

2016

**LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

GOVERNMENT RESPONSE TO

**AUDITOR-GENERAL'S REPORT
NUMBER 1 OF 2016**

**CALVARY PUBLIC HOSPITAL
FINANCIAL AND PERFORMANCE REPORTING
AND MANAGEMENT**

and

**REVIEW OF THE AUDITOR-GENERAL'S REPORT BY THE
STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Presented by
Simon Corbell MLA
Minister for Health**

Background

The Government is committed to the provision of safe, efficient and integrate public hospital and health services across the ACT.

Calvary Public Hospital is an integral part of the ACT's public hospital and health system.

The principal reason for the Auditor-General's investigation into Calvary Public Hospital was a referral from ACT Health in relation to unexplained and unsupported accruals for the 2013-14 financial year.

In her Audit Report, the Auditor-General recognised that ACT Health had exhausted its options for investigating the unsupported accruals and that the Auditor General's Office had the power to take the investigation further.

The Auditor-General's investigation determined that the accruals that were the basis of the referral of matters to the Audit Office were inappropriate.

The issue, while serious, did not impact on ACT budget and no ACT funds were jeopardised as a result of the inappropriate accounting treatments put in place by Calvary during 2013-14.

The Auditor-General also noted areas where general governance and oversight of Calvary by ACT Health could be improved. The Government supports these findings and has directed ACT Health to institute additional processes to consolidate and improve governance of the relationship between ACT Health and Calvary Public Hospital.

The consolidation of governance arrangements will provide for improved oversight as well as ensuring a single decision point for issues relating to the relationship between Calvary and the rest of the ACT public hospital and health system.

Notwithstanding this, ACT Health will work with Calvary over coming months to determine the capacity of the current arrangements to deliver effective, efficient and integrated public hospital and health systems for our community. That work will determine whether more detailed assessments of the Agreement between the parties is required to meet the needs of our community.

Four of the Auditor General's recommendations relate to systems and processes at Calvary Public Hospital. While these are matters for Calvary to address, ACT Health will monitor the implementation of actions to address those recommendations through the overarching governance vehicle under the Calvary Network Agreement (the Calvary Network Committee).

Subsequent to the tabling of the Audit Report, the Standing Committee on Public Accounts of the ACT Legislative Assembly undertook its review of the Auditor-General's Report. The attached Government Response also incorporates Government decisions in relation to recommendations in that report.

A number of recommendations have already been completed, and the remaining recommendations will be addressed before the end of 2016.

Government Response to Recommendations in the Auditor-General's Report

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.

Government Response

Agreed in-principle.

- a) The Government will work with Calvary to ensure that the Calvary Network Agreement has the capacity to deliver value in terms of patient care and service efficiency within an integrated public hospital and health service. This work will also assist to inform whether the current Agreement is the most appropriate mechanism to delivery public hospital services, with this process completed by December 2016.
- b) The Government believes that the current arrangements in relation to the coverage of staff at Calvary Public Hospital by the provisions of the *Public Sector Management Act 1994* and associated enterprise agreements is an effective arrangement given the small size of the ACT and the benefit to employees to be able to transfer between our two public hospitals. This is particularly important for our health reform program which will provide more integrated services between our two public hospitals. However, the outcome of the review noted in (a) above will identify any issues with current arrangements and whether alternatives are appropriate.

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.

Government Response

Agreed.

ACT Health and Calvary have established a process to consider and address all findings within the Audit Report. This work will be undertaken in line with the work noted in Recommendation 1 and will be completed by December 2016.

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.

Government Response

Agreed.

ACT Health have completed a risk management plan for the purchase of services from Calvary Public Hospital. The plan will be reviewed annually and provided to the ACT Health Audit and Risk Management Committee.

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.

Government Response

Noted.

This Recommendation has been completed. Calvary has written to ACT Health and ACT Health has provided specifications to ensure that all future externally audited reports are available annually for Calvary Public Hospital separately from the consolidated Calvary Hospital audited statements that include both public and private hospital entities.

RECOMMENDATION 5 FUNDING MODEL

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

Government Response

Agreed.

ACT Health will work with Calvary to implement a new funding model that will be trialled during 2016-17 and fully implemented in 2017-18.

The funding model will be used across both ACT public hospitals.

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.

Government Response

Noted.

ACT Health will seek evidence of systems and processes in place at Calvary that are consistent with the *Public Sector Management Act 1994* and relevant enterprise agreements. This evidence will be required to be provided by October 2016.

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.

Government Response

Noted.

The evidence of this is now included in monthly reporting by Calvary to ACT Health. The information is discussed at the Calvary Network Committee Meeting each month.

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.
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Government Response

Noted.

- a) Calvary will provide evidence of their amended employee behaviour and conduct policies to ACT Health by October 2016, with the requirement for these to be reviewed biennially; and
- b) This recommendation will be further explored following the review of the Calvary Network Agreement outlined in Recommendation 1(b).

Government Response Recommendations in the Report by the Standing Committee on Public Accounts

RECOMMENDATION 1 TIMING OF GOVERNMENT RESPONSE TO AUDIT REPORT

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

Government Response

Agreed

This document provides the Government Response to the Auditor-General's Report and was tabled in line with ACT Legislative Practice in the first sitting week of August 2016.

RECOMMENDATION 2 – GOVERNMENT TO PROVIDE PROGRESS REPORT IN AUG 2017

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

Government Response

Not Agreed.

It is not appropriate for a Government to bind a future Government to actions. While a future ACT Labor Government would welcome the opportunity to demonstrate progress against the Auditor-General's recommendations, the next Legislative Assembly should determine whether it requires this information in the terms recommended by the current Standing Committee on Public Accounts

RECOMMENDATION 3 CONTRACT MANAGEMENT CAPABILITY

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).

Government Response

Agreed in part.

The Government accepts the recommendation in terms of the contractual relationship between the ACT and Calvary Public Hospital.

The Auditor-General's Report specifically focussed on issues with contract management in terms of the agreement between the ACT and Calvary for the provision of public hospital services.

In terms of the total funding provided over time, the agreement between the ACT and Calvary for public hospital services is the largest contract for services managed by the ACT Government.

Further, there is considerable evidence of effective contract management across many ACT Government services.

In relation to the findings in the Auditor General's Report, ACT Health is undertaking a contracting review which may include consolidation of major contract management functions within a single area that will provide for greater oversight of the agreement with Calvary and ensure that sufficient resources are allocated to the management of the contract with Calvary.

RECOMMENDATION 4 CONTRACT PERFORMANCE MANAGEMENT

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

Government Response

Agreed in Part.

As noted above, the Government agrees with the recommendation in relation to the agreement between the ACT and Calvary for the provision of public hospital services.

The Auditor-General noted in findings that the full provisions of the Calvary Network Agreement were not implemented to maximise the protection of the Territory.

While the Territory was not financially at risk in relation to the issue that resulted in the Auditor General's Report, the Auditor General noted provisions within the agreement with Calvary that were not being used, particularly in relation to more robust funding and performance measurement provisions.

ACT Health is working with Calvary to establish new, consolidated governance processes. In addition, ACT Health is establishing a contract management and risk plan for the Agreement with Calvary to place the arrangement on a more robust and transparent footing. This work will be completed during 2016-17. This will build on the decisions made over recent years to establish a contract management role for Calvary within ACT Health.

RECOMMENDATION 5 PUBLIC INTEREST AND CODE OF CONDUCT MATTERS

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.

Government Response

Agreed in Part.

As noted in the response to Recommendation Three, the Government supports this recommendation in relation to the agreement with Calvary Public Hospital.

Calvary public hospital employees are employed under the same provisions as ACT public servants and it is appropriate to ensure that employees of Calvary have access to safeguards in relation to the reporting of inappropriate behaviours.

A wider application of Government regulations as noted above would require considerable consultation with business and community groups, with a timeframe that is not possible within the current term of the Legislative Assembly.