

MEDIA STATEMENT



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AUDITOR GENERAL FINDS SOME IMPROVEMENTS IN HEALTH DEPARTMENT'S PURCHASING OF SERVICES BUT MORE ARE NEEDED

The Department of Health (DoH) is a major purchaser of services from non-government and not-for-profit organisations spending over \$526 million in 2006-07 alone. In spending this money they must comply with the Government's 2002 policy on Funding and Purchasing Community Services which aims at promoting flexibility and innovation to better meet community needs whilst still maintaining appropriate levels of transparency, accountability and value for money.

The Auditor General Mr Colin Murphy today released the results of his examination into how well DoH is contracting and managing its arrangements with not-for-profit organisations and whether it is complying with the general requirements of the 2002 government policy.

In his report tabled in parliament today Mr Murphy found that whilst DoH had made a number of important improvements since his last audit in 2003 they still needed to go further given that:

- whilst 75 per cent of funding arrangements examined were historical funding arrangements and renewed following a prior agreement, eighty-six per cent of these renewals occurred without an evaluation of the provider against pre-determined preferred service provider criteria
- contract managers are not supported in their day-to-day functions by DoH's current electronic contract management system resulting in inconsistent and inefficient practices
- there was a consistent lack of evidence of due diligence assessments being undertaken prior to entering into agreements
- procedures are in place to manage large, complex and high risk funding arrangements but no definition of which funding arrangements fall into these categories exists
- 24 per cent of financial and service acquittal reports were not lodged by providers or were lodged more than two months late
- only 17 per cent of files examined contained structured performance reviews at the completion of the agreement.

As a result of this examination Mr Murphy has made a number of recommendations to DoH which it has agreed to implement.

ENDS