

Auditor-General's report

*The Auditor-General makes an essential contribution to the system of public accountability, serving as the external auditor of the Executive Government with a duty to report directly to Parliament on 'the financial stewardship and the economy and efficiency of the operations of Commonwealth entities.'*¹

Audit objectives

- 2.1 The objective of the performance audit was to assess whether the states were complying with their obligations under the terms of the 2003-2008 AHCAs and whether Health was adequately administering the billions of dollars provided to the states through the AHCAs.² In the audit the focus was on Health's role, rather than on the activities of the states. As an additional benefit, the findings of the audit report were intended to assist Health when it was developing the next agreements.
- 2.2 An earlier ANAO performance audit of the AHCAs operating between 1998 and 2003 found that Health only had limited information about the extent to which the states were meeting their obligations to provide free and equitable access to public hospital services. The ANAO also found that Health had only partial

1 Auditor-General, *Annual Report 1994-95*, p 3.

2 ANAO, *Audit Report*, p 27.

performance information to determine the effectiveness and efficiency of the then AHCAs.³

2.3 In conducting the more recent audit, the ANAO investigated whether Health had assessed if the states were:

- adhering with clause 6 of the agreements that all eligible people have equitable access to free public health and emergency services on the basis of clinical need, within a clinically appropriate period and regardless of location;
- increasing their own source funding at the rate specified in the AHCAs; and
- meeting the performance reporting requirements set out in the AHCAs.⁴

2.4 The ANAO did not examine Health's responsibility for national policy development which is also outlined in the AHCAs.⁵

Audit conclusion

2.5 The ANAO found that, overall, Health had developed and implemented a suitable framework to administer the AHCAs. Health did have procedures in place to monitor whether the states were complying with their obligations under the AHCAs. However, Health relied on the states to conduct investigations of non compliance and also to provide performance data in the correct format by the due date. Health also needs to clarify several issues of definition with the states in order to improve the level of assurance it has about each jurisdiction's contribution to public hospital funding.⁶

2.6 The ANAO identified several provisions of the AHCAs that made it difficult for Health to assess the states' compliance with their obligations. These are discussed in greater detail in chapters three, four and five of this report.

3 ANAO, *Performance Information in Australian Health Care Agreements*, Audit Report No. 21 2002-2003, Commonwealth of Australia, 2002, p 14.

4 ANAO, Audit Report, pp 27-28.

5 ANAO, Audit Report, p 14.

6 ANAO, Audit Report, pp 12-14.

Audit recommendations

2.7 The ANAO made three recommendations.

Guidance to the states on assessment principles

2.8 The ANAO's first recommendation was that, 'to assist the States and Territories clearly understand Health's processes and expectations in its assessment of compliance with the AHCAs, Health provide more detailed guidance of its procedures and assessment principles to the State and Territory Governments'.⁷

2.9 Health agreed with this recommendation and committed to preparing a high level principles document based on its *Compliance Monitoring and Assessment Framework* and distributing it to the states.⁸

Improve data on emergency and inpatient waiting times

2.10 Secondly, the ANAO recommended 'that Health work with the States and Territories to improve the consistency and accuracy of their data on emergency department and inpatient waiting times, and regularly analyse the quarterly performance data provided by the States and Territories to assist in confirming their adherence to the AHCAs' principles'.⁹

2.11 Health also agreed with this recommendation. It noted that it had now established consistent processes for calculating waiting times for elective surgery and emergency departments. However, Health also noted that the different ways in which states manage their waiting lists can affect how patient status may be counted and recorded. Health committed to continuing to work with the states to improve data collection.¹⁰

Role of external auditors

2.12 The ANAO's final recommendation:

...that Health:

- clarify with the States and Territories the level and nature of assurance it requires from independent audits of State and Territory recurrent expenditure on public hospital services; and

7 ANAO, Audit Report, p 35, para 2.18.

8 ANAO, Audit Report, p 35, para 2.19.

9 ANAO, Audit Report, p 40.

10 ANAO, Audit Report, p 40.

- review future auditors' statements on State and Territory recurrent expenditure on public hospital services to identify the impact of any limitations or adverse findings on its assessment of compliance with the AHCA's.¹¹

2.13 Health agreed too with the third recommendation. It advised that the Commonwealth and states now have guidelines for reporting financial information. The assurances given by external auditors will have to meet consistent standards and Health 'will review future auditors' statements and fully investigate any limitations or adverse findings raised by verifiers.'¹²

11 ANAO, Audit Report, p 57.

12 ANAO, Audit Report, p 57.