

Summary of findings and recommendations

Main findings

1. Sponsor hospitality benefit provisions were found in 15 of the 58 leveraging plans considered. These plans involved seven organisations and afforded Healthway hospitality resources with an estimated market value of approximately \$220,000.
2. Healthway have a strategic business rationale for the acquisition of some hospitality resources. However, the volume and nature of what was obtained through sponsorship arrangements with the Perth Wildcats, Perth Glory, the Western Australian Cricket Association (WACA) and Mellen Events is considered excessive and inconsistent with the obligation to be scrupulous in the use of public resources under the accountability principle in the Public Sector Code of Ethics.
3. Governance arrangements surrounding the acquisition and use of hospitality resources in sponsorship arrangements were inadequate in the context of State Supply Commission guidelines on public sponsorship.
4. The investigation concluded that 43% of hospitality resources obtained (by volume) were used for a legitimate business purpose, 21% of these resources were used in a manner considered to represent a private benefit to Healthway officers, their families and friends and 36% of the hospitality resources could not be properly accounted for.
5. No evidence indicated that hospitality resources were sought from sponsored organisations in order to generate a private benefit. Rather, hospitality resources were included in the applications of some organisations applying for sponsorship and there was a failure by Healthway staff to recognise and treat hospitality resources as tangible assets and to negotiate extravagant or unnecessary hospitality resources out of the agreements against a reduced total sponsorship cost or for substituted resources or commitments more relevant to Healthway's business.
6. Insufficient controls were established around the sponsorship contracts to ensure that hospitality resources were used solely for a public purpose. In that environment, Healthway officers including the Chair, Deputy Chair, the Executive Director and some staff derived a private benefit in the form of tickets or seats for their family in corporate boxes.

7. The investigation concluded that a number of situational factors contributed to governance and oversight deficiencies in Healthway systems and practices. These included:
- A failure by Healthway to apply relevant State Supply Commission guidelines when a new sponsorship management model was introduced.
 - The belief of Healthway staff in key leadership roles that sponsor hospitality resources provided by sponsored organisations had no real monetary value and were not procured at the expense of other resources or programs.
 - Officers, predominantly with private sector backgrounds, gave insufficient consideration to the public sector context in which the Healthway sponsorship program operates.
 - An expectation that the high volume of hospitality resources could all be used to support business objectives and a lack of appreciation of the workload that would be required to ensure that this happened.
 - A lack of information sharing by executive with the Board about the corporate hospitality resources and between members of the Board about the use of corporate boxes by those members attending events.
 - That the Board, relevant committees and key staff did not scrutinise the hospitality provisions in contracts or ask relevant questions when attending, or being invited to attend, events hosted in Healthway corporate boxes.
 - Board overconfidence in the comprehensiveness of compliance controls at Healthway following six consecutive years of being a 'better practice agency' in the annual OAG audit.
 - The Board being distracted from its integrity and fiduciary oversight responsibilities by other tensions between some Board members and between some Board members and the Executive Director.

Detailed findings against the terms of reference

Appropriateness of sponsorship arrangements

8. The inclusion of a high number of general admission tickets, corporate boxes and hospitality resources was inconsistent with public sector management principles and State Supply Commission guidelines.
9. The Healthway Strategic Plan establishes a plausible business rationale for acquiring some hospitality resources. An informal strategy existed to apply VIP level hospitality to established goals but the approach was not endorsed at Board or committee level, nor was there any targeted or measured approach in the procurement and management of hospitality resources.

Adequacy of governance arrangements

10. There has been no effective internal regulation surrounding the acquisition or use of hospitality resources to ensure their use for a public purpose. Record keeping, board reporting and accounting practices did not provide sufficient transparency to enable scrutiny on the use of these resources or for evaluating the business return on the use of hospitality resources obtained through sponsorships.
11. The level of awareness about State Supply Commission guidelines on sponsorship in government and their applicability to Healthway was exceptionally low. Obligations, which are clearly outlined in the guidelines, were not effectively translated into relevant induction, internal policy, accounting or record keeping systems at Healthway.
12. The Board was not informed about the specific nature of hospitality arrangements in contracts. While some Board members attended events in Healthway corporate boxes, most Board members had limited or no opportunity to realise the nature and scale of hospitality resources available to Healthway under the sponsorship arrangements. A few board members received many more invitations than others. No Board members questioned the basis for the hospitality or challenged the probity of Healthway having access to such benefits.
13. Codes of conduct for both staff and the Board provide relevant guidance on corporate hospitality, gifts and gratuities but provisions around the acceptance of invitations and the involvement of family at Healthway sponsored events are vulnerable to misinterpretation.
14. The processes covering the assessment, approval and evaluation of sponsorship applications and contracts includes a number of key decision and approval points. This process does not provide the Board with details about what is included in the final contract or offer any check on whether there is an appropriate valuation or business case for hospitality resources stipulated in a sponsorship agreement.

Public and private benefits conferred

15. The investigation was satisfied that Healthway staff planned to make use of hospitality and ticket resources for legitimate business purposes. However, the volume of tickets and the level of VIP access provided in leveraging plans were more than could be managed with the available coordination resources. The use of hospitality resources solely for a business purpose was threatened by the perverse incentive and moral hazard associated with the potential private benefit for staff to access surplus tickets for personal use.
16. The view amongst staff managing tickets and access to corporate boxes was that it was appropriate to show support for a sponsored organisation by ensuring as many tickets were used as possible. The Executive Director also claimed that there are genuine benefits associated with attendance by Healthway officers to observe Healthway sponsored events, irrespective of whether or not they had official duties to perform. This led to considerable levels of use by Healthway officers and their family members. While approval arrangements existed for most staff, transparent approval mechanisms for such use by the Executive Director were not applied in all situations and controls on such use by Board members and their family did not exist.

Unintended consequences associated with conferring private benefits

17. The compliance and integrity issues associated with the use of hospitality benefits by all Healthway officers are described in relevant Healthway charters and codes of conduct. These have not been adequately considered or rigorously applied at Healthway.
18. Across the approximately 90 events that Healthway obtained tickets and VIP access to, there are isolated examples of the Executive Director potentially 'reserving' tickets or access to a corporate box and of Board members requesting and accepting tickets made available for private use by family members.
19. The provision of tickets and hospitality benefits to Healthway officers has Fringe Benefit Tax (FBT) implications that have not been addressed by Healthway. Some consideration of FBT liability has been applied to additional catering expenses incurred at events but the FBT liability for benefits provided to Healthway officers in the form of tickets and included hospitality has not been calculated.