LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 2, 1994

ACT Health
- *Health Grants*
- *Management of Information Technology*

Report Number 18 of the Standing Committee of Public Accounts
December 1994

RESOLUTION OF APPOINTMENT

On 27 March 1992 the ACT Legislative Assembly established a Standing Committee on Public Accounts with the following terms of reference:

(1) Examine

(a) the accounts of the receipts and expenditure of the Australian Capital Territory;

(b) the financial affairs of authorities of the Australian Capital Territory; and

(c) all reports of the Auditor-General that have been laid before the Assembly;

(2) Report to the Assembly, with such comment 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; and

(3) Inquire into any question in connection with the public account which is referred to it by the Assembly and to report to the Assembly on that question.

MEMBERSHIP

Mr Trevor Kaine MLA (Presiding Member)

Ms Annette Ellis MLA (Deputy Presiding Member)

Mrs Kate Carnell MLA

Mrs Ellnor Grassby MLA

Mr Michael Moore MLA (from 25 February 1993)

Secretary: Bill Symington

RECOMMENDATIONS AND REQUESTS

The Committee recommends that:

the Government, in responding to this report, indicate progress with the Department's matching of grant applications to health goals and targets and that this information be incorporated in the Department's annual reports. (Paragraph 2.8)

the administration of grants be consolidated within ACT Health. (Paragraph 2.13)

measurable performance indicators be established to enable the effectiveness of all health grants to be monitored. (Paragraph 2.24)

The Committee requests that the Government:

when responding to this report, advise action taken by the Department of Health to improve the efficiency of grants administration and the acquittal of grants. (Paragraph 2.16)

when responding to this report, advise the outcome of the Department's consideration of the proposed one-stop approach for dealing with the budget/financial aspects of grant applications. (Paragraph 2.21)

CONTENTS

1. INTRODUCTION

Background

1.1 Auditor-General's Report No 2, 1994 was presented to the Assembly on 12 May 1994. The report covers two audits of Department of Health activities:

- "Health Grants" which was conducted by Ms J Hawke of the Audit Office; and

- "Management of Information Technology" which was conducted with the assistance of the accounting firm Ernst and Young and managed by Mr P Hade of the Audit Office.

1.2 The objective of the "Health Grants" audit was to assess the overall effectiveness of the management of health grants made to various ACT organisations and Departmental efficiency in administrating the grants.[1]

1.3 The "Management of Information Technology" audit is a follow-up to an earlier Audit Office report (Number 4, 1992) which identified certain deficiencies. The objective of this audit was to assess whether the 1992 recommendations had been complied with, whether the implemented procedures have been effective and whether they are achieving the desired outcome.[2]

Committee's Approach to the Inquiry

1.4 The committee discussed the report with the Auditor-General and his officers on 6 June 1994 and with the Acting Chief Executive of the Department of Health on 20 June 1994.

Management of Information Technology

1.5 The audit concluded that the 1992 recommendations have been adequately complied with and that the implemented procedures are effective.[3]

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[1]audit Report No2,1994, p3
[2]ibid, p43
[3]ibid, p44

The committee notes with satisfaction that the Department has addressed the deficiencies identified by the 1992 audit.

2. HEALTH GRANTS

Results of the Audit

2.1 With regard to the effectiveness of grants management, the audit found that the Department was generally effective but it noted several issues which should be addressed and recommended accordingly. These were:[4]

- a formal strategy be developed to identify community needs so as to ensure that grants are allocated to priority areas

- all grant allocations be made against established criteria, be fully documented and reasons for variations by the Minister should be recorded

- the services provided by grantees be measured by performance indicators

- the present three months allowed for the acquittal of grants be substantially reduced

- recording of grant payments in the FI$CAL financial system be improved

- determine whether grant payments can be made by bank transfers rather than by cheques

2.2 With regard to the efficiency of grant management, the audit was unable to separately identify grant administration costs and the Department had not established performance indicators to assess cost efficiency. Nevertheless, the audit found scope for improvement through the consolidation of grant processes and made a number of recommendations in this area. These were:[5]

- performance indicators be developed regarding the cost efficiency of the Department and the various sub-programs

- the organisation of grants administration be reviewed to determine the degree of consolidation possible

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[4]ibid,pp3,4
[5]ibid, pp5,6

- a standard grant application form be developed

- monthly grant payments be considered.

Consideration of the Issues

2.3 The committee had some difficulty accepting the audit finding that the Department's grants management program was generally effective when it then had to qualify that finding by saying inter alia that the program should develop a formal strategy, that the assessment of grant applications should be made against established criteria and that performance indicators should be established.

2.4 Taking the audit at face value, the committee's tentative conclusion was that these essential ingredients of performance and performance management assessment are not available. The committee pursued these and other issues with the Acting Chief Executive of the Department.

Grants Criteria

2.5 The committee was advised that following the audit there is now a set of criteria which, while having regard to some long-term relationships with grantee organisations, is far more rigorous in ensuring that funds allocated and distributed through the grants process does go into the target areas.[6]

2.6 The committee was further advised that as the claim for grants far exceeds the capacity to fund them to ensure the best outcome for limited funding, the Department is coming to the view that it must ensure that the grant application and the bona fides of the grant organisation are those which will make the best contribution to health goals and targets.[7]

2.7 The committee notes that the Department has responded positively to the audit criticisms about grants criteria.

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[6]transcript of hearing, 20 June 1994, p5
[7]ibid, p6

2.8 The committee recommends that the Government, in responding to this report, indicate progress with the Department's matching of grant applications to health goals and targets and that this information be incorporated in the Department's annual reports.

Grants Administration

2.9 The audit noted that the administration of grants is spread across four different organisational elements of the Department and expressed the view that the consolidation of grant administration activities would promote a more efficient utilisation of resources, economies of scale, standardised practices and consolidation of skills.[8]

2.10 The committee discussed this matter with the Department at some length. The Department advised the committee that it had examined the proposition but on balance the Department held to the view that grants should be administered by those areas of its service delivery that are intimately involved in the work concerned. The Department did not think it appropriate, for example, to have its alcohol and drug grants or, say, its AIDS program grants administered by people who were not actively involved in the provision of services related to these areas of public health. However, the Department said that it would be prepared to be persuaded if a more compelling case could be made for consolidation[9]

2.11 This could, however, in the committee's view, lead to double dipping by certain organisations and the committee asked the Department what liaison existed between the decentralised areas of grant application. The Departmental response was that all the grants programs and recommendations are cleared through the corporate executive and then submitted to the Minister.[10]

2.12 While the committee accepts that it may be desirable to administer grants through certain of the service delivery areas of the Department which are intimately connected with the public health area concerned, it considers there is scope for rationalising grants administration to achieve overall administrative efficiencies and effectiveness.

2.13 **The committee recommends that the administration of grants be consolidated within ACT Health.**

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[8]audit report, op cit, p36
[9]transcript, op cit, p4

Accountability

2.14 The organisational structure for the administration grants was taken up with Department which acknowledged that it would need to be examined. The committee was advised that typically health service agreements have been used to secure traditional funding arrangements with non-submission based service entities such as Calvary Hospital and QE11 but that thought is now being given to expanding the principles to grant recipients as well to ensure that health outcomes are achieved along with financial accountability.[11]

2.15 However, the Department volunteered that this may not deal with all of the Auditor-General's concerns and that the Department is seeking ways to remove any questions of inefficiency in grant administration and acquittal. The Department accepted the committee's view that there would be a much more intensive management task to oversight what is happening with funds to submission-based grantees to ensure that health objectives are being satisfied.[12]

2.16 **The committee requests that the Government, when responding to this report, advise action taken by the Department of Health to improve the efficiency of grants administration and the acquittal of grants.**

Standard Form for Submission-based Grants

2.17 In the context of its conclusions about the consolidation of grants administration the audit recommended that a standard grant application be developed and the committee sought the Department's views on this. The Department's response was that as part of the general grants program in the 1993-94 year it now had a more consistent framework by which submissions are to be received in order that assessments can be made.

2.18 The Department advised that traditional large grants such as those to Calvary Hospital and QE11 are part of their annual budget negotiations. In other areas the Department work with the relevant councils and draw up the criteria as to how best to distribute funding. The committee was advised that the Department does not have one application form for all grants but there are criteria which are specific to service areas. The Department advised that the

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[10]ibid, p8
[11]ibid, p9
[12]ibid,pp9,10

completely different natures of the public health matters involved meant that little would be gained with a common application form[13]

2.19 The committee appreciates the distinction between the management of health delivery aspects and the management of the financial aspects. However, the committee considers that the provision of standard budgetary and financial information could be handled by the resource management area of the Department and the health delivery aspects could be handled by the health specialists.

2.20 The committee asked the Department for its view on a one-stop approach for assessing whether an application met the criteria and whether this could be resource efficient. The Department responded that it would consider how relevant this would be to the grants program.[14]

2.21 **The committee requests that the Government, when responding to this report, advise the outcome of the Department's consideration of the proposed one-stop approach for dealing with the budget/financial aspects of grant applications.**

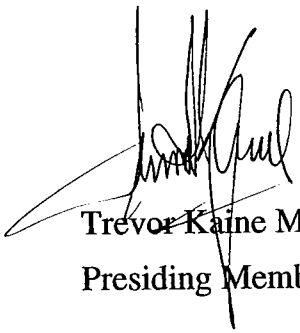
Performance Indicators

2.22 The Department advised the committee that it had no difficulties with the audit comments about the need for performance indicators and that it has been progressively seeking to get them in place.[15]

2.23 However, the committee observes that the audit comment is not new and has been a consistent criticism of Assembly Estimates committees in the past. The committee considers that this issue needs to be nailed down and asks that the government ensure that appropriate indicators be established and performance of grantees monitored.

[13]ibid, p12
[14]ibid,p13
[15]ibid,p14

2.24 **The committee recommends that measurable performance indicators be established to enable the effectiveness of all health grants to be monitored.**



Trevor Kaine MLA

Presiding Member