PUBLIC ACCOUNTS COMMITTEE

Inquiry into Hospital Trust Accounts - Tabling of Papers

MR J.B. D'ORAZIO (Ballajura) [9.20 am]: I present for tabling the fifth report of the Public Accounts Committee entitled "Inquiry into Hospital Trust Accounts". I also present for tabling submissions to the committee relating to the inquiry. It will take a little while, as there is a heap of papers.

[See papers Nos 1884 to 1894.]

Mr J.B. D'ORAZIO: It is with great pleasure that I table in the Legislative Assembly the report of the Public Accounts Committee inquiry into hospital trust accounts. The inquiry has taken more than two years to complete due to the enormous range of issues that the committee had to examine and several concurrent investigations. The committee waited for those to be finalised before releasing its report. During the course of the inquiry, which, as I said, took two years, the committee received evidence from 43 witnesses, conducted numerous closed and in camera hearings, conducted a number of briefings and received an enormous amount of documentary evidence.

The issue of hospital trust accounts has received considerable public and media scrutiny over the past two years. It also received a lot of scrutiny before that. The allegations of fraud and misappropriation of public funds surrounding hospital trust accounts were of serious concern to the committee, as the people of Western Australia have a legitimate expectation that the public health system be managed with integrity and credibility. The committee acknowledges that it has been difficult for doctors and administrators working within the state public hospital system to endure several high-level investigations into these issues. Doctors have felt that they were the subject of gratuitous doctor bashing and witch-hunts. The committee puts on the record that that was not its intention. We also put on the record our recognition of the fact that doctors work very hard within our public health system and provide a great level of health care to our community. In undertaking the inquiry the committee sought to investigate the matter once and for all, to resolve any systemic problems and to enable everyone to move on. I hope that in tabling this report today, that will be possible. It is important that this report bring closure to this issue so that we can all move on.

The committee is satisfied that the real cause of the problems that occurred was the grossly inadequate policy framework and control process in the administration and management of hospital accounts, together with an appalling lack of documentation to support payments, work arrangements and patient records. These problems appear to have been entrenched by customer practice within the public hospital system over many years. The fundamental deficiencies of the system created the potential for the misuse of funds, leaving hospitals and staff open to attack and criticism. That is unfortunate. However, our inquiry has been the catalyst for some change. The committee found that the Department of Health has implemented a number of changes. However, the committee is of the opinion that change is progressing a bit slowly. We would prefer some of those changes to be implemented more quickly.

The findings of the Public Accounts Committee can be broken up into 10 different sections. The committee report made 51 findings and 25 recommendations. It is my intention today to talk about some of the findings. As I said, these findings can be broken up into 10 reasonable categories. The first four findings relate to the definition of trust accounts and the inappropriate use of that term in relation to the accounts that were being considered. Most people confused the two issues of trust accounts and special purpose accounts. The committee found that most hospital accounts that had been generically termed trust accounts were not true trust accounts; they were actually special purpose accounts. The misleading terminology of trust accounts has added significantly to the speculation and confusion about the entire issue of hospital accounts. Hospital accounts that hold moneys belonging to third parties constitute trust accounts. Accounts that hold moneys belonging to the hospital, albeit for a specific purpose, constitute special purpose accounts; that is, they are cost centres for special projects or purposes within the hospital's general ledger account. The majority of the accounts that we dealt with were special purpose accounts. Special purpose accounts were generally treated incorrectly by hospitals as non-operational funds and recorded separately from operational funds in hospital accounting systems to keep the moneys apart. Again, the committee thinks that this is inappropriate. The provisions in the Financial Administration and Audit Act 1985 were incorrectly used as the basis for establishing many of these special purpose accounts, as the relevant sections of the FAAA apply only to private moneys.

The committee proceeded, after making those findings, to try to make some recommendations that will hopefully make sure that the problem of differentiating these accounts is clearly understood. The committee believes that the Department of Health should have a clear policy on the identification and classification of special purpose funds and most trust funds, and ensure that policies are implemented in a consistent manner by each of the teaching hospitals in Western Australia as soon as possible. The committee also believes that there is a need for

accurate and consistent terminology. Special purpose accounts should cease to be referred to as trust accounts by the Department of Health and public hospitals. Only those that constitute true, legal trust accounts should be referred to as trust accounts and accounted for appropriately. There should also be full public disclosure of the nature and detail of all trust accounts operated by public hospitals. These should be included in the annual reports of the hospitals. Finally, the auditor should record, as part of the annual audit of the metropolitan teaching hospitals, an examination of whether these funds have been adequately identified and classified as being either special purpose funds or true trust accounts.

The next group of findings refers to the practice of public patients being treated as private patients in the hospital system, therefore involving the bulk-billing of Medicare. In this case, the committee found that throughout the 1990s a number of public patients who presented at public teaching hospitals were treated as private patients, with the relevant treating doctor billing Medicare and receiving rebates from the Health Insurance Commission, which were made payable directly to the doctor. Due to the lack of proper documentation maintained by the hospitals, it is difficult to gauge the extent of this practice. Furthermore, it was not possible for the committee to conclude whether this practice was ultimately for the benefit of hospitals or individual doctors. There is clear evidence that hospital administrators encouraged doctors to bulk-bill Medicare as a way of raising additional revenue for the hospitals. However, this does not preclude the possibility that some doctors inappropriately derived personal benefit through the expenditure of these funds. The Director General of the Department of Health offered on behalf of Western Australian taxpayers to indemnify individual doctors named in the Health Insurance Commission report for the inappropriate billing of Medicare, which is tantamount to an admission of liability. It was premature for the director general to indemnify individual doctors without first investigating whether doctors gained a personal benefit from the funds obtained through bulk-billing Medicare, and being satisfied that they did not, notwithstanding that this practice may have been encouraged by successive hospital administrators. It is possible that some doctors received an indirect personal gain through the practice of bulk-billing Medicare, as they deposited the Medicare rebates into special purpose accounts that they controlled as a donation, thus claiming a tax deduction. It is arguable that they subsequently benefited by using those funds for overseas travel expenses, which may also attract liability for the individual doctors and a fringe benefits tax liability for the State.

The committee has made three recommendations to address that problem. The recommendations include, firstly, that a report should be prepared by the Department of Treasury and Finance on the fringe benefits tax liability of the State on the operation of the special purpose accounts, so that the Government can at least get a handle on the tax liability to the State. Secondly, a report should also be prepared by the Department of Treasury and Finance on the taxation implications of the arrangement with the special purpose accounts whereby Medicare funds were "donated" to the special purpose accounts and then used for the direct or indirect benefit of individual clinicians. Finally, the hospital should continue to consolidate and rationalise special purpose accounts.

The next set of findings - findings 9 and 10 - refer to the Megazone proposal at Princess Margaret Hospital for Children and the inappropriate use of money left to the hospital by Mr Whiteman's estate as a donation of $2.25 million. Some of those funds - $300 000 - were actually used for the Megazone project at Princess Margaret Hospital. The committee found that it was inappropriate for the Whiteman estate funds to be utilised for the Megazone project at Princess Margaret Hospital for Children because Mr Whiteman specified a condition in his will that the funds be applied for the research and treatment of cancer in children. As Mr Whiteman gifted the money to Princess Margaret Hospital for Children, it was inappropriate for the hospital to transfer the $2.2 million in funds to the Princess Margaret Hospital for Children Foundation, a separate legal entity outside the control of the hospital.

Findings 11 and 12 refer to the body parts issue. It was brought to the attention of the committee that through the late 1980s and early 1990s body parts were removed at autopsies at two of the teaching hospitals. It was said that mortuary attendants at those hospitals were paid from trust accounts to remove spinal cords that were subsequently used for research. This was done without the prior consent of the deceased or the approval or knowledge of the deceased's relatives. The committee was extremely disturbed by the evidence but it is satisfied that this practice no longer occurs and that hospitals now adhere to a vigorous consent process. Although there is clear evidence that body parts such as spinal cords were removed during hospital autopsies in some metropolitan teaching hospitals and that mortuary attendants were paid small sums of cash to remove them, there is no evidence that the funds came from hospital special purpose accounts or trust funds. Rather, specialists who received federal research grants deposited them into the university general purpose account for research and it was from these accounts that the payments to the mortuary attendants came. However, it is a practice that the committee is glad no longer occurs.

Findings 13 to 20 and 25 refer to the direct administration and control of the special purpose accounts, which goes to the nub of our inquiry. Most of the problems with the hospital trust special purpose accounts relate to a fundamental control weakness in their administration and management. These problems were endemic and

systematic over a number of years at the metropolitan teaching hospitals. In addition, there was a complete lack of proper documentation of patient records and doctors' employment arrangements with the hospital revenue and expenditure from the accounts. The committee considers that some of the expenditure of the special purpose accounts verges on misuse and personal gain, particularly in the areas of travel and entertainment. It is arguable whether attendance by doctors at overseas conferences and entertaining visiting specialists at expensive restaurants constitutes a misuse of hospital funds.

In the case of the separate bank accounts registered to the home address of the clinicians holding moneys purportedly for the benefit of the hospital, the committee finds this to be a completely unacceptable practice. The lack of adequate controls over hospital trust accounts and special purpose accounts was so great that it was not possible to detect any misuse, even if it had occurred. The absence of the systemic controls facilitates abuse and makes it impossible to substantiate allegations of misuse. It also allows innuendo to develop that reflects adversely on the integrity of doctors generally, the majority of whom work very hard for the benefit of the public health system and for the administrators.

The fundamental cause of the problem with the special purpose accounts relates to a widespread culture that developed over a considerable period whereby doctors had a sense of ownership over trust funds. This is because they often raised the funds themselves through research grants and other activities, and, therefore, expected to have control over the administration, management and expenditure of those funds. Doctors had effective control over trust accounts and SPAs for many years even though they were not accountable for the funds. They were afforded too much discretion in relation to expenditure from these accounts and their dual status of trustee and potential beneficiary created a conflict of interest. The failure of hospital finance and administration to improve such lax control processes culminating in trustee doctors having unfettered latitude in the management of these accounts in determining the appropriateness of expenditure demonstrates major shortcomings in hospital and departmental management. In the absence of being cautioned or advised that more stringent procedures were to be followed, one can assume that the doctors thought they were acting appropriately. The Metropolitan Health Service Board and the Department of Health were ultimately responsible for allowing the poor practice to develop and to continue unchallenged for a number of years. Although the practice of doctors administering special purpose accounts was never really authorised by these accountable authorities, they indulged in the practice of the prevailing culture of ownership, which amounted to tacit authority. This demonstrates grossly inadequate supervision and accountability on their part and also demonstrates the absence of coherent policy, administrative framework and the fact that the government-structured processes in place for the public health sector were unclear and inappropriate. Since the committee made those findings, some improvements have been made by the hospitals. However, there remains a lack of coordination and consistency across hospitals, especially in the areas of monitoring, reporting and approval processes. Recommendations 12 to 17 address this issue and seek to improve that process and the accountability of the findings.

Findings 21 to 24 relate to the Auditor General's report. The committee wants to make it clear that it is not criticising the Auditor General's report on the trust accounts. Rather, some of the findings in relation to the Auditor General's report allowed more questions to remain unanswered. The committee believes that it would have been appropriate for the Auditor General to investigate some of these accounts, especially into the so-called unofficial bank accounts that the report identified but failed to further scrutinise. At some point in time they will need to be further scrutinised.

Findings 26 to 41 specifically relate to the audit conducted after the Health Insurance Commission report, which analysed what had happened to the moneys that were charged inappropriately to Medicare but used for the benefit of the hospital.

My time is now running very short. These are very important findings that list a number of issues in which the committee believed a wrongdoing had occurred, and include such things as payments -

Mr M.W. TRENORDEN: I would like to move an extension of time for the Chairman of the Public Accounts Committee. This is an important committee. I know it is a bit unusual to do this at this stage of the process but I would like to hear what the chairman has to say.

The SPEAKER: To achieve that, the standing orders must be suspended, which requires an absolute majority of members to be in the House at the time of moving for the suspension. Glancing around the House I can see we are somewhat short of that number at the moment.

Mr J.C. KOBELKE: Although I appreciate the sentiment and would like to concur with it, the member should have first consulted, because we need to get people into the House and we cannot ring the bells. It is likely that we will not have the numbers, unfortunately, because we did not organise this.

Mr M.F. BOARD: This is an important report and the Opposition would have supported the suspension of standing orders. I suggest that perhaps another member of the committee might be able to assist in terms of time and talk on the additional findings that the chairman wants to put on the record.

The SPEAKER: My understanding of the standing orders is that it is not possible. However, I am sure someone here will call a quorum.

[Quorum formed.]

Standing Orders Suspension

MR M.W. TRENORDEN (Avon - Leader of the National Party) [9.39 am]: I move without notice -

> That so much of standing orders be suspended as is necessary to enable the Chairman of the Public Accounts Committee to have a further 10 minutes to present the committee's report.

MR M.F. BOARD (Murdoch) [9.40 am]: The Opposition supports the suspension of standing orders, provided the chairman keeps his comments as brief as possible, but it is important that his comments go on the public record. This has been an important inquiry; it has taken a long time and has used a lot of parliamentary resources, and in this instance the committee chairman should be permitted to put his comments on the public record.

The SPEAKER: If I hear a dissentient voice when I put the question, I will need to divide the House.

Question put and passed with an absolute majority.

Inquiry into Hospital Trust Accounts - Tabling of Papers

Resumed from an earlier stage of the sitting.

MR J.B. D'ORAZIO (Ballajura) [9.42 am]: I thank the House for going to such lengths to allow me the opportunity of speaking for an extra 10 minutes.

As I was indicating, findings 26 to 41 relate to the audit that was conducted after the Health Insurance Commission inquiry in relation to Medicare being inappropriately charged for treatment of public patients at hospitals. The report contains some disturbing findings, including the fact that there was little documentation to verify the doctors' arrangements; more importantly, from the evidence presented or investigated it was very difficult to identify the profile of the patients. The committee believes that a number of payments were made inappropriately. Seventeen payments totalling $30 000 for secretarial services were made from a special purpose account to the wife of a doctor who controlled the account. The payments were not appropriate, as the appointment of the doctor's wife represented a potential conflict of interest; it was not clear who authorised the engagement of the doctor's wife and there was no evidence to establish whether the appointment was based on an open and competitive process; the basis of the payment for 18 hours a week at $16 an hour was not known; but, more importantly, some of the payments for secretarial services were paid in advance. One wonders why doctors would be paying for secretarial services when they were employed as salaried doctors at the hospital.

Finally, the committee was unhappy about the amount of accounts and the transparency of the process involved. One of the recommendations was that because the committee did not have access to the HIC records, the patient records, timesheets, rosters and doctors' arrangements at the hospital, it was impossible to find out whether untoward activity was occurring. Subsequently, some of these matters were referred to the Anti-Corruption Commission, but the ACC chose not to investigate them because it believed it did not have the jurisdiction. The committee recommends that these matters be referred to both the federal and state police with the idea of them working together to ascertain whether there has been any wrongdoing, because on the surface it appears there has been. However, the committee is unable to -

Mr M.W. Trenorden interjected.

Mr J.B. D'ORAZIO: The committee recommends that these matters be referred to the federal and state police. As I indicated, only one specific doctor has been referred with a number of matters. Other activity seemed untoward, but the committee was of the view that at some point it needed to draw a line in the sand and say that what has happened has happened and it should move on. The committee wants to make sure that that actually occurs, because these accounts have been gone over enough by various parties, including this committee. However, the processes that are employed by the hospitals to monitor these accounts need to be improved. There is an absolute requirement on the hospitals to make sure that all transactions relating to the treatment of private patients in public hospitals are done at arm's length so that the employment arrangements and also the cost of treatment of the patients is visible and transparent to all. Situations will not then arise in which there is innuendo about the various people involved, especially doctors and health administrators.

As I said, this section resulted from the review of the HIC report. There is still some disagreement about the total amount of money that HIC believes was inappropriately paid to the doctors. This was the money that was indemnified by the Director General of Health. That issue is ongoing. The Department of Health is arguing with HIC about the extent of the moneys owed. However, it is the committee's contention that the processes adopted from this point on should be absolutely transparent and clear so that everyone, including the doctors, HIC, the Parliament and anyone else, knows that the correct processes are in place. That will protect the credibility and integrity of the doctors involved in this process, who I believe are trying to do the right thing; it will protect the integrity of the health system; and, more importantly, it will give a guarantee to the community that it is getting value for its dollar and that the money that is allocated to health is being spent in a proper manner.

Findings 45, 46, 47 and 48 surround the appointment and operations of Michael Moodie. As members would be aware, Michael Moodie was the Chief Executive Officer at Princess Margaret Hospital for Children and King Edward Memorial Hospital for Women and was stood aside following enormous controversy about his operations as CEO at those hospitals. This was a major issue prior to the previous election, and a campaign was obviously being run by a number of clinicians at Princess Margaret Hospital for Children to have him removed. I want to read these findings into *Hansard*, because the effect of what happened to Michael Moodie and his family cannot be understated. The findings state -

> **Finding 45**
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> Mr Moodie's attempts to address the problems with hospital trust accounts, Special Purpose Accounts and other problems at King Edward Memorial Hospital/Princess Margaret Hospital were both legitimate and necessary. However, his actions were opposed by some clinicians and administrators, and were not supported by the Metropolitan Health Services Board.
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> **Finding 46**
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> Mr Moodie's concerns and decision to initiate investigations into a number of serious allegations that had been brought to his attention, especially those relating to the bulk-billing of Medicare by doctors, were both legitimate and an entirely appropriate response by a hospital Chief Executive Officer.
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> Furthermore, the Health Insurance Commission's findings that the long-standing bulk-billing practices at Princess Margaret Hospital were inappropriate vindicate Mr Moodie's actions.
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> **Finding 47**
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> The performance of the Metropolitan Health Service Board was inadequate for all parties concerned, especially Michael Moodie, who can feel justifiably aggrieved by his treatment from the MHSB.
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> Mr Moodie fulfilled his role as Chief Executive Officer of King Edward Memorial Hospital / Princess Margaret Hospital in the manner he saw fit, and at not time was advised to alter his style, which had been subject to so much speculation. According to Mr Moodie, the MHSB provided little reason for him to believe it was dissatisfied with his performance and, in fact, reassured him that he was doing a good job despite the campaign undertaken by the Clinical Staff Association.
>
> **Finding 48**
>
> Michael Moodie's removal as Chief Executive Officer of King Edward Memorial Hospital / Princess Margaret Hospital was not justified and was handled poorly.

Mr Moodie has been totally vindicated by the outcome of the report into the King Edward Memorial Hospital and the committee report being presented today concerning the trust accounts.

Findings 42, 43, 44 and 49 to 52 are general findings about the poor accountability and lack of control and adequate processes in the department for the operation of special purpose trust accounts. The committee has made some recommendations that hopefully will cover trust issues. The committee would love to make sure that the department understands these recommendations and will implement them forthwith. The danger is that after the focus goes off these trust accounts, the processes that caused the problems may not be addressed. When the inquiry was first called there was a flurry of activity, a lot of processes were resolved and also an indication that there was no need for the number of trust accounts or special purpose accounts that existed at the hospitals. Interestingly, there was a reduction in the number of accounts. The concern for the committee was that in the ensuing period from 2001 to November 2003, the number of special purpose accounts rose again, which is very unusual. I know the argument is that a lot of these special purpose accounts have been added because of the smaller hospitals. The committee is not in a position to dictate how many special purpose accounts are required. There may be justification for 1 100 special purpose accounts; however, that number is similar to the number of accounts that were in place when this inquiry was established, and that in itself may be a worry. If the accounts

are specially controlled and there is transparency and administrative control, they may be okay. However, I think it is a warning sign that we need to be very vigilant to ensure that the guidelines are adhered to.

I will highlight the three recommendations that the committee would like to apply to these accounts. First, the Department of Health should develop guidelines for fundraising activities in accordance with legislative requirements and ensure that the guidelines are implemented and adhered to fully by all public hospitals. Secondly, the Department of Health should ensure that hospitals comply with state legislation and government policies and guidelines relevant to special purpose accounts, and compliance should be tested as part of the hospitals' annual reporting and auditing requirements. Thirdly, the Commissioner of Health should fulfil his accountability function by ensuring that there is a satisfactory level of coordination across the hospitals and that policy and administrative frameworks are implemented consistently.

In presenting this report, I thank a number of people because it has taken two years to bring down this report. It has been an enormous strain on the committee as well as on the staff. I say thank you to our chief research officer, Andrea McCallum, who has done a fantastic job in supporting the committee. I recognise Simon Kennedy, who has also supported the committee in that process. I also put on record our thanks to Stefanie Dobro, who was the previous principal research officer for the Public Accounts Committee. She was part of the process that initiated this inquiry. Jovita Hogan was also part of that process. Alf Opie, who unfortunately has passed away, was also a staff member of the committee and I put on the record my thanks to him. I also thank the Auditor General for allowing us to use his staff, in particular Mr Allan Pereira and Aloha Morrissey, who did a lot of work, especially on the audit of the Health Insurance Commission report. I thank them sincerely for their support. I thank all the people who cooperated with the committee, from the Department of Health to the doctors and others who made submissions to the committee. Finally, I thank my committee: my deputy, Monty House, the member for Stirling, who has done a fine job; Mr John Bradshaw, the member for Murray-Wellington; Mr Tony Dean, the member for Bunbury; Mr Martin Whitely, the member for Roleystone, who was a member of the committee until 30 October; and our newest member, Ms Jaye Radisich, the member for Swan Hills.

All the findings and recommendations that have been presented to the Parliament today are unanimous recommendations of the committee. It is very important for this issue that the Liberal Party, National Party and the Labor Party can come together and say the same thing in a report presented to Parliament. That should send a clear message to all involved in this process that transparency and ensuring that the operation of trust accounts in the health system is open and accountable are very important. I thank all the members of my committee for a sterling job. As I said, it has taken two years to bring down this report. It has been a long, arduous process, but, hopefully, the findings and recommendations will draw a line in the sand today, allow this issue to be put to bed once and for all, allow the health system to prosper and, more importantly, provide the best level of health service to the community without the innuendo that has existed in the past.

MR M.G. HOUSE (Stirling) [9.53 am]: I will make a brief contribution to this debate and I will not go over the findings in detail as the chairman has quite adequately done so. However, I think it is necessary to make a few general comments. When we embarked on this inquiry, I do not think any of us understood or knew the time, energy and effort that would be needed to complete the inquiry. More importantly, we were totally unaware of the depth of the problems in the system we looked at. When we embarked on this inquiry, I believed it would be fairly short; I did not think it would take a long time. I did not expect to find the problems that we eventually uncovered.

The findings of this committee are very important. They are, as the chairman has said, supported by all members of the committee. There was very little dissension over the findings. I think I said about this time last year when we tabled a report that I hoped that the appropriate authorities and the minister would follow them up with some vigour and do something substantive to implement the recommendations of the Public Accounts Committee. That statement could not be truer for this particular report. This is an opportunity to change the system and the way it works for the better and for the benefit of the people we represent. The inquiry served a very good purpose, but it will not serve much purpose at all if the recommendations are not implemented.

I am horrified at the way in which the Department of Health has operated. I acknowledge everybody's responsibility in that, but it reminds me of an octopus that has no idea what its arms are doing. It is a large department with a huge budget of $3.2 billion. From the evidence the committee received, at many times it seems to be almost dysfunctional. One arm does not seem to know what the other arm is doing; hence, doctors, nurses, inpatients, outpatients, specialists and general practitioners operate with total disregard for what the others are doing. As a consequence of that, we end up with a system that does not function as well as it should. I know it is a huge task to run the Department of Health but it must be run better than it has been run. The state budget for health has increased by about 30 per cent over the past four or five years. Both the previous coalition Government and the current Labor Government have increased the budget of the Department of Health, but I do

not see and cannot identify the appropriate reforms or the necessary increases in the level of service that reflect that budget increase.

Mr R.N. Sweetman interjected.

Mr M.G. HOUSE: Yes, there were huge increases. I thought that something would have happened to improve the efficiency of service for the people of Western Australia. I am sorry to say that that does not appear to be the case. I suspect that we have only scratched the surface of a few issues; for example, the trust account issue. We have managed to identify some problems with that issue. However, the whole operation of teaching hospitals and the general administration seems to be lacking. It appears to be an area in which we have not been able to identify good and competent people who have been prepared to bite the bullet and take on the system. The exception to that is Michael Moodie. Despite the fact that he has received a pretty rough deal, at least he put up his hand and was prepared to have a go. However, in the end the system beat him, because everybody turned on him.

There are recommendations in the report that will certainly resolve some of the issues that we were asked to identify. However, I am sure that every committee member will say that, peripheral to our terms of reference, they were horrified by other evidence given to the committee about the way the department works. I will give members one example of that without enlarging on it. The hours that some specialists work are just amazing. They earn terrific incomes but some of them are working extremely long hours. I can see the member for Collie looking at me. In a workplace that he would be familiar with, there is a limit on the number of hours that people can work on heavy machinery because people get tired and, therefore, cannot perform their functions properly and are prone to accidents. As a practical farmer, I know that happens when I work on machinery for long hours. Yet people with scalpels in their hands are working extremely long hours and doing multiple operations. I stress that that was not part of our inquiry or terms of reference, but the evidence that was given to the committee indicates that that is just one example of why we must take a much closer look at the health system in Western Australia. This Parliament has an Education and Health Standing Committee, and a lot more work needs to be done. As health is funded by a dual system combining federal and state money, perhaps a Senate inquiry supported by the State might be worth considering; then perhaps we could get to the bottom of these issues. The issues in health will not go away. The Government can be changed, or it can make all the promises and give all the undertakings it likes, but until a better administrative and cooperative system is devised, the health system simply will not function as well as it should.

This has been a great committee to work with. We have had our disagreements, but I found working on the committee to be challenging and invigorating. Much of that was due to the leadership of the chairman, the member for Ballajura. He has put in the time, energy and effort needed. Sometimes he has not got there quite on time for the start of the meetings. We had a bit of a problem disciplining him about what nine o'clock meant! I say that in jest, but I compliment him, and all the staff, who have worked very hard; not only the key staff, but also others involved in the typing and preparation of the report, and the Hansard staff. Without them, this report would not have been ready to be tabled today. I recommend that members intending to make speeches in this Parliament about the health system read this report before they do.

MR A.J. DEAN (Bunbury) [10.02 am]: The trouble with being third or fourth to comment on a report is that one tends to go over things that have already been said. This report has been more than two years in the making. At the outset, I thank the research officers, Simon Kennedy and Andrea McCallum, for the good work they have done, particularly Andrea. This is a very readable report with some fairly hard-hitting findings and recommendations. The Auditor General identified $27.9 million of income in the so-called trust accounts, or special purpose accounts, in 2002, so it is not about small bikkies. Over 1 000 SPAs and trust accounts still exist. We believe and hope that some of the changes that have occurred since our investigation commenced have pulled the management of those SPAs and trust accounts into line. At the moment that is a matter of faith rather than an assertion with a foundation in fact.

The situation with the trust accounts arose out of the culture and practice of the doctors at the hospitals. In the dark, distant past, these SPAs probably did have a legitimate place in the functioning of the hospital. However, during the past 20 years or so, the function and form of some of the SPAs became fuzzy, and the personal gain of some of the doctors holding the accounts is quite breathtaking. As the chairman has said, some of these findings will be referred to the Australian Federal Police for further investigation.

Every inquiry must have a starting point. The starting point for this inquiry is some time in 1999-2000, when Michael Moodie instigated three internal audit actions of SPA accounts at Princess Margaret Hospital for Children and King Edward Memorial Hospital. We were given some evidence that those audits were ignored and, to a certain extent, laundered in a way that brought about a different conclusion. Any investigation requires a hero, and the hero in this report is Michael Moodie. The chairman has read out findings 45 to 48 about

Michael Moodie. Without Mr Moodie, and without the incompetence of the Metropolitan Health Service Board as it existed then, this report would not exist. If the board had been competent and followed the rabbits down the hole as it should have, on Mr Moodie's instigation, this report would not have been necessary because the board would have done its job. The board did not do its job, and the committee is here today to state that. Finding 47 was that the performance of the Metropolitan Health Service Board was inadequate for all parties concerned. It was inadequate because it made the board look stupid. Because the board looked stupid, it chose a scapegoat, Michael Moodie. Mr Moodie was not a whistleblower in the strict sense of the term; he was just doing his job as any good bureaucrat should. My thanks go to him, because without him this report would not exist. I will read finding 48, about Michael Moodie, into the record. It states -

> Michael Moodie's removal as Chief Executive Officer of King Edward Memorial Hospital / Princess Margaret Hospital was not justified and was handled poorly.

That is no recompense for all the hurt he has sustained over the past three or four years. Obviously, it has affected his career. What has been done, has been done, and it is a long way back for Michael Moodie. With those short utterances, which have taken two and a half years to reach the House, I commend the report to House.

MR J.L. BRADSHAW (Murray-Wellington) [10.07 am]: I begin by thanking the principal research officer Ms Andrea McCallum, and research officers Mr Simon Kennedy and the late Mr Alf Opie. The work done by the committee and the research officers has resulted in one of the best reports I have been involved with.

The hospital trust account inquiry was an eye-opener. It was frightening to see what has happened in Western Australia, and possibly in the rest of Australia. Although we investigated only the situation in Western Australia, there is a good chance that these things are occurring in the eastern States. In Western Australia, the practices put in place by various doctors in these hospitals were disgraceful. They were called trust accounts, but they were certainly not set up under the normal legislative requirements for trust accounts. They really should have been called special purpose accounts. It appeared to us that in some cases the accounts were part of tax-avoidance schemes to stop income going into the doctors' private bank accounts. Instead, the income went into these trust accounts, or special purpose accounts, and when the doctors wanted to do something they just asked the hospital to pay the bills. It is very sad to see that the management structure of the health system in Western Australia is totally lacking. I have been critical of it for some time now. I made mention yesterday, during the debate on the absorption of the Water and Rivers Commission into the Department of Environment, that big is not beautiful. The Labor Government amalgamated the three sections of the Department of Health into one monolith in the 1980s. That was the beginning of the end for accountability in the health system. It is sad that we have gone down this path of lack of management in the health system. Many costs are blowing out in the health area because of this bad management.

One of the things I was quite concerned about was the offer by the Director General of Health to indemnify the individual doctors named in the Health Insurance Commission report into inappropriate billing of Medicare. I have still not been able to find out why the Department of Health took that route when the bills were matters between the doctors and the Health Insurance Commission. They were nothing to do with the Department of Health. However, the director general took it on board and decided to indemnify those doctors. I find that intriguing. It seemed to be in the wrong direction without proper investigation. The committee could not find out whether it was appropriate or inappropriate, because there was supposedly a lack of paperwork. We seconded a person from the Office of the Auditor General to investigate these matters for us. Because of the lack of paperwork, that person was unable to find out exactly what was going on, and whether appropriate payments were made by the Health Insurance Commission to those doctors or whether the doctors were being paid by the hospital as salaried medicos and were or were not claiming on the Health Insurance Commission. That was very poor.

I certainly hope that the powers that be take on board the committee's recommendations and follow them through to make sure that this inappropriate action does not continue, because what went on was very wrong. The findings of the committee show that the lack of direction and accountability are symptomatic of the lack of management of the whole health system in Western Australia. The health system in WA is sick and needs to be put in intensive care. From what I have seen in my local hospital, the administration side has blossomed like crazy, but the services have diminished. In that situation, there need to be radical changes in the health system to get it back on its feet to make sure that people are looked after, whether it be with physiotherapy, speech therapy or whatever. Under the current system, administration blossoms and services diminish, but the health costs keep rising dramatically, as is evidenced by the great rise in health costs in the past few years in Western Australia and Australia.

I support the recommendations. I just hope that they are put in place and that the Department of Health has a good look at itself. In fact, the minister should be the one who gets in and does a bit of radical surgery on the Department of Health to make sure that we get value for dollars.

MR M.P. WHITELY (Roleystone) [10.11 am] - by leave: I was a member of the committee until 30 October. The reason I left the committee was to allow another member to come on to the committee to join an inquiry that was just commencing, so that that member would not miss out on any of the early deliberations on that inquiry. However, I have remained involved in the process informally. This has been one of the most rewarding exercises of my time in Parliament. I would like to join the members of the committee in thanking the staff, Andrea McCallum, Simon Kennedy and the late Alf Opie, for their contributions.

This is a very gutsy report. It does not pull any punches. The report enjoys the unanimous support of all members of the committee across the three parties. However, I believe it is important to put on the record what the report is about. An inquiry into hospital trust accounts was undertaken. Although members of the committee have discussed other aspects of the health system, it is quite a specific report. Its genesis was the issues that led to the sideways movement of Michael Moodie and the unfair treatment he received.

To me, the key findings of the report are findings 16 to 20; in particular, finding 16, which states -

> The lack of adequate controls over hospital trust and Special Purpose Accounts was so great that it was not possible to detect any misuse even if it had occurred. The absence of systematic control both facilitates abuse and makes it impossible to substantiate allegations of misuse.

In other words, the system of monitoring hospital trust accounts - in fact, they were not hospital trust accounts but were special purpose accounts - was so poor that even with the benefit of the Auditor General's previous report and our own investigations, we could not determine with absolute certainty whether fraud or misappropriation of funds had occurred; hence findings such as finding 7 contain this wording -

> It is arguable that they subsequently benefited . . .

All the way through this report reference is made to the potential for misappropriation and for abuse of funds, without actually saying that it occurred. Sometimes when reports are produced that do not make definitive statements such as, "We have absolute proof that misappropriation or fraud occurred", the media fob it off and say that there is no conclusive evidence that that occurred. I am a former accountant, and I know that the absence of system leads to an environment in which fraud, waste and misappropriation can flourish. It is the absence of system that disguises those matters and makes it impossible to prove that they occurred. As I said, I believe the key findings are findings 16 to 20, which refer to the fact that there was an absence of system, and that absence of system allowed an environment to develop in which those things could occur. Even if they did not occur, finding 16 states that "It also allows innuendo to develop." Therefore, even if it did not occur, and even if the only check that was in place, which was basically the integrity of the people running the system, was sufficient, the absence of adequate systems and adequate controls failed to protect those people who were potential beneficiaries of this lax system. To me, that is the key message in this report; that is, the system was totally inadequate.

Finding 18 alludes to the fact that a culture evolved whereby many of the doctors considered that these so-called trust accounts contained their money for them to control. They did not believe that they needed to go through normal financial controls. They believed that they had a legitimate right to control the system. In fairness to them, until Michael Moodie came along, that situation was given the tacit approval of the health service. Finding 20 states -

> Both the Metropolitan Health Services Board and the Department of Health were ultimately responsible for allowing poor practices to develop and continue unchallenged for a number of years. Although the practice of doctors administering Special Purpose Accounts was never expressly authorised by these accountable authorities, their indulgence of the practice and the prevailing culture of ownership amounted to tacit authority.

In other words, nobody told the doctors that they could not do this. Until Michael Moodie came onto the scene, nobody said that they were poor accounting practices and that the system did not ensure the appropriate expenditure of what ultimately was public money. The doctors sort of went along their merry way. Of course, Michael Moodie came on the scene later when these practices had been in place for a number of years. The member for Bunbury put it correctly. He was not a whistleblower so much; he was just an effective manager who was trying to do his job to ensure that the health service delivery was effective and that effective financial controls were put in place. He tried to address these issues in an appropriate manner. The committee received evidence about his managerial style. However, I believe that when a person comes across such a substantial lack of system - this may be my bias because I am an ex-accountant - that person is justified in getting uptight, angry

and motivated to address that concern. Unfortunately for Michael Moodie, he simply was not backed up in that process. He was treated very much as though he was an outsider. When he looked upwards to the Metropolitan Health Service Board, and, arguably, when he looked beyond the Metropolitan Health Service Board to his political masters at the time, he did not receive support. At long last he has been exonerated for his role in this issue and given support. As the member for Bunbury stated, his preparedness to do his job and not simply become part of the existing culture of lack of financial accountability led to his ultimate sideways shift. It has taken a number of years for him to have his position vindicated, but this report very much vindicates the actions that he took.

I also want to make some comments on findings 21 and 22, which were mildly critical of the role of the Auditor General in the report that he presented either late last year or early this year on hospital trust accounts. The Auditor General did a very thorough investigation and identified a lot of systematic flaws that were consistent with the sorts of things the Public Accounts Committee found. However, I was a little disappointed with the language that the Auditor General used in his report. The Auditor General took the approach that in the absence of an adequate financial control system, it is impossible to prove that fraud and misappropriation occurred; therefore, there is no evidence that it occurred. I take a different approach. I believe that the absence of an adequate financial control system allows an environment in which fraud and misappropriation can flourish, and that the very absence of such a system is as serious as actual and concrete evidence of fraud and misappropriation. It is only when there are adequate and proper financial controls that we can prove with certainty that those sorts of things have occurred.

It is also worth pointing out that the period of time that the Auditor General looked at was different from the period of time in which the issues surrounding Michael Moodie's sideways shift occurred. The Auditor General looked at a period in 2001, after we had come to government, and said that although there had been improvements in the system, there was a need for further improvements. The Public Accounts Committee looked at a period prior to our coming into government. That needs to be clearly understood. It was the lack of an adequate system of financial accountability and clear guidelines that led to the problems that are identified in the report.

MR J.H.D. DAY (Darling Range) [10.22 am] - by leave: I shall speak briefly, but this was an issue that very much concerned me when I was Minister for Health during 2000, and particularly in the second half of 2000. I draw the attention of members to a matter of public interest debate that occurred in October 2000, in which I outlined the circumstances that surrounded the investigation of the trust accounts issue that had taken place up until that time and also made comments and provided information on the position of Michael Moodie as the chief executive of Princess Margaret Hospital for Children and King Edward Memorial Hospital for Women at that time. I will not go through all the information that I provided at that time, but I ask members of this House, and members of the public, who are interested in this issue to refer back to that debate. I also draw the attention of members of this House, and the public, to the evidence that I gave to the Public Accounts Committee about two months ago. The transcript of that evidence is public and has been on the Internet, and I presume it is tabled as part of the report. In that evidence I also went through the circumstances surrounding the investigation of trust accounts and the position of Michael Moodie as I saw it and as occurred when I was Minister for Health.

I want to make some additional comments about finding 6, in which the committee draws the conclusion that it was premature for the Director General of Health to agree to indemnify individual doctors for liability for the funds that it has been argued they must repay to the Health Insurance Commission. That issue arises because of concerns about inappropriate or wrongful billing of the Health Insurance Commission, otherwise known as Medicare, by doctors who treated patients at Princess Margaret and King Edward hospitals. This is a very significant statement by the committee. It certainly occurred to me at the time that the Government was being premature in jumping in and indemnifying doctors in that way prior to the issue being investigated fully. Now that we have a report on that matter, the Health Insurance Commission, which is, of course, a federal government body, has, no doubt, gone through the issues meticulously and in great detail to try to get to the bottom of the concerns that have been raised. Therefore, on the one hand, the HIC was saying there are serious concerns; on the other hand, the Director General of Health was agreeing to indemnify the doctors. There is no suggestion, of course, that doctors who are doing the right thing should be given a hard time in any sense. However, doctors, and anyone else in the community, who are inappropriately billing the Health Insurance Commission or acting wrongfully should not be indemnified by the State if it can be shown clearly that they have been doing the wrong thing. It goes further than that. The current Minister for Health publicly supported the indemnity that was provided by the Department of Health. Therefore, it was an issue for not just the Director General of Health but also the Minister for Health.

We can draw a quite dramatic comparison between the action of the Government in indemnifying doctors who appear to have been wrongfully billing the Health Insurance Commission, and the treatment by this Government

of decent, community-based health organisations, particularly those involved in providing mental health services and other services in the community, in which a lot of volunteers work very hard, often on the smell of an oily rag. The Government is taking money from those organisations to try to deal with the major blow-out in the health budget that I know exists. That needs to be explained by the Government. It really is a scandal.

I have not had an opportunity to read the whole report at this stage, because not being a member of the committee I was not involved in its preparation. However, I notice that the report makes some comments that to some extent are critical of the Metropolitan Health Service Board in its investigation of the trust accounts issue and its support for Michael Moodie. It was certainly my experience that members of the Metropolitan Health Service Board, in particular the chairman, were supportive of Michael Moodie in his efforts to get to the bottom of the trust accounts issue. I was briefed by the chairman of the Metropolitan Health Service Board at the time, Hon Ian McCall, and the chief executive officer of the board, and also the Commissioner of Health, Alan Bansemer, around the middle of 2000, and there was a clear desire to get to the bottom of this issue. The concerns that were expressed to me initially were very disturbing. There were suggestions that criminality was involved and the like. There was also a concern that further questions needed to be asked and further investigation undertaken to find out the exact situation. That was always my desire as Minister for Health in the previous Government. It was also the desire of the former Premier, to the extent that he knew much about this trust account issue, because with all the other things that he had to consider he did not really have any detailed knowledge of that issue. It was certainly my experience that all those people in the previous Government, and the officers involved, had a strong desire to elucidate the facts surrounding all these trust account and billing issues and get to the bottom of them. The problem was actually finding out what was going on. The fact that the Public Accounts Committee, now three years later, has taken the amount of time that it has to get to the bottom of the issue is an indication of the complexity of the details involved. I compliment members of the Public Accounts Committee for their genuine desire to elucidate as many of the facts surrounding this issue as they can. One of the observations they have made, of course, is that some of the account keeping has been pretty poor. One could only wonder why that has been the case. I suspect that it has been convenient in some cases for account keeping to have been relatively poor. I compliment the members and the staff of the Public Accounts Committee for doing what they could to try to get to the bottom of this complex issue. There was always a very strong desire on my part as Minister for Health at the time, and on the part of the previous Government, to find out what was going on with these issues. If doctors or anybody else had been acting inappropriately, they would have had to account for their actions. If funds should have been made available to the public hospital system in a more general sense and were not being made available, we certainly would have wanted to know about that.

As the Chairman of the Public Accounts Committee has said, Michael Moodie's actions have been vindicated as a result of the investigation of the trust accounts issue. I certainly concur with that finding. A sustained campaign was run through the media to try to remove Michael Moodie from the position he occupied as chief executive of the two hospitals. That led to a crisis of confidence in the hospitals. As I said in my evidence to the committee, an impasse developed which somehow or other needed to be resolved. Michael Moodie put his interests behind the interests of the two hospitals when that very difficult situation developed. There was a sustained media campaign -

Mr N.R. Marlborough: It was a mistake. He put his interests behind those of the hospital.

Mr J.H.D. DAY: He was doing the right thing; there is no question about that. However, an impasse had developed which needed to be resolved in some way. He agreed on that with me. I acted effectively as a go-between for him and the Metropolitan Health Service Board to reach an amicable outcome for what was a difficult situation. Agreement was reached that he would move aside but, after that in-principle agreement, a lot more detailed discussion occurred and there were then difficulties in reaching agreement with the health service board; however, he moved across to the position of acting executive director of finance and infrastructure in the Department of Health.

My final comment is that Michael Moodie is still in an acting position in the health system. If this Government is serious about treating him properly, it will ensure that his position is confirmed.