

## Conclusion

*...states are carrying out some performance audits of their own internal audit processes and their own external audit arrangements within those states. That (brings) greater transparency and understanding...*

*(States) main purpose is actually to deliver the health services.<sup>1</sup>*

- 6.1 During the committee's health funding inquiry<sup>2</sup>, significant problems came to light in the Queensland public health system in particular. Issues of poor administration and/or medical malpractice arose in public hospitals in Bundaberg, Mackay and Caboolture. More recently, Cairns Base Hospital has been at the centre of claims of inappropriate medical practice. While the magnitude of the problems may have been greater in Queensland, the committee received enough evidence to suggest there are significant problems in other jurisdictions too.
- 6.2 During both this and its previous inquiry, Members debated whether the Commonwealth should play a more active role in overseeing public hospitals – particularly given the magnitude of the funds provided through the AHCAs. Members have long felt that the current agreements do not allow the Commonwealth sufficient information to determine whether its money is being spent efficiently and effectively to operate public hospitals. Furthermore, the financial arrangements underpinned by the AHCAs make it difficult for Australians to determine which level of government is responsible for meeting the AHCA objectives. This is not just a matter of whether the

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1 Kalisch D, transcript, p 2.

2 HAA, *The Blame Game*.

states comply with their obligations under the AHCAs but whether the best possible services are being provided to the public.

- 6.3 The ANAO's report only reinforces the committee's view that the current intergovernmental roles and responsibilities, as expressed through the AHCAs, need rethinking.

## Performance audits in the states and territories

- 6.4 The ANAO noted that several state auditors-general have conducted performance audits on aspects of the public health system funded directly or indirectly through their state's AHCA. Such audits compliment the Commonwealth's assessment of compliance with the AHCAs and assist the Commonwealth Auditor-General to gain a greater appreciation of state activities. The conduct of performance audits by all states would further enhance the Commonwealth and states' accountability to the public for the health system.<sup>3</sup>
- 6.5 The committee acknowledged that not all state auditors-general can conduct performance audits and that some only conduct performance audits with a limited scope.<sup>4</sup> Moreover, the Commonwealth Auditor-General cannot extend his audits to review the expenditure of the Commonwealth's funds within the state health systems. Thus, in some jurisdictions Commonwealth expenditure under the AHCAs is not subject to any independent performance audits - either directly by the Commonwealth Auditor-General or by state auditors-general.
- 6.6 The committee thinks it fundamentally important that the totality of public hospital expenditure under the AHCAs should be potentially subject to performance audit reviews. The state auditors-general should be empowered by their legislatures to conduct full performance audits of AHCA related expenditure.

### Recommendation 4

- 6.7 **That in negotiating the 2008-2013 Australian Health Care Agreements (AHCA), the Australian Government require the parties to the AHCAs to agree that state and territory auditors-general be empowered to conduct full performance audits of AHCA expenditure within the public hospital systems of their respective states.**

3 Kalisch D, transcript 7.

4 Appendix C lists the powers of the auditors-general to conduct performance audits, p 41.

- 6.8 If the state and territory auditors-general do not have the expertise to undertake their own full performance audits of AHCA-funded expenditure, they should be able to contract the Commonwealth Auditor-General to act on their behalf, on a fee for service basis. Such audits should be conducted to comply with the Auditing Standards issued by the Australian Auditing and Assurance Standards Board.<sup>5</sup>

## Final comments

- 6.9 In *The Blame Game*, the committee urged the Commonwealth and states to develop a national health agenda. The agenda should identify funding principles and initiatives to, among other things, rationalise the roles and responsibilities of governments, including their funding responsibilities. The agenda should also provide a reporting framework on the performance of health service providers and governments. The committee also made recommendations to restructure the AHCAs.
- 6.10 The final form of the 2008-2013 AHCAs may well have been largely determined as this report is tabled. However, the committee hopes that these and future AHCAs, in whatever form they ultimately take, make both levels of government more accountable for public hospital services and avoid creating barriers to more fundamental reform.

**Hon Alex Somlyay MP**

**Chair**

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5 ANAO report, *Planned Audit Work Programme 2007-2008*, p 5:  
[www.anao.gov.au/uploads/documents/Audit\\_Work\\_Programme.pdf](http://www.anao.gov.au/uploads/documents/Audit_Work_Programme.pdf), viewed on 8 August 2007.

