

LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

**REVIEW OF
AUDITOR-GENERAL'S REPORT
NO 4, 1997**

ACT Public Hospitals - Same day Admissions

Non-Government Organisation - Audit of Potential Conflict of Interest

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Report Number 33

December 1997

RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

- (a) examine:
 - (i) the accounts of the receipts and expenditure of the Australian Capital Territory;
 - (ii) the financial affairs of authorities of the Australian Capital Territory; and
 - (iii) all reports of the Auditor-General which have been laid before the Assembly;
- (b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;
- (c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and
- (d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:
 - (i) the public interest; and
 - (ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Mr Andrew Whitecross MLA (From 18 February 1997. Elected Committee Chair 19 February 1997)

Ms Louise Littlewood MLA (From 18 February 1997. Elected Deputy Committee Chair 19 February 1997)

Ms Lucy Horodny MLA

Mr Bill Wood MLA (From 26 March 1996 to 18 February 1997. Former Committee Chair)

Mr Trevor Kaine MLA (To 18 February 1997. Former Deputy Committee Chair)

Ms Rosemary Follett MLA (To 26 March 1996. Former Committee Chair)

Secretary: Bill Symington

1. INTRODUCTION

Background

- 1.1. Auditor-General's report No 4, 1997 was presented to the Assembly on 17 June 1997.
- 1.2. The audit covers two separate matters, viz, same day admissions in ACT public hospitals, and the audit of a potential conflict of interest in a non-government organisation.
- 1.3. Accordingly, this review is also in two parts.

PART 1

2. ACT PUBLIC HOSPITALS - SAME DAY ADMISSIONS

- 2.1. The audit objective was to determine whether the rate of same day admissions is adequate to enable the potential advantages arising from the lower costs of same day treatment compared with overnight stays to be realised.¹
- 2.2. The audit compared rates of same day admissions with those of other States.

3. AUDIT FINDINGS

- 3.1. The audit found that the rate of same day admissions compares favourably with those in NSW, other States and the Northern Territory, and that the rate of such admissions is sufficient for the potential benefits to be achievable.²
- 3.2. More specifically, the audit findings included that for 1993-94 and 1994-95 the ACT had the highest proportion of same day admissions, that The Canberra Hospital had higher rates than comparable hospitals in NSW, that Calvary Hospital had rates similar to those in comparable hospitals in NSW.³
- 3.3. The audit proposed that for future action:⁴
 - (i) public reporting indicate the proportion of same day admissions compared to total admissions;
 - (ii) trends be identified over several years;
 - (iii) renal dialysis admissions be separated to provide a more accurate picture of other same day admissions; and

¹ Audit report, p1

² *ibid*,

³ *ibid*, p2

⁴ *ibid*, p3

- (iv) Calvary Hospital determine why its same day admission rates differ from those of The Canberra Hospital and that it take action to redress this situation.

4. COMMITTEE APPROACH

4.1. Comment on the audit findings was sought from the Minister for Health and Community Care.

4.2. The Minister advised that the audit report had shown an increase in the number of same day admissions and there were a number of reasons for the increase. One reason was the transfer of renal dialysis patients, who would have been previously counted as outpatients, to day admissions. This brought the ACT into line with the National Data Dictionary definitions.⁵

4.3. The Minister advised that it is not strictly true for the audit to suggest that "more procedures can be performed for the same money and that waiting lists are shorter". Elaborating, the Minister advised that many day surgery procedures require expensive equipment and often include one use disposable items. Day procedures also may incur an increase in theatre time per procedure and very little accurate costing data is available in Australia to compare the total costs (including capital) of day versus traditional surgery. The Minister advised that the introduction of casemix funding in the ACT allows for more accurate measurement of costs associated with different day procedures.⁶

4.4. In response to the audit proposals for future action, the Minister advised that:⁷

(1) Data should be presented for several years in order to provide information on trends. Both The Canberra Hospital and the Calvary Hospital publish comparative data in their respective information bulletins, although presently this is on the basis of unweighted separations. In future the annual report of the Department of Health and Community Care will provide comparative data.

(2) The Canberra Hospital information bulletins separate renal dialysis admissions from other medical same day admissions.

(3) The Canberra Hospital has far more scope for providing same day admissions than Calvary Hospital. In particular The Canberra Hospital provides the majority of paediatric and radiation oncology services. Recent comparisons between the Calvary Hospital and NSW best practice has shown a significant improvement in the day only admission rates across almost all the procedures mentioned and procedures where Calvary Hospital is well below the NSW best practice are procedures of low volumes.

⁵ Minister for Health and Community Care, letter to the committee dated 24 September 1997

⁶ *ibid*

⁷ *ibid*

5. COMMITTEE COMMENT

5.1. The committee is satisfied that the two hospitals have performed creditably in the area of same day admissions and that action has either been taken, or is underway, to put into effect the audit report proposals for future action as outlined in paragraph 3.3 above.

6. RECOMMENDATION

6.1. **The committee recommends that comparative data on same day admissions and total admissions and separate data on renal dialysis admissions for The Canberra Hospital and Calvary Hospital be provided in a readily accessible public form.**

PART 2

7. NON GOVERNMENT ORGANISATION - AUDIT OF POTENTIAL CONFLICT OF INTEREST

7.1. The audit resulted from an approach by the Board Chair of a non-government organisation that issues concerning the award of a tender to a company be reviewed because of a direct relationship between a Board member and the company. The organisation is a regular recipient of Department of Health and Community Care grants.⁸

7.2. The audit reviewed Board procedures leading to the award of the contract, the role of the Board member in the procedure and whether value for money was received. All Board members were interviewed.⁹

8. AUDIT FINDINGS

8.1. The audit found that:¹⁰

- (1) the contract for the provision of equipment was awarded on a sound evaluation of the tenderer's ability to deliver the services
- (2) the sub-committee which decided the contract made a complete comparison of costs and risks on each tender
- (3) while a potential conflict of interest existed for one Board member it did not affect the decision

⁸ Audit report, Part 2, p1

⁹ *ibid*, p2

¹⁰ *ibid*, p3

- (4) management of the potential conflict of interest could have been improved

8.2. Expanding on the above, the audit found that:¹¹

- the tender accepted was the best value for money
- the Board member in question was both a shareholder and director of the company awarded the contract
- the Board member did not formally disclose this interest to other Board members, and should have done so
- the lack of disclosure contravened the organisation's constitution and the Associations Incorporation Act 1991
- the Board member was not on the sub-committee which made the selection and had no direct influence on that decision

8.3. The audit expressed the opinion that it would be beneficial for non government organisations, particularly those receiving ACT Government grants, to be given guidance on conflict of interest issues and purchasing principles.¹²

9. COMMITTEE APPROACH

9.1. Comment on the audit findings was sought from the Chief Minister. The committee also asked the Chief Minister whether it would be appropriate and, or, feasible to develop training in the area of potential conflict of interest for members of those organisations which are grant recipients.

9.2. On the question about whether it is appropriate or feasible to develop training for relevant members of those non government organisations in receipt of ACT Government grants, the Chief Minister advised that Government agencies currently provide support and advice on a variety of management matters to community groups receiving ACT Government grants. The Chief Minister further advised that, in addition, a number of training programs on management issues are funded by Government and usually outsourced to external training providers. Examples of such programs occur in the area of sports administration, community services and health and disability services.¹³

9.3. The Chief Minister advised that the Government has adopted a staged approach to implementing a purchaser provider model in its funding of non government organisations and firms in keeping with a report resulting from the 1996 Service Purchasing Review. The Chief Minister further advised that implementation

¹¹ *ibid*, pp3,4

¹² *ibid*, p4

¹³ Chief Minister, letter to committee dated 18 August 1997

of the report will be overseen by the Service Purchasing Reference Group, comprising community and Government representatives and that a primary issue is the provision of training support for managers of non government organisations, and the inclusion of a training component in the calculation of a service price. The report also recommends that training and assistance for community organisations be delivered by independent providers.¹⁴

9.4. The committee was advised that new service purchasing arrangements will include a training component which is likely to cover a range of management issues and it is feasible that it could incorporate issues such as the obligation to disclose conflicts of interest and other issues relating to the general standards of administration required under purchase agreements.¹⁵

9.5. In a separate response from the Chief Minister the committee sought to ensure sound management practice rather than detailed oversight of, or responsibility for, management of those bodies providing services to government. However, the Chief Minister advised that alerting members of those bodies to their legal obligations to disclose conflicts of interest under the Corporations Law or the Associations Incorporation Act can be incorporated in documentation used in the administration of grants or in future purchase agreements.¹⁶

9.6. In addressing the general issues raised by the audit, the Chief Minister advised:¹⁷

- (1) the immediate referral to the Service Purchasing Reference Group and to agencies to consider incorporation in agency documents and training programs by December 1997 of material dealing with conflict of interest and purchasing principles of material dealing with conflict of interest and purchasing principles
- (2) the development of appropriate guidelines on conflict of interest issues for Community Activity Grants by December 1997
- (3) incorporation of conflict of interest issues into an existing leaflet titled "Guide to Incorporation of an Association" by December 1997.

10. COMMITTEE COMMENT

10.1. On the basis of the audit findings, the committee is satisfied that the conflict of interest in this case was not a factor in the award of the contract funded by a grant from the ACT Government.

10.2. The committee commends the expression of concern by the Board chair which led to the audit and which has precipitated the number of measures outlined above which will be implemented by the Government in ensuring that conflict of interest issues are well

¹⁴ ibid

¹⁵ ibid

¹⁶ Chief Minister, letter to the committee dated 19 September 1997

¹⁷ ibid

understood by both the government purchaser agencies and by those organisations which provide services to the government.

11. RECOMMENDATION

11.1. The committee recommends that the Government develop a statement of general principles in relation to conflict of interest situations and purchasing practices, for the benefit of non-government organisations which are grant recipients, the general principles to have regard to the guidance provided in the audit report in relation to these matters.



Andrew Whitecross MLA
Chair

**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

REPORT NO 34

**REVIEW OF AUDITOR-GENERAL'S REPORT NO 11, 1997 - ANNUAL
MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 1997**

The resolution of appointment of the committee requires, inter alia, that it examine all reports of the Auditor-General which have been laid before the Assembly.

Auditor-General's Report No 11, 1997 is the Auditor-General's annual report for the 1996-97 year and was formally presented to the Assembly on 4 November 1997. The report was, in fact, made available to members of the Assembly by the Auditor-General prior to the Auditor-General's examination by the Select Committee on Estimates 1997-98 on 14 October 1997 in relation to the annual and financial reports of ACT government agencies.

Nevertheless, the Public Accounts Committee is required to formally report to the Assembly on this Audit Office report.

As indicated, the Auditor-General appeared before the Estimates Committee on 14 October 1997 and responded to Committee questions based upon the annual report and on other questions germane to the accounts of the ACT.

The Public Accounts Committee notes that the Estimates Committee, in its report presented to the Assembly on 2 December 1997, commented upon the findings of Auditor-General Report No 10/1997 - Public Interest Disclosures - Lease Variation Charges - and has recommended that the Public Accounts Committee, pursuant to its statutory responsibility in relation to the development of the annual budget for the Auditor-General, consider what provision should be made in the budget to enable the Auditor-General to undertake audits in the area of lease administration.

The Public Accounts Committee supports this recommendation.

The year 1996-97 was the first full year in which the Committee exercised its statutory function in relation to the Auditor-General's budget and, in carrying out that function, the Committee had the opportunity to discuss with the Auditor-General the agency performance audit program for the forthcoming year. The Committee was satisfied with the indicative Auditor-General's audit program, which is outlined in the Auditor's annual report, and which was developed through this consultative process.



Andrew Whitecross MLA

Chair

December 1997