

MEDIA STATEMENT



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AUDITOR GENERAL FINDS MORE NEEDS TO BE DONE TO MANAGE CONFLICTS OF INTEREST

In his latest report tabled in Parliament today, Auditor General Colin Murphy has found agencies need to do more to identify and manage potential conflicts of interest arising from the procurement of Information and Communication Technology (ICT) and through the acceptance of gifts and travel at the Department of Health.

The first audit in the Public Sector Performance Report assessed how well six agencies planned for, procured and managed their ICT contractors, having spent an estimated \$360.85 million on external ICT goods and services in 2009-10.

Mr Murphy found that potential conflicts of interest were not effectively recognised and managed at the Departments of Education (DoE), Mines and Petroleum (DMP) and at Synergy.

"Agencies need to proactively manage the risk of conflicts of interest by maintaining conflict of interest and gift registers," he said.

"Where contracting arrangements present potential conflicts, these should be recognised and mitigation strategies established and documented."

Other weaknesses identified included:

- DMP, Lotterywest, Synergy and Tourism WA lacked either comprehensive or up-to-date strategic ICT plans. Without an up-to-date ICT strategy, agencies significantly increase the risk of making poor use of contractors and not getting best value for taxpayers' dollar.
- DMP, Lotterywest and Synergy did not fully comply with procurement policy for some of their contracting arrangements. This included failure to develop business cases, establish contract management plans, seek appropriate approvals and lack of competitive tendering for some contracting arrangements.

Mr Murphy said Landgate was the only agency that managed all aspects of ICT contracting and procurement well.

"Good ICT systems and processes can deliver government services faster and at less cost to the taxpayer but need to be well designed and procured," he said.

"Contractors can be a cost effective solution for the design and delivery of ICT systems but they can be an expensive waste of money if their roles are not clearly defined and their performance monitored."

The second item in the Public Sector Performance report is an investigation of the acceptance of gifts and benefits by employees of the Department of Health (Health). The investigation was undertaken at the request of the Minister for Health and a member of the Opposition.

Mr Murphy said the management of potential conflicts of interest was a common theme across both audits.

“While we did not find any evidence of improper conduct or influence, we did find weaknesses in Health’s management of free travel and gifts, especially in the recognition of potential conflicts of interest and the management of those risks.”

The investigation found all the travel applications tested explained the benefits of the travel, were approved by someone with the appropriate delegated authority and contained details to show the travel was work related.

However, even though Health has a robust policy for managing conflicts of interest, the travel requests did not document conflict of interest issues in accordance with this policy.

Mr Murphy also found non-travel gifts were accepted by Health officers in breach of Department policy.

The policy does not allow gifts above a ‘negligible value’ to be accepted, but Health reported to Parliament that 25 gifts valued from \$30 to \$350, including wine, champagne, books and ball tickets, were accepted by a small proportion of staff.

“Importantly, our testing found no instances of officers who reported having accepted gifts or travel benefits during the period we investigated were later involved in awarding contracts to the company that supplied them with the gift or travel,” Mr Murphy said.

“Many companies in the health-care industry offer to fund health professionals to attend local or international medical events. The potential conflicts of interest associated with accepting these have been the subject of much ongoing debate.

“Health has an obligation to address these risks when determining if the travel is appropriate – but quite simply, it would not be appropriate for any officers accepting gifts or travel to be involved in any procurement decisions relating to those companies.”

Health has now reviewed its approach to managing gifts and free travel and is currently implementing policy and process improvements, which have been endorsed by the Public Sector Commission.

The Auditor General’s report, *Second Public Sector Performance Report 2011*, can be viewed at www.audit.wa.gov.au.

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