REVIEW OF AUDITOR-GENERAL’S REPORT NO. 1 OF 2016: CALVARY PUBLIC HOSPITAL FINANCIAL AND PERFORMANCE REPORTING AND MANAGEMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MAY 2016

Report 27
**COMMITTEE MEMBERSHIP**

**Current Members**

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Position and Dates</th>
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<tbody>
<tr>
<td>Mr Brendan Smyth MLA</td>
<td>Chair from 6 June 2013</td>
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<td>Member to 6 June 2013</td>
</tr>
<tr>
<td>Ms Joy Burch MLA</td>
<td>Deputy Chair from 23 February 2016</td>
</tr>
<tr>
<td></td>
<td>Member from 21 January 2016 to 23 February 2016</td>
</tr>
<tr>
<td>Ms Nicole Lawder MLA</td>
<td>Member from 8 August 2013</td>
</tr>
<tr>
<td>Mr Jayson Hinder MLA</td>
<td>Member from 15 March 2016</td>
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**Former Members**

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<tr>
<th>Member Name</th>
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<tr>
<td>Ms Mary Porter AM MLA</td>
<td>Deputy Chair to 19 February 2016</td>
</tr>
<tr>
<td>Ms Meegan Fitzharris MLA</td>
<td>Member from 10 February 2015 to 21 January 2016</td>
</tr>
<tr>
<td>Ms Yvette Berry MLA</td>
<td>Member from 5 August 2014 to 10 February 2015</td>
</tr>
<tr>
<td>Dr Chris Bourke MLA</td>
<td>Member to 5 August 2014</td>
</tr>
<tr>
<td>Mr Zed Seselja MLA</td>
<td>Chair to 6 June 2013</td>
</tr>
<tr>
<td>Mr Alistair Coe MLA</td>
<td>Member from 6 June to 8 August 2013</td>
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**SECRETARIAT**

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<tr>
<th>Name</th>
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<tr>
<td>Dr Andréa Cullen AGIA ACIS</td>
<td>Secretary</td>
</tr>
<tr>
<td>Mr Greg Hall</td>
<td>Research Officer</td>
</tr>
<tr>
<td>Ms Lydia Chung</td>
<td>Administration Officer</td>
</tr>
</tbody>
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**CONTACT INFORMATION**

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RESOLUTION OF APPOINTMENT

The Legislative Assembly for the ACT appointed the Standing Committee on Public Accounts on 27 November 2012.

Specifically the resolution of 27 November 2012 establishing the Standing Committees of the 8th Assembly, as it relates to the Public Accounts Committee states:

(1) The following general purpose standing committees be established and each committee inquire into and report on matters referred to it by the Assembly or matters that are considered by the committee to be of concern to the community:

(a) a Standing Committee on Public Accounts to:

(i) examine:

(A) the accounts of the receipts and expenditure of the Australian Capital Territory and its authorities; and

(B) all reports of the Auditor-General which have been presented to the Assembly;

(ii) report to the Assembly 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;

(iii) 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

(iv) examine matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue;¹

TERMS OF REFERENCE

The Committee’s terms of reference were to examine the Audit report and report to the Legislative Assembly.

¹ ACT Legislative Assembly, Minutes of Proceedings, No. 2, 27 November 2012, pp. 24–27.
# Table of Contents

Committee membership ............................................................................................. i  
Secretariat ................................................................................................................... i  
Contact information ..................................................................................................... i  
Resolution of appointment .......................................................................................... ii  
Terms of reference ...................................................................................................... ii  

## Recommendations .................................................................................................. iii  

### 1 Introduction and Conduct of Inquiry ................................................................. 1  
Terms of reference ........................................................................................................ 1  
Conduct on inquiry ....................................................................................................... 1  
Structure of the report ................................................................................................... 2  
Acknowledgements ....................................................................................................... 2  

### 2 Audit Background and Findings ........................................................................ 3  
Audit background and objectives ................................................................................. 3  
Audit conclusions .......................................................................................................... 3  
Audit recommendations ............................................................................................... 5  
Auditees’ responses ........................................................................................................ 6  

### 3 Committee Comment ......................................................................................... 7  
Progress on implementation of recommendations ..................................................... 8  
Previous audit on Calvary Hospital Agreements .......................................................... 9  
Contract management................................................................................................... 9  

### 4 Conclusion .......................................................................................................... 13  

### Appendix A Summary of Audit Report Recommendations .................................. 15  

### Appendix B Summary of Recurring Issues Across Performance Audit No. 2 of 2008 and No. 1 of 2016 ................................................................. 17
RECOMMENDATIONS

RECOMMENDATION 1

3.11 The Committee recommends that the ACT Government take appropriate steps to ensure that its response to Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting, is tabled by the end of the first sitting week in August 2016.

RECOMMENDATION 2

3.12 The Committee recommends that the ACT Government report to the ACT Legislative Assembly by the last sitting day in August 2017, on the progress of its implementation of the recommendations made in Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting, that have been accepted either in-whole or in-part. This should include: (i) a summary of action to date, either completed or in progress (including milestones completed); and (ii) the proposed action (including timetable), for implementing recommendations (or parts thereof), where action has not yet commenced.

RECOMMENDATION 3

3.22 The Committee recommends that the ACT Government take appropriate steps to improve its contract management capability of all government contracts it enters into on behalf of the Territory. This should include: (i) clear allocation of contract management roles within acquiring entities; and (ii) adequately resourcing, relative to the size of each contract, the respective contract management functions within each acquiring entity to effectively manage the contract(s).

RECOMMENDATION 4

3.23 The Committee recommends that the ACT Government take appropriate steps to ensure that all contract acquiring entities within ACT Government monitor contractor performance in accordance with contract provisions, and where applicable, take appropriate steps to act on contractor underperformance.
RECOMMENDATION 5

3.26 The Committee recommends that the ACT Government take appropriate steps, as part of specific contract provisions, to require contracting entities delivering services on behalf of the Territory to ensure, relative to the size of each contract, that: (i) public interest disclosure policies and procedures are developed, implemented and appropriate steps taken to monitor compliance; and (ii) an employee code of conduct is developed, promoted and appropriate steps are taken to monitor compliance.
1 INTRODUCTION AND CONDUCT OF INQUIRY

1.1 Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting and Management (the Audit report) was presented to the Legislative Assembly on 8 April 2016.

1.2 In accordance with the resolution of appointment of the Standing Committee on Public Accounts (the Committee), the Audit report was referred to the Committee for examination.

1.3 The Audit report presented the results of a performance audit that examined:

   ...the financial and performance management and reporting arrangements for the Calvary Public Hospital at Bruce, with a specific focus on the 2013-14 financial year.\(^2\)

1.4 According to the Audit report:

   The Calvary Public Hospital is operated by Calvary Health Care ACT Ltd, a subsidiary entity of the Little Company of Mary Health Care Ltd. Arrangements for the delivery of the public hospital services are established under the Calvary Network Agreement between Calvary Health Care ACT Ltd (as a subsidiary entity of the Little Company of Mary Health Care Ltd) and the Territory (through the ACT Health Directorate).\(^3\)

TERMS OF REFERENCE

1.5 The Committee’s terms of reference were to examine the Audit report and report to the Legislative Assembly.

CONDUCT ON INQUIRY

1.6 On 17 May 2016, the Committee received a briefing from the Auditor-General on the Audit report.

1.7 As noted earlier, under its resolution of appointment, the Committee examines all reports of the Auditor-General which have been presented to the Legislative Assembly. Specifically, its


resolution of appointment requires the Committee to ‘inquire into and report’ on all reports of
the Auditor-General which have been presented to the Assembly.

1.8 The Committee has established procedures for its examination of these reports pursuant to
the Assembly resolution. In accordance with these procedures, the Committee resolved to
conclude its consideration of the Audit report with a summary report.

1.9 The Committee met on 31 May 2016 to discuss the Chair’s draft report which was adopted on
31 May 2016.

STRUCTURE OF THE REPORT

1.10 The Committee’s report is divided into four sections:
- Chapter 1—Introduction and conduct of inquiry
- Chapter 2—Audit background and findings
- Chapter 3—Committee comment
- Chapter 4—Conclusion

ACKNOWLEDGEMENTS

1.11 The Committee thanks those who contributed to its inquiry, including the Auditor-General,
responsible Minister(s), and directorate and agency officials.
2 AUDIT BACKGROUND AND FINDINGS

2.1 This chapter presents an overview of the background to, and key findings of, the Audit.

AUDIT BACKGROUND AND OBJECTIVES

2.2 The objective of the Audit was to provide:

...an independent opinion to the Legislative Assembly on:

- the effectiveness of governance, management and contractual arrangements between the operators of Calvary Public Hospital and the ACT Health Directorate. This includes consideration of financial and performance management; and
- the adequacy of actions taken by the Little Company Of Mary Health Care Ltd and Calvary Health Care ACT Ltd to identify and correct inappropriate financial practices that took place in 2013-14.\(^4\)

2.3 This involved consideration of:

- whether the Calvary Network Agreement provides the ACT Health Directorate with an appropriate framework to purchase public hospital services at agreed prices;
- the adequacy of governance, management and communication, particularly in 2013–14;
- the adequacy of performance and financial management reporting by Calvary Health Care Ltd and performance and financial monitoring by the ACT Health Directorate;
- the thoroughness of the immediate investigative response by the Little Company of Mary Health Care Ltd; and
- the changes in governance, management and communication made in response.\(^5\)

AUDIT CONCLUSIONS

2.4 The overall conclusion of the Audit was:

\[^4\text{ACT Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting and Management, April 2016, p. 25.}\]
\[^5\text{ACT Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting and Management, April 2016, pp. 25; 26.}\]
In late 2012-13 and throughout 2013-14 inappropriate financial practices were undertaken with respect to the recording and reporting of the finances of the public hospital services provided by Calvary Health Care ACT Ltd. During this period inaccurate information was entered into the Little Company of Mary Health Care Ltd’s financial system, Finance One at the Calvary Public Hospital at Bruce. This, and the manipulation of financial and other reports, resulted in the ACT Health Directorate and the Little Company of Mary Health Care Ltd receiving misleading information that presented a better financial result than was occurring.

At the end of the 2013-14 financial year, in preparing the financial statements for that year, receivables (monies expected to be collected) from the ACT Government of $8.892 million were falsely reported. This enabled Calvary Health Care ACT Ltd to report a surplus for 2013-14. The subsequent removal of falsely reported receivables contributed to Calvary Health Care ACT Ltd’s Public Hospital 2013-14 financial position being a $9.451 million deficit rather than a surplus of $1.925 million. Although the Little Company of Mary Health Care Ltd absorbed the deficit with no financial loss to the ACT Government and no misappropriation of funding was identified, it is a concern that neither the Little Company of Mary Health Care Ltd nor the ACT Government had an accurate understanding of the 2013-14 year financial position of Calvary Health Care ACT Ltd’s Public Hospital until October 2014.

A small number of Calvary Health Care ACT Ltd executives and staff were involved in undertaking the inappropriate financial practices. Other staff and executives also at Calvary Health Care ACT Ltd advised the Audit Office that they had concerns at the time but did not report them. The *Public Sector Management Act 1994* obliges Calvary Public Hospital staff to report inappropriate behaviour. Further examination of how Calvary Public Hospital staff are employed is warranted, including consideration of their responsibilities under the *Public Sector Management Act 1994* and associated enterprise agreements, and how Calvary Health Care ACT Ltd and the Little Company of Mary Health Care Ltd provide support to staff to meet their responsibilities.

The inappropriate financial practices occurred in the context of the Calvary Network Agreement not being implemented effectively. Requirements in the Calvary Network Agreement relating to the provision of funding, including the implementation of a new activity-based funding model and a clinical costing system, both the responsibility of the ACT Health Directorate to develop, have not been met. Arrangements for the provision and oversight of funding for Calvary Public Hospital were inadequately implemented, coordinated and communicated thereby contributing to a workplace in which inappropriate financial practices were less likely to be challenged.

While respecting that improvements have been made in response to the events of 2013-14, given the findings of this audit and the significance of the public hospital services provided by Calvary Health Care ACT Ltd, it would be prudent to examine if the Calvary Network Agreement is the most appropriate mechanism for facilitating the delivery of services at Calvary Public Hospital. If it is to remain, priority needs to be given to amending the agreement followed by a sustained commitment to its implementation. Importantly, the ACT Health Directorate will need to improve its leadership in managing the agreement.6

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2.5 The Auditor-General made a number of specific conclusions and findings with regard to each of the three Audit themes—governance, administrative and contractual arrangements; inappropriate financial practices; and response to the inappropriate financial practices. Further detail on these can be accessed from the Audit report.

**AUDIT RECOMMENDATIONS**

2.6 The Audit made 8 recommendations—these are reproduced in full at Attachment A. Table 2.1 provides a summary of the recommendations across the three audit themes.

Table 2.1—Summary of Audit recommendations and broad coverage

<table>
<thead>
<tr>
<th>Audit theme</th>
<th>Recommendation number and broad coverage</th>
<th>Little Company of Mary Health Care Ltd (Calvary) response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Governance, administrative and contractual arrangements</td>
<td><strong>R1</strong>—Calvary Network Agreement and engagement of public hospital staff. [Recommendation 1 had two parts—(a) and (b)]</td>
<td>Calvary notes that recommendation 1(a) and 1(b) are for the Territory but considers 1(a) to be unnecessary, duplicative and a drain on resources and that 1(b) is a sensitive issue.</td>
</tr>
<tr>
<td></td>
<td><strong>R2</strong>—Calvary Network Agreement</td>
<td>Not agreed</td>
</tr>
<tr>
<td></td>
<td><strong>R3</strong>—ACT Health Directorate risk management</td>
<td>Nil response</td>
</tr>
<tr>
<td></td>
<td><strong>R4</strong>—External annual financial audit of Calvary Public Hospital</td>
<td>Agreed</td>
</tr>
<tr>
<td></td>
<td><strong>R5</strong>—Funding model</td>
<td>Agreed</td>
</tr>
<tr>
<td>2. Inappropriate financial practices</td>
<td>Nil recommendations</td>
<td></td>
</tr>
<tr>
<td>3. Response to the inappropriate financial practices</td>
<td><strong>R6</strong>—Investigations of inappropriate workplace behaviours.</td>
<td>Partially agreed</td>
</tr>
<tr>
<td></td>
<td><strong>R7</strong>—Reporting of reconciliation of monthly revenue. [Recommendation 7 had two parts—(a) and (b)]</td>
<td>Calvary understands this is already occurring.</td>
</tr>
<tr>
<td></td>
<td><strong>R8</strong>—Information and support to staff. [Recommendation 8 had two parts—(a) and (b)]</td>
<td>Agreed</td>
</tr>
</tbody>
</table>
2.7 As to the priority assigned by the Auditor-General to the above recommendations, the Audit notes the following:

If it is determined that the Calvary Network Agreement is to be retained then Recommendation 2 is a high priority. If it is determined that staff are to be employed by Calvary Health Care ACT Ltd under the *Public Sector Management Act 1994* then Recommendations 6 and 8 are high priority.7

**AUDITEES’ RESPONSES**

2.8 In developing the Audit report, the Auditor-General provided relevant parties the opportunity to comment on various drafts.

2.9 In 2013–14 the Government adopted a new approach for responding to performance audit reports. Changes under the new approach included: (i) confining management responses in audit reports to advising of factual errors only; and (ii) the discontinuation of the provision of a Government submission to the Committee in response to each audit report (three months after presentation).

2.10 The new approach for responding to performance audit reports is reflected in the Audit report. As a consequence Table 2.1 indicates how the Little Company of Mary Health Care Ltd responded to each recommendation, but does not detail any information regarding the Government position on the recommendations—in particular, whether recommendations have been accepted, either in whole or in part and any action to date, either completed or in progress.

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3 COMMITTEE COMMENT

3.1 The Audit presented the results of a performance audit that examined:

...the financial and performance management and reporting arrangements for the Calvary Public Hospital at Bruce, with a specific focus on the 2013-14 financial year.  

3.2 The Committee is of the view that the Audit has been important for two major reasons:
(i) there are substantial public monies involved in the form of recurrent funding for public services provided under the Calvary Network Agreement to Calvary Health Care ACT Ltd (CHC); and (ii) the role of Calvary Public Hospital as a key provider of public hospital services in the Territory.

3.3 The Committee notes that the focus of the Audit was concerned with the integrity of financial reporting by CHC in the context of the Calvary Network Agreement. The Audit concluded that in 2013–14, $8.89 million was falsely reported by CHC as having been received from the Government in accordance with the Calvary Network Agreement. The misreporting allowed CHC to report an operating surplus of $1.9 million, when the accurate financial position was a $9.5 million deficit. Further, the initial misreporting of the financial position necessitated further manipulation of supplementary documents in order to hide the material misstatement.

3.4 Whilst the CHC Chief Executive Officer and Chief Financial Officer resigned in 2014, no public monies were misused or lost and the Little Company of Mary Health Care Ltd covered CHC’s operating shortfall, the misreporting occurred in the context of the Audit finding that the Calvary Network Agreement had not been implemented effectively. Specifically, the Audit found that:

Requirements in the Calvary Network Agreement relating to the provision of funding, including the implementation of a new activity-based funding model and a clinical costing system, both the responsibility of the ACT Health Directorate to develop, have not been met. Arrangements for the provision and oversight of funding for Calvary Public Hospital were inadequately implemented, coordinated and communicated thereby contributing to a workplace in which inappropriate financial practices were less likely to be challenged.

3.5 In considering the Audit report and its findings, the Committee is of the view that three areas warrant further comment: (i) progress on implementation of recommendations; (ii) previous
performance audit on Calvary Hospital Agreements; and (iii) matters related to contract management. Comment against each of these is set out below.

PROGRESS ON IMPLEMENTATION OF RECOMMENDATIONS

3.6 The Committee emphasises that it is the action taken by applicable agencies to implement audit recommendations that is all important in helping achieve better efficiency and improving accountability of the Government, not the recommendations per se.

3.7 The Audit made eight recommendations suggesting the Government consider: (i) whether the Calvary Network Agreement is the most effective mechanism for procuring public hospital services from CHC and, if yes, makes a number of recommendations aimed at improving the current agreement and its implementation; and (ii) the public service status of Calvary Public Hospital employees and recommends that Calvary Public Hospital improve the implementation of its employee framework as it applies to employee behaviour and conduct.10

3.8 At the time of tabling its report, the timeframe for provision of the Government response had not yet lapsed. The Committee has therefore not been in a position to assess whether the Government has responded appropriately to the Auditor-General’s findings. The Committee endorses all eight recommendations of the Auditor-General and looks forward to a favourable response from the Government.

3.9 The Audit report was presented on 8 April 2016—pursuant to the new approach for responding to reports of the Auditor-General, a government response is due four months after presentation.11

3.10 The Committee notes that the four month timeframe for the provision of the Government response will fall within the 8th Assembly’s August sitting. The Committee is of the view that, as this period is the 8th Assembly’s last sitting, the Government should take appropriate steps to ensure that its response is available within its four month timeframe.

Recommendation 1

3.11 The Committee recommends that the ACT Government take appropriate steps to ensure that its response to Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting, is tabled by the end of the first sitting week in August 2016.

Recommendation 2

3.12 The Committee recommends that the ACT Government report to the ACT Legislative Assembly by the last sitting day in August 2017, on the progress of its implementation of the recommendations made in Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting, that have been accepted either in-whole or in-part. This should include: (i) a summary of action to date, either completed or in progress (including milestones completed); and (ii) the proposed action (including timetable), for implementing recommendations (or parts thereof), where action has not yet commenced.

Previous Audit on Calvary Hospital Agreements

3.13 The Committee notes that the Auditor-General conducted a performance audit in 2008\(^\text{12}\) which ‘reviewed the effectiveness and accountability of ACT Health in the management of agreements with Calvary Health Care ACT Limited (CHC) for the operation of the Calvary Public and Private Hospitals. In conducting this audit, Audit has also examined and reviewed those aspects of the operations of CHC relevant to compliance with the Agreements’.\(^\text{13}\)

3.14 That audit made 12 recommendations. The Government accepted all 12 recommendations.\(^\text{14}\)

3.15 A summary of the recurring findings and recommendations, as identified across each audit is at Appendix B.

Contract Management

3.16 The Audit recommended that the Government consider whether the Calvary Network Agreement was the most effective mechanism for procuring public hospital services from CHC. If the Calvary Network Agreement is considered to be the most appropriate mechanism, a number of further Audit recommendations are aimed at improving the current agreement and its implementation.

3.17 The Committee notes that the 2008 Audit also found that there were opportunities for further improvement with regard to managing the Government’s agreement(s) with CHC and associated implementation.\(^\text{15}\)


3.18 The Committee acknowledges that while the performance audits relating to Calvary Hospital Agreements in 2008 and 2016 differed in scope and focus, both audits made specific recommendations in regard to the Government’s agreement(s) with CHC, in particular, in three areas—that is, in relation to the appropriateness and scope of the agreement; the need for improved planning and management of risks and contract; and arrangements for audit, financial management and reporting.

3.19 The Committee recognises that the Audit made a number of recommendations to address audit findings as they relate to management and implementation of the Calvary Network Agreement. Further to those recommendations, the Committee makes the following recommendations to strengthen accountability with regard to management of the Calvary Network Agreement but also contract management per se of all government contracts entered into on behalf of the Territory.

**Contract Management Capability and Performance**

3.20 The Audit found that the:

Governance and administrative arrangements for the Calvary Network Agreement for the delivery of public hospital services provided by Calvary Health Care ACT Ltd in 2013-14 were inadequately implemented and in some instances the arrangements themselves were inadequate. Importantly, some key clauses in the Calvary Network Agreement were not adhered to, were ineffectively implemented or need to be revised.16

3.21 The Committee reiterates the importance of adequate contract management to ensure that contractual parties meet their respective obligations, that contract deliverables are provided on time and to appropriate quality requirements and that services provided deliver best value for the taxpayer. The Committee also notes its disappointment that ongoing matters concerning management of the contract for the provision of public hospital services by CHC continue to be a matter of concern. Accordingly, the Committee makes the following recommendations as they relate to contract management capability and monitoring contract performance.

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Recommendation 3

3.22 The Committee recommends that the ACT Government take appropriate steps to improve its contract management capability of all government contracts it enters into on behalf of the Territory. This should include: (i) clear allocation of contract management roles within acquiring entities; and (ii) adequately resourcing, relative to the size of each contract, the respective contract management functions within each acquiring entity to effectively manage the contract(s).

Recommendation 4

3.23 The Committee recommends that the ACT Government take appropriate steps to ensure that all contract acquiring entities within ACT Government monitor contractor performance in accordance with contract provisions, and where applicable, take appropriate steps to act on contractor underperformance.

Specific Contract Provisions

3.24 The Audit found that:

Calvary Health Care ACT Ltd needs to have fully effective employee policy governance documents and processes, including codes of conduct and whistleblowing policy guidance (currently under review), in order to provide guidance to Calvary Health Care ACT Ltd public hospital employees on their responsibilities under the Public Sector Management Act 1994. These employees need to be advised that they can report inappropriate practices to non-Little Company of Mary Health Care Ltd (Calvary Health Care ACT Ltd) bodies (e.g. the Commissioner for Public Administration, the Ombudsman or the Auditor-General) and their identity can be protected.17

3.25 The Committee is of the view that all contracting entities delivering services on behalf of the Government should have appropriate employee frameworks that amongst other things include robust public interest disclosure and employee conduct policies and procedures. Accordingly, the Committee makes the following recommendation:

Recommendation 5

3.26 The Committee recommends that the ACT Government take appropriate steps, as part of specific contract provisions, to require contracting entities delivering services on behalf of the Territory to ensure, relative to the size of each contract, that: (i) public interest disclosure policies and procedures are developed, implemented and appropriate steps taken to monitor compliance; and (ii) an employee code of conduct is developed, promoted and appropriate steps are taken to monitor compliance.
4 CONCLUSION

4.1 The Committee is of the view that the Audit has been important for two major reasons: (i) there are substantial public monies involved in the form of recurrent funding for public services provided under the Calvary Network Agreement to CHC; and (ii) the role of Calvary Public Hospital as a fundamental provider of public hospital services in the Territory.

4.2 The Committee notes that the focus of the Audit was concerned with the integrity of financial reporting by CHC in the context of the Calvary Network Agreement—specifically, material misreporting by CHC to report an operating surplus when the accurate financial position was an operating deficit. Notwithstanding that no public monies were misused or lost and the Little Company of Mary Health Care Ltd covered CHC’s operating shortfall, the misreporting occurred in the context of the Audit finding that the Calvary Network Agreement had not been implemented effectively.

4.3 Accordingly, the Committee has made a number of recommendations to strengthen accountability with regard to the management of the Calvary Network Agreement but also contract management per se of all government contracts entered into on behalf of the Territory.

4.4 The Committee would like to thank the Auditor-General, responsible Minister(s), directorate and agency officials, for their time, expertise and cooperation during the course of this inquiry.

4.5 The Committee has made 5 recommendations in relation to its inquiry into Auditor-General’s Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting and Management.

Brendan Smyth MLA

Chair

31 May 2016
Appendix A  SUMMARY OF AUDIT REPORT RECOMMENDATIONS

Recommendation 1—Calvary Network Agreement and engagement of public hospital staff

The ACT Government should examine:

a) the fundamental issue of whether or not the Calvary Network Agreement is the most appropriate mechanism for delivering Public Hospital services; and
b) whether the Public Hospital staff employed by Calvary Health Care ACT Ltd should be engaged under the terms and conditions of the Public Sector Management Act 1994 and associated enterprise agreements.

If it is determined that the Calvary Network Agreement is to be retained then Recommendation 2 is a high priority. If it is determined that staff are to be employed by Calvary Health Care ACT Ltd under the Public Sector Management Act 1994 then Recommendations 6 and 8 are high priority.

Recommendation 2—Calvary Network Agreement

The ACT Health Directorate and the Little Company of Mary Health Care Ltd should review, negotiate and amend the Calvary Network Agreement to address weaknesses identified in this audit report.

Recommendation 3—ACT Health Directorate risk management

The ACT Health Directorate should document its consideration and management of risks associated with the purchase of public hospital services from Calvary Health Care ACT Ltd, including conducting a risk assessment and documenting the management of identified risks.

Recommendation 4—External annual financial audit of Calvary Public Hospital

Calvary Health Care ACT Ltd should seek written confirmation from the ACT Health Directorate that the reporting of the external audit of 2014-2015 Calvary Public Hospital’s financial reports is adequate for the purposes of clause 14.1 (a) of the Calvary Network Agreement, which requires the provision of externally audited annual reports for the public hospital to the ACT Government.

Recommendation 5—Funding model

The ACT Health Directorate, in consultation with the Little Company of Mary Health Care Ltd and Calvary Health Care ACT Ltd, should commit to a timeframe for the finalisation and implementation of the successor to the interim funding model for Calvary Public Hospital services.
Recommendation 6—Investigations of inappropriate workplace behaviours

The Little Company of Mary Health Care Ltd and Calvary Health Care ACT Ltd should undertake investigations of inappropriate workplace behaviours by its Public Hospital staff in accordance with the Public Sector Management Act 1994 and any related regulations and relevant enterprise agreements.

Recommendation 7—Reporting of reconciliation of monthly revenue

Calvary Health Care ACT Ltd should include the following in its reporting to the ACT Health Directorate in relation the Calvary Network Agreement:

a) reconciliation of year to date revenue to the actual funding paid year to date, including explanations for reconciling items; and

b) information on the basis of how revenue items have been recognised, to ensure only approved funded items have been included in the revenue reported.

Recommendation 8—Information and support to staff

The Little Company of Mary Health Care Ltd and Calvary Health Care ACT Ltd should continue to review, amend and promulgate employee behaviour and conduct documents, including policies relating to employees’ conduct and ‘whistleblowing’, so that Calvary Health Care ACT Ltd public hospital staff are provided with information on:

a) their duties and obligations under the Public Sector Management Act 1994, including their obligation to report any corrupt or fraudulent conduct or any possible maladministration to an appropriate authority; and

b) options, including the making of a public interest disclosure under the Public Interest Disclosure Act 2012, for the reporting of any corrupt or fraudulent conduct or any possible maladministration to appropriate ACT public sector authorities, such as the ACT Health Directorate, the Commissioner for Public Administration or the ACT Auditor-General.
## Appendix B  SUMMARY OF RECURRING ISSUES ACROSS PERFORMANCE AUDIT NO. 2 OF 2008 AND NO. 1 OF 2016

<table>
<thead>
<tr>
<th>Audit area</th>
<th>Applicable recommendations</th>
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<tbody>
<tr>
<td></td>
<td>AG Report No. 2 of 2008: Management of Calvary Hospital Agreements</td>
</tr>
<tr>
<td></td>
<td>AG Report No. 1 of 2016: Calvary Public Hospital Financial and Performance Reporting and Management</td>
</tr>
<tr>
<td>1. Appropriateness and scope of agreements</td>
<td><strong>Recommendation 1</strong>&lt;br&gt;ACT Health and CHC should replace the current set of agreements as soon as possible with a single agreement that incorporates better practice. &lt;br&gt;<strong>Recommendation 2</strong>&lt;br&gt;As an interim step towards improving existing contractual arrangements, ACT Health should prepare a consolidated agreement that reflects all the current provisions of the latest agreements.</td>
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<td><strong>Recommendation 1: Calvary Network Agreement and engagement of public hospital staff</strong>&lt;br&gt;The ACT Government should examine: &lt;br&gt;a) the fundamental issue of whether or not the Calvary Network Agreement is the most appropriate mechanism for delivering Public Hospital services; and &lt;br&gt;b) whether the Public Hospital staff employed by Calvary Health Care ACT Ltd should be engaged under the terms and conditions of the Public Sector Management Act 1994 and associated enterprise agreements.</td>
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<td><strong>Recommendation 2: Calvary Network Agreement</strong>&lt;br&gt;The ACT Health Directorate and the Little Company of Mary Health Care Ltd should review, negotiate and amend the Calvary Network Agreement to address weaknesses identified in this audit report.</td>
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<td>2. Planning and management of risks and contract</td>
<td><strong>Recommendation 3</strong>&lt;br&gt;ACT Health should develop a specific risk management plan for the management of the agreements with CHC. &lt;br&gt;<strong>Recommendation 4</strong>&lt;br&gt;Given the significant funding, importance and complexity of health services provided by CHC, ACT Health should establish a Contract Management Plan for the management of its agreements with CHC.</td>
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<td><strong>Recommendation 3: ACT Health Directorate risk management</strong>&lt;br&gt;The ACT Health Directorate should document its consideration and management of risks associated with the purchase of public hospital services from Calvary Health Care ACT Ltd, including conducting a risk assessment and documenting the management of identified risks.</td>
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<td>Audit area</td>
<td>Applicable recommendations</td>
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<td>3. Audit, financial management and reporting</td>
<td><strong>Recommendation 5</strong>&lt;br&gt;Audit, financial management and reporting&lt;br&gt;ACT Health should:&lt;br&gt;a. reconcile and adjust as appropriate the payment of the annual maintenance subsidy to take into account any surplus made by the Public Hospital in the previous year, in accordance with the 1979 Supplementary Agreement; and&lt;br&gt;b. require audited financial statements for the public hospital’s operations for each financial year in accordance with the 1979 Supplementary Agreement.&lt;br&gt;<strong>Recommendation 6</strong>&lt;br&gt;Audit, financial management and reporting&lt;br&gt;ACT Health should:&lt;br&gt;a. update the charges in the financial arrangements annually as provided for in the agreements; and&lt;br&gt;b. implement measures, such as independent audits, to ensure that correct and timely cross-charging payments are made from the private to the public hospital.&lt;br&gt;<strong>Recommendation 7</strong>&lt;br&gt;Audit, financial management and reporting&lt;br&gt;ACT Health should:&lt;br&gt;a. seek the annual financial report on the reconciliation of cross-charging arrangements as provided for in the Performance Plan; and&lt;br&gt;b. request that this annual financial report separately disclose the amount of cross-charging received by the public hospital; and&lt;br&gt;c. assure itself that the contents of these reports are reliable.&lt;br&gt;<strong>Recommendation 11</strong>&lt;br&gt;Audit, financial management and reporting&lt;br&gt;Calvary Health Care should seek, on a timely basis, agreement from ACT Health for a new pricing arrangement for new procedures or health care services that require the use of the public hospital’s staff, facilities and services.&lt;br&gt;<strong>Recommendation 12</strong>&lt;br&gt;Audit, financial management and reporting&lt;br&gt;Calvary Health Care and ACT Health should regularly review and update the cross-charging pricing schedule, to ensure the pricing agreement is fair and reasonable and in accordance with agreements.</td>
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<td>3. Audit, financial management and reporting</td>
<td><strong>Recommendation 4: External annual financial audit of Calvary Public Hospital</strong>&lt;br&gt;Calvary Health Care ACT Ltd should seek written confirmation from the ACT Health Directorate that the reporting of the external audit of 2014-2015 Calvary Public Hospital’s financial reports is adequate for the purposes of clause 14.1 (a) of the Calvary Network Agreement, which requires the provision of externally audited annual reports for the public hospital to the ACT Government.&lt;br&gt;<strong>Recommendation 5: Funding model</strong>&lt;br&gt;The ACT Health Directorate, in consultation with the Little Company of Mary Health Care Ltd and Calvary Health Care ACT Ltd, should commit to a timeframe for the finalisation and implementation of the successor to the interim funding model for Calvary Public Hospital services.&lt;br&gt;<strong>Recommendation 7: Reporting of reconciliation of monthly revenue</strong>&lt;br&gt;Calvary Health Care ACT Ltd should include the following in its reporting to the ACT Health Directorate in relation the Calvary Network Agreement:&lt;br&gt;a) reconciliation of year to date revenue to the actual funding paid year to date, including explanations for reconciling items; and&lt;br&gt;b) information on the basis of how revenue items have been recognised, to ensure only approved funded items have been included in the revenue reported.</td>
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