

Probity controls in public hospitals

Procurement of non-clinical goods and services

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Session outline

- The role of the Ombudsman
- Investigation background
- Investigation focus
- Investigation themes
- Conclusions
- Case studies
- Recommendations
- Next steps
- Questions

Who is the Ombudsman?

- George Brouwer
- Reports directly to Parliament
- Independent, impartial, and free
- Enquire and investigate into individual complaints
- Promote good public administration
- Effect cultural change
- 8,541 complaints received in jurisdiction
- 90% of cases resolved within 30 days
- 5 public reports last year



Ombudsman Victoria's Jurisdiction

Yes

- ✓ State Government agencies (400+)
- ✓ Statutory authorities
- ✓ Local councils (79)
- ✓ Community service organisations
- ✓ Universities/TAFEs

No

- ✗ Courts and tribunals
- ✗ Elected officials
- ✗ (MP's, Mayors or Councillors)

Ombudsman's Powers

Under Section 14 of *The Ombudsman Act 1973*, the Ombudsman may:

- Investigation – own motion
- Obtain information
- Summon witnesses
- Interview under oath
- Enter premises and inspect documents and records
- Take action to prevent obstruction of the investigation
- Make recommendations
- Report to Parliament

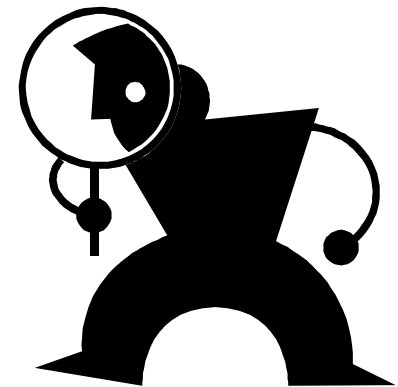
Why public hospitals and non-clinical goods and services?

- Whistleblower investigation – public hospital
- Probity risks in non-clinical – own motion investigation



Investigation focus

- Examined three public hospitals – metro and rural
- Non-clinical goods and services below public tender threshold
- Test against regulatory framework



Investigation themes

- Value for money
- Accountability and transparency
- Impartiality
- Conflicts of interest

Conflicts of Interest

...a situation where a conflict arises between one's public duty and their private interest. This refers to circumstances where a public official could be influenced, or could be reasonably perceived to be influenced, by a private interest when performing an official function.

Non-clinical areas examined

- Supply
- Building and engineering
- Food and catering
- Cleaning
- Fleet management
- Information technology

Investigation conclusions – Value for money

- Favouritism to suppliers and contractors without public tender
- Failure to check contractor work
- Failure to check contractor skills and qualifications
- Failure to obtain the best price for supplies and equipment
- Failure to pay invoices on time
- Failure to monitor supplier performance



Case study 1 – Selection and management of contractors

- Mr T Electrical contractor – high volume/low cost jobs
- No contract
- No selection process
- No monitoring – ‘fly under the radar’
- Over \$820K in eight years
- 95% of electrical maintenance



Investigation conclusions – Accountability and transparency

- Inappropriate financial delegations
- Non-compliant tax invoices
- Selection of contractors based on past work associations
- Inadequate security controls over supplies and equipment
- Deficient operational reporting structures

Case study 2 – Inadequate security controls

- Contractors – unfettered access to supplies
- Several sets of keys
- Poor recordkeeping
- No stocktakes
- Poor controls over the disposal of assets



Investigation conclusions – Impartiality

- Inadequate understanding of gifts and benefits policies
- Incomplete gifts/benefits registers
- Inappropriate gift/benefits threshold

Investigation conclusions – Conflicts of interest

- Inadequate understanding of conflicts of interest policies
- Failure to make conflict of interest declaration
- Failure to maintain a conflict of interest register

Case study 3 – Undeclared conflict of interest

- Mr S failed to declare conflict of interest in maintenance tender
- Business association with winning tenderer
- Maintenance contract \$830K
- Other engineering staff aware of conflict
- Staff received gifts/benefits - undeclared



Its not all bad news...

- Excellent system for checking contractor works
- Good code of ethics for tenders
- Contract management system
- Supply departments – high probity awareness

Recommendations

- Establish a formal process for the selection of contractors
- Establish formal agreements with contractors
- Revise local purchasing arrangements
- Monitor contractor expenditure
- Implement controls over the use of supplies
- Review conflicts of interest and gifts/benefits policies and provide training

Next steps

- DHS agreed to implement the Ombudsman's recommendations
- The Ombudsman referred his conclusions to the Victorian Auditor General to consider a sector wide review
- Several hospitals have already implemented the Ombudsman's recommendations
- The Ombudsman monitors the implementation of his recommendations



Questions?