety and injury management

PathWest is committed to ensuring the health, safety and wellbeing of staff, students, patients and visitors, and complies with the *Occupational Safety and Health Act 1984 (WA)*.

PathWest's workforce is committed to achieving a work environment that is free of work related injuries and infections, and upholding a standard of excellence.

Due to the high risk nature of the laboratory environment, OSH and injury management practices are embedded into the workplace culture. The use of personal protective equipment, hand hygiene, biohazardous containment receptacles, biological safety cabinets, decontaminating solutions, ultraviolet light exposure, appropriate storage and use of chemicals, and other general safety requirements associated with PC3 laboratories, form part of the essential and commonplace practices of all PathWest laboratories.

PathWest has a number of mechanisms in place to ensure staff are informed on OSH and injury management matters, including:

- Comprehensive information provided through the PathWest online induction program.
- Face-to-face instruction during orientation. Regular discussions at departmental meetings to address issues as they arise.
- Relevant policies, documents and forms Departmental OSH representative actively engage with employees to address and resolve local issues, as well as to perform quarterly OSH workplace inspections
- Laboratory quality and safety, and chemical management committees meet regularly at the network levels, to discuss OSH and injury management issues and incidents. These issues are addressed and resolved, with dissemination to employees or escalation to senior management where relevant.

Workplace wellbeing

PathWest encourages employees to participate in healthy exercise and has provided dedicated facilities for this purpose including bike racks, lockers, showers and change rooms for staff wanting to exercise around their work commitments.

Training

ChemAlert, a hazardous substances management system, is used in all PathWest laboratories across the State to register hazardous substances, perform and record risk assessments and ensure compliance with legislation. In 2018/19, 160 employees, including Principal Scientists were provided with chemical management training.

An additional 20 newly elected OSH representatives undertook the WorkSafe accredited training, and four OSH representatives attended refresher courses.

First aid training was introduced for 47 first aid responders in the 2018/19 period.



WorkSafe Improvement Notice

In February 2019, PathWest was issued with an Improvement Notice in relation to a perceived unreasonable workplace behaviour. PathWest was directed to provide training and information, as appropriate, to all managers and supervisors to enable them to resolve conflict and manage inappropriate workplace behaviour and sub-standard performance in a timely manner and at the lowest intervention level, so that employees are not exposed to psychosocial hazards arising from unresolved workplace grievances and conflict.

To address this Notice, PathWest introduced 'Emotional intelligence and conflict management' training for 42 senior managers at both FSH and QEII.

PathWest also introduced an array of full-day courses including:

- Introduction to emotional intelligence
- The difficult conversation
- Improving interpersonal relationships at work
- Change, stress and resilience
- Performance management

These courses are available to all staff and are held at both FSH and QEII. They form part of the annual calendar of soft skills courses for staff and will continue to be available in the coming years.

Notifiable incidents

There were no notifiable incidents (such as deaths, serious injury or illness and dangerous incidents) during 2018/19.



PathWest Chief Executive Joe Boyle presenting Kay Vanderwacht with the PathWest prize at the Curtin University School of Biomedical Science awards evening

Injury management performance

During 2018/19, there were four Lost Time Injury (LTI) claims lodged, with all workers returning to work within 13 weeks.

Table 8. Injury management performance

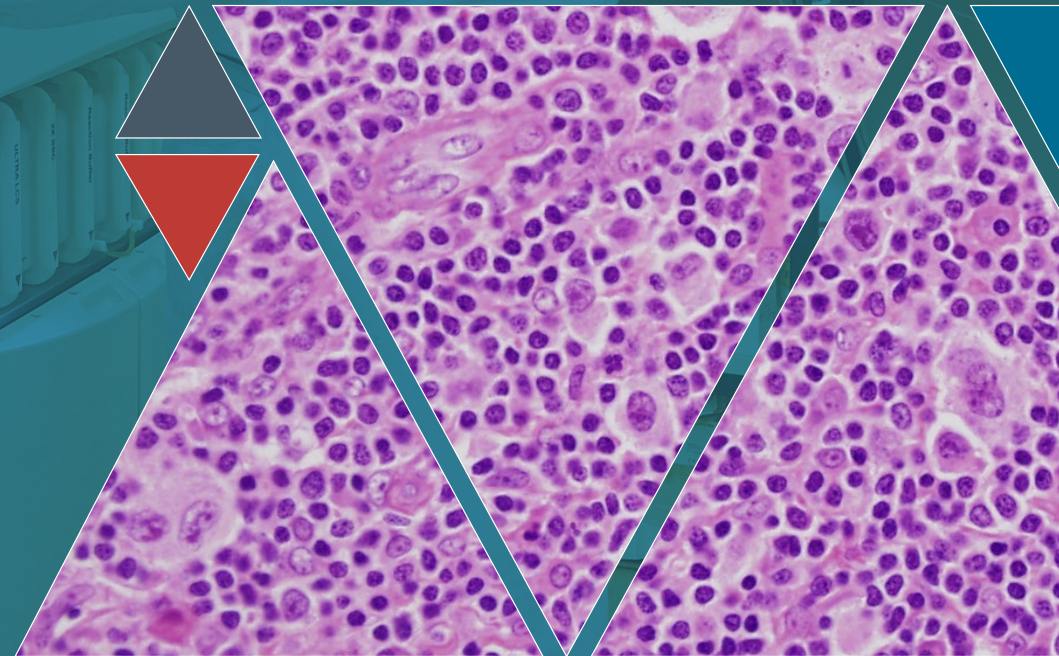
Performance area	Measures	Results 2017/18	Results 2018/19	Target	Achievement
Injury prevention	Number of fatalities	0	0	0	Target achieved
Injury management	Lost time injury and disease (LTI/D) incidence rate	0.7%	0.2%	0 or 10% improvement on the previous 3 years	Target achieved
	Lost time injury and disease severity rate	27%	0%	0 or 10% improvement on the previous 3 years	Target achieved
	Percentage of injured workers returned to work within 13 weeks	64%	100%	100% or 10% improvement on the previous 3 years	
	Percentage of injured workers returned to work within 26 weeks	9%	100%	> 80% returned to work within 26 weeks	Target achieved

Government Building Training Policy

PathWest supports the WA State Government's commitment to developing a strong training culture and sustainability in its building and construction industry through the engagement of contractors who employ apprentices and trainees. PathWest is compliant with the Government Building Training Policy, in all building, construction and maintenance contracts, that it engages, that fall within the relevant scope of the policy.

No contracts subject to the Government Building Training Policy were awarded in 2018/19.

Appendices



Appendix 1 – Abbreviations and acronyms

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABMDR	Australian Bone Marrow Donor Registry
ACT	Australian Capital Territory
AIMS	Australian Institute of Medical Scientists
AI	artificial intelligence
AMA	Australian Medical Association
APL	Accredited Pathology Laboratory
AS	Australian Standards
ASHI	American Society for Histocompatibility and Immunogenetics
ATO	Australian Taxation Office
CAHS	Child and Adolescent Health Service
CE	Chief Executive
CI23	Commissioner's Instruction 23
CIMS	Clinical Incident Management System
CMBS	Commonwealth Medicare Benefits Schedule
CT	computerised tomography
DER	Department of Environment Regulation
DNA	Deoxyribonucleic acid
Dr	Doctor
ECL	expected credit loss
ED	Emergency Department
ELISA	enzyme-linked immunosorbent assay
EMHS	East Metropolitan Health Service
ERMS	Enterprise Risk Management System
FACT	Foundation for the Accreditation of Cellular Therapies

FHHS	Fremantle Hospital and Health Service
FMA	<i>Financial Management Act 2006</i>
FNA	Fine needle aspiration
FOI	Freedom of Information
FTE	full time equivalent
GESB	Government Employees Superannuation Board
GMP	good manufacturing practices
GSS	Gold State Superannuation
GST	Goods and Services Tax
GX	A Category GX laboratory
GY	A Category GY laboratory
HIV	human immunodeficiency virus
HLA	human leucocyte antigen
HSP	Health service provider
HSS	Health Support Services
ICT	Information Communications Technology
IEC	International Electrotechnical Commission
IHL	Institute for Health Leadership
ISO	International Organization for Standardization
IVF	In-vitro fertilisation
KEMH	King Edward Memorial Hospital
LIS	laboratory information system
LTi/D	Lost time injury and disease
M	million
MLA	Member of the Legislative Assembly
NATA	National Association of Testing Authorities

Appendix 1 – Abbreviations and acronyms

NCOS	net cost of service
NMHS	North Metropolitan Health Service
NPAAC	National Pathology Accreditation Advisory Council
NZS	New Zealand Standards
OAG	Office of the Auditor General
OBM	outcome based management
OCI	other comprehensive income
OSH	occupational safety and health
P/L	profit or loss
PAC	pricing and costing
PC3	physical containment level 3
PCH	Perth Children's Hospital
PhD	Doctor of Philosophy
PMH	Princess Margaret Hospital
PRG	pathology reference group
PSA	Public Service Arbitrator
PSAB	Public Service Appeal Board
PSC	Public Sector Commission
Pty Ltd	Proprietary Limited
QEII	Queen Elizabeth II
RCPA	Royal College of Pathologists Australasia
ROTEM	rotational thromboelastometry
RPH	Royal Perth Hospital
RTP	Research Translation Projects

SAC	Severity Assessment Code
SCGH	Sir Charles Gairdner Hospital
SHR	Sustainable Health Review
SMA	Spinal Muscular Atrophy
SMHS	South Metropolitan Health Service
SPA	special purpose account
TAT	Turn-around time
TGA	Therapeutic Goods Administration
TI	Treasurer's Instructions
UK	United Kingdom
UWA	University of Western Australia
WA	Western Australia
WACHS	Western Australian Country Health Service
WAIRC	Western Australian Industrial Relations Commission
WAPF	Western Australian Police Force
WASABI	West Australian SMART Application of Blood culture Initiative
WSS	West State Superannuation

Appendix 2 – PathWest contact details

PathWest Laboratory Medicine WA

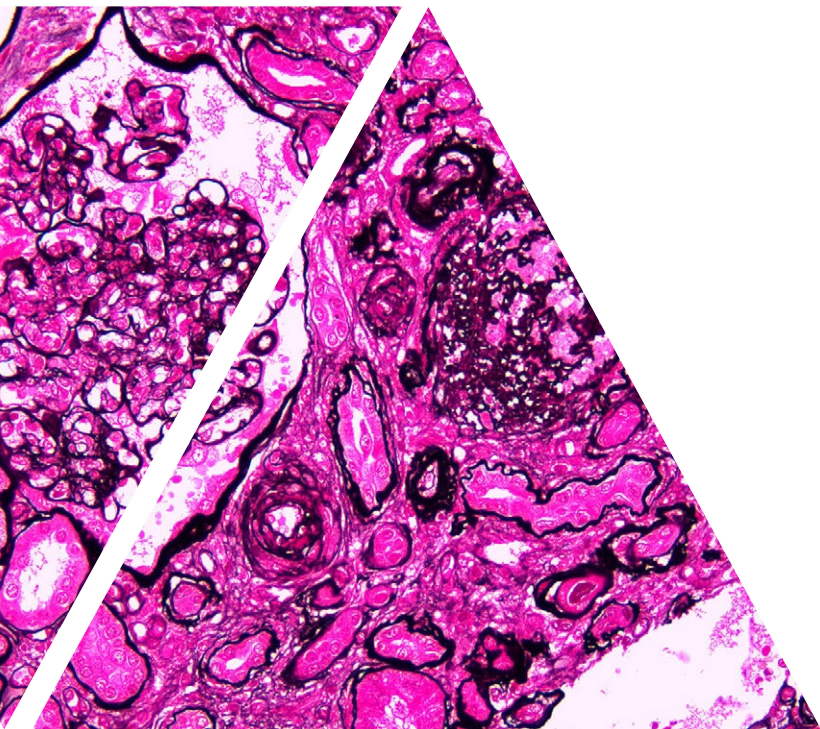
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