

# Report on the Western Australian Public Health Sector and of Other Ministerial Portfolio Agencies 1999

Report 2 – April 2000

## Background

The Report summarises the results of financial statement and performance indicator audits for the Public Health Sector and agencies in other Ministerial Portfolios, and together with the Report on Ministerial Portfolios to November 5, 1999 (Report No 9, 1999) completes the 1998-99 audit cycle. The tabling of the initial Report on Ministerial Portfolios on November 5, 1999 and the preparation of this complementary Report, reflect a recognition of Parliament's need for the continuous and timely reporting of information on the significant risk and control issues identified during the audit cycle.

The Report provides an overview of:

### Public Health Sector

- the results of financial statement and performance indicator audits completed at public health sector agencies as part of the 1998-99 audit cycle;
- commentary on four issues arising from audits: Timeliness of Reporting; Performance Indicators of Hospitals and Health Services; Metropolitan Health Service Board (MHSB); and Manual Controls Over the Purchasing and Payment Functions at the Health Department of Western Australia.

### Completion of Other Ministerial Portfolio Agencies for 1999

- Financial statement audits;
- Performance indicator audits;
- Qualifications arising from financial statement; and
- performance indicator audits.

## OVERVIEW OF AUDIT RESULTS PUBLIC HEALTH SECTOR

### Financial Statement Audits

No qualified audit opinions were issued for the 74 agencies audited in 1998-99 - representing the culmination of a positive trend established in previous years. Only two agencies were qualified in 1997-98 whereas five were qualified in 1996-97. However, agencies within the public health sector that undergo amalgamation will need to take particular care in the treatment of complex accounting issues.

Around 80 issues covering a range of control weaknesses over accounting records and systems, non-compliance with statutory requirements and areas for continuous improvement were raised with agencies. This represents a significant improvement from 1997-98 when around 350 issues were raised. The majority of issues related to weaknesses in asset management, agencies that had failed to implement risk management policies and practices as required by Treasurer's Instruction 109 "Risk Management", lack of follow up on internal audit recommendations and understatement of employee entitlements.

The effort that has gone into improving the quality of financial reporting and strengthening controls needs to be maintained to capitalise on the achievements to date, and to derive the benefits of more effective resource management.

### Performance Indicator Audits

The number of qualified audit opinions continued to fall in 1998-99 reflecting further improvement in the development and reporting of performance indicators. In 1998-99, 23 per cent of the agencies audited (16 of 69) received a qualified audit opinion compared with 51 per cent (41 of 81) in 1997-98.



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### MATTERS OF SIGNIFICANCE IN THE PUBLIC HEALTH SECTOR

#### Timeliness of Reporting

Fourteen (20 per cent) of the 70 agencies subject to statutory reporting deadlines did not fulfil their reporting obligations by the designated reporting dates. Only two agencies were granted extensions of their reporting deadlines and one of these failed to meet the approved extension date. Factors identified as responsible for delays included:

- lack of adequate planning by hospital and health services to ensure timely reporting;
- shortage of suitably qualified staff; and
- competing demands on existing staff.

#### Performance Indicators of Hospitals and Health Services

The implementation of the Output Based Management initiative, which is part of the Government's financial reform agenda, has resulted in a number of significant changes to the reporting of performance by health sector agencies.

During 1998-99 the joint Health Department and Hospitals' Key Performance Indicator Working Party continued to assist hospitals and health services develop acceptable indicators to address the health outcome and outputs. The indicators recommended by the Working Party reflected not only the progress made to date on those developed in the prior year but also the implementation of the Output Based Management initiative.

The guidelines on key performance indicators issued to hospitals and health services helped staff comprehend and effectively implement the new regime. This was reflected in the continued reduction in the number of qualified audit opinions for hospitals and health services in 1998-99 with only 15 audit opinions (or 25 per cent) of the 61 hospitals and health services audited, qualified.

#### Metropolitan Health Service Board (MHSB)

The MHSB made substantial progress in adopting appropriate quality review procedures in preparing the Board's financial statements in 1998-99.

Further, the MHSB's Audit Committee is implementing a more coordinated approach to the Board's internal audit function compared to the previous focus on individual metropolitan hospital and health service sites.

#### Manual Controls Over the Purchasing and Payment Functions at the Health Department of Western Australia

The manual controls established over the operation of the purchasing and payment system in the smaller branches of the Health Department of Western Australia allows users to perform multiple functions that compromise the payment function.

None of the instances detected by audit were significant but the manual controls in the current system require further strengthening to ensure that:

- unauthorised or fraudulent payments are not processed; and
- the legal requirement for all payments to be checked and approved prior to payment are not bypassed.

### OTHER MINISTERIAL PORTFOLIO AGENCIES FOR 1999

To complete the 1999 audit cycle, 75 financial statement and 59 performance indicator audits were concluded between the issue of the Auditor General's Report on Ministerial Portfolios to November 5, 1999 (Report No 9, November 1999) and December 31, 1999. A further three final audits were completed on agencies that ceased operations during this period.

The completion of the 1998-99 audit cycle maintained the positive trend with respect to the issue of unqualified opinions. Only eight opinions on financial statements and controls, and six opinions on performance indicators were qualified.