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Review of the Findings and Recommendations of the Auditor-General's Reports July-December 2008

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Parliament of Victoria
Public Accounts and Estimates Committee

Review of the Findings and Recommendations of the Auditor-General's Reports July-December 2008

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DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 2003*.

The Committee comprises ten members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the budget estimates for the Victorian Auditor-General's Office;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.

CHAIR'S FOREWORD

Under its functions and powers set out in sections 14 and 33 of the *Parliamentary Committees Act 2003*, the Public Accounts and Estimates Committee has been following up audit reports tabled in Parliament by the Auditor-General every six months in tranches. Since 2008, the Committee has prioritised reports as either 'priority one' or 'priority two'.

I am pleased that as Chair of this Committee, I have now overseen five tranches of follow-up reports. Over the past three years, the Committee has prioritised 58 audit reports tabled by the Auditor-General between 2006-2008. The Committee has also held 25 public hearings for priority one audit follow-ups. The topics this Committee has chosen to follow-up have been diverse and this fifth tranche, termed 'round five' is no different.

The two priority one audits examined as part of this follow-up report were Biosecurity Incidents: Planning and Risk Management for Livestock Diseases and Managing Acute Patient Flows.

In addition four priority two reports focussed on diverse issues including asset management, ticket inspectors, health and planning permits.

The Committee has a strong commitment to ensuring there are strong systems in place for Victoria's public hospitals and this time the Committee has undertaken a priority one and priority two report focussed on health. Another strong focus continues to be Victoria's economy through the protection of Victoria's livestock industry.

I wish to thank the Auditor-General, Departmental Secretaries, agency heads and their officers for the detailed evidence provided to the Committee. I also wish to thank my colleagues for their continued support and consideration of the important issues raised by these follow-up audits. I also wish to thank the secretariat staff for their support in Committee activities on these audit follow-ups including public hearings, high quality research, writing, desktop and administrative support provided for these reviews.

In conclusion, I wish to urge the Public Accounts and Estimates Committee of the 57th Parliament to continue in a concerted manner, working with the Auditor-General to undertake follow-up reports of the Auditor-General's reports as a valuable and an important aspect of the work undertaken by Public Accounts Committees around the world.

The total cost of round five audit follow-up reviews is $53,260.

Bob Stensholt MP
Chair

RECOMMENDATIONS FOR BIOSECURITY INCIDENTS: PLANNING AND RISK MANAGEMENT FOR LIVESTOCK DISEASES

RECOMMENDATIONS FOR MANAGING ACUTE PATIENT FLOWS

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PART A: BIOSECURITY INCIDENTS: PLANNING AND RISK MANAGEMENT FOR LIVESTOCK DISEASES

CHAPTER 1: BACKGROUND TO THE REVIEW

1.1. Objective and scope of the report of the Auditor-General on Biosecurity Incidents: Planning and Risk Management for Livestock Diseases

In November 2008, the Auditor-General released his report, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*. The objective of the audit was to assess how well the Department of Primary Industries (the Department/DPI) manages biosecurity risks for Victoria's livestock industry. The scope of the audit included a review of the Department's:[1]

- planning and risk management framework for biosecurity incidents for livestock diseases;
- responsiveness to the recent Equine Influenza and Anthrax outbreaks;
- biosecurity services, programs, capacity and capability related to emergency animal disease prevention, preparedness and response;
- management of animal diseases with implications for human health; and
- interface and cooperation with the Department of Human Services.

This recent report follows on from an earlier Auditor-General's report in April 2004 entitled *Beating the bugs: Protecting Victoria's economically significant crops from pests and diseases*, which reviewed how well the DPI protects Victoria's economic crops from plant pests and diseases. This audit concluded that the DPI had a professional and competent approach to managing pests and diseases in Victoria's plant based industries.[2]

1.2. Conclusions and recommendations of the Auditor-General

With regard to livestock biosecurity management, the Auditor-General found that the DPI had adequately planned for, and effectively managed, livestock disease events and that comprehensive monitoring and reporting systems and processes were in place for biosecurity incident management. Overall, the Auditor-General concluded that the Department was leading other jurisdictions in biosecurity risk management.[3]

While the audit findings were generally positive, the report included a number of key findings and nine recommendations relating to the Department's planning processes, prevention and early detection strategies, emergency response preparedness, and data collection and integrity.

1 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.16

2 Victorian Auditor-General's Office, *Beating the bugs: Protecting Victoria's economically significant crops from pests and diseases,* April 2004, p.3

3 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, Foreword, p.v

1.3. Response by the Department of Primary Industries

The Department of Primary Industries welcomed the Auditor-General's review stating that the DPI was committed to a process of continuous improvement in its biosecurity planning and risk management processes and that many of the principles underpinning the recommendations made would assist in improving the Department's management approach to biosecurity in Victoria.[4]

The Department's response as included in the Auditor-General's report referred to the need for a long-term investment in biosecurity management to enable Victoria to meet the challenges surrounding new and emerging biological threats.[5]

At the Committee's public hearing on 28 April 2010, the Secretary of the Department stated:[6]

> *Essentially, we thought the report was a fair and thoughtful report…it was reasonably complimentary – quite complimentary – about the quality of our preparation for, and capacity to respond to, livestock disease events. It, of course, set us some challenges and raised some questions. We thought that the points it raised and the recommendations it made were generally reasonable. Our differences with the report are matters of degree rather than matters of substance or significance and we are happy to explore all those.*

The Department's comments in response to each of the Auditor-General's recommendations as included in the *Response by the Minister for Finance to the Auditor-General's Reports 2008-09*, together with additional information provided by the Department at the public hearing and in later correspondence, are referred to in the following chapters of this report.

1.4. Response by the Auditor-General to the Committee

The Committee wrote to the Auditor-General in April 2010 requesting his views and comments in relation to the actions proposed and/or taken by the Department on the recommendations contained in his report together with any other comments on specific matters raised in the report.

The Auditor-General advised the Committee that, in his view, the most critical recommendations related to the key issues identified in the report, namely:[7]

- the need for a longer term planning focus and for planning to be linked to national plans, risk management and investment decision-making.
- the need for improved biosecurity awareness and practice by, and consultation with, industry and producers.
- the need to improve and better coordinate surveillance to support effective early detection, and to review and assess surveillance programs.
- the need to develop a strategy to address capacity and capability.

4 ibid., pp.5–7

5 ibid., p.6

6 Mr R Bolt, Secretary, Department of Primary Industries, transcript of evidence, 28 April 2010, p.2

7 Mr D Pearson, Auditor-General, Victorian Auditor-General's Office, letter received 16 April 2010, pp.1–2

1.5. Scope of the review undertaken by the Committee

On 28 April 2010, a public hearing was held with Mr Des Pearson, Auditor-General, Mr Andrew Greaves, Assistant Auditor-General, Performance Audit and Mr Chris Sheard, Director, Performance Audit from the Victorian Auditor-General's Office.

A separate hearing was held later on the same day with representatives from the Department of Primary Industries, Mr Richard Bolt, Secretary, Dr Hugh Millar, Executive Director and Dr Malcolm Ramsay, Principal Vet Officer for Exotic Diseases, Biosecurity Victoria, Agriculture and Fisheries Group, and Ms Donna Kennedy, Senior Business Analyst, Budget Strategy.

Comments were sought from the Department on actions taken to date in relation to the audit recommendations and from the Auditor-General in relation to the Department's response, prior to the public hearing. Further information was requested in writing in relation to questions taken on notice at the hearings and any additional material required by the Committee.

The Committee's comments and conclusions are based on transcripts of evidence taken at the public hearings together with the written advice provided by the Department and the Auditor-General.

CHAPTER 2: BIOSECURITY MANAGEMENT IN AUSTRALIA

2.1. What is Biosecurity?

Biosecurity refers to the protection of the economy, the environment, and people's health from pests and disease. It includes pro-active strategies directed at preventing new pests and diseases from appearing and assisting containment when there is an outbreak.

Biosecurity relates to both animal biosecurity and plant biosecurity and more recently attention has been given to the biosecurity of Australia's natural environments.

As stated earlier, the Auditor-General's 2008 audit focussed on biosecurity over Victoria's livestock following an earlier audit in 2004 of biosecurity over the State's plant-based industries. While the Committee's follow-up report focuses particularly on the Department's biosecurity management as it relates to livestock, some comments and recommendations in the report are relevant to biosecurity in the State generally.

2.2. Why is Biosecurity important?

Biosecurity is critical to the health, well-being and prosperity of all Australians. Australia exports around 65 per cent of its farm products, 75 per cent of its fish products and 60 per cent of its forest products.[8]

In Victoria, the agriculture industry generates considerable wealth for the State through employment, investment and exports. Victoria is Australia's largest food and fibre exporting state and produces goods valued at around $9 billion per annum, or 26 per cent of the nation's total.[9]

Victoria produces 20 per cent of Australian beef, 40 per cent of Australian lamb and 65 per cent of Australian milk (including 8 per cent of the dairy products traded internationally) and, in total, exports 85 per cent of its livestock production across the meat, dairy and wool industries valued at A$4.34 billion annually.[10] As such, biosecurity standards play a crucial part in protecting the economic contribution of Victoria's agricultural industries and in ensuring that the State maintains its market position and competitiveness.

Table 2.1 shows livestock numbers across Australia in 2007-08 (most recent data) and indicates the national significance of Victoria's livestock industry.[11]

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8 Department of Agriculture, Fisheries and Forestry, 'Trade and Market Access Home', <www.daff.gov.au/market-access-trade>, accessed 16 April 2010

9 Department of Primary Industries, Agriculture, Food and Forestry, 'Agriculture in Victoria', <www.dpi.vic.gov.au/agriculture>, accessed 16 April 2010

10 Department of Primary Industries, *Animal Health in Victoria 2009*, May 2010, p.9

11 ibid., *Appendix A – Overview of Victoria's livestock industries,* p.68

Table 2.1: Livestock numbers across Australia 2007-08 (000s)

Species	Australia	NSW	Vic	Qld	SA	WA	Tas	NT	ACT
Dairy	2537	321	1583	174	160	101	198	0	0
Beef	24784	5330	2254	11731	966	2013	444	2041	6
Sheep	76938	26378	16765	3960	9983	17854	2137	0	61
Pigs	2412	770	394	610	363	262	12	0	0

Source: Australian Bureau of Statistics, Agricultural commodities Australia report 2007-08. Statistics valid for 2009.

Australia has developed a strong reputation as a producer of safe, wholesome livestock and livestock derived food commodities consumed both domestically and overseas. Australian governments and industry work together to protect this reputation, however, increasing rates of global trade, tourism and migration together with changes in climate, land-use and agricultural practices are contributing to a changing and more complex environment for biosecurity management.

The economic costs associated with an emergency animal health disease are significant. In 2002, the Productivity Commission estimated the cost of a short-term outbreak of Foot and Mouth disease to be around $2 billion to $3 billion increasing to between $8 billion and $13 billion for a 12 month outbreak.[12]

A more recent and actual example of the economic impact of an EAD was the equine influenza outbreak which occurred in New South Wales and Queensland in 2007. The direct costs associated with eradicating the disease was calculated to total approximately $110 million however, this figure is considered to be conservative as it does not include government assistance payments, indirect costs associated with loss of markets, losses to associated businesses or the loss of amenity and convenience to the community.[13]

2.3. Context - who is responsible for managing Biosecurity?

Animal diseases do not respect jurisdictional boundaries. As noted in the Auditor-General's report, Australia's high standard of animal health has been achieved through a cooperative approach between the Commonwealth government, state and territory governments, industry, private veterinarians and research organisations.[14]

2.3.1 At the national level

The Department of Agriculture, Fisheries and Forestry

The Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF), is responsible for developing and implementing policies and programs to ensure that Australia's agricultural, fisheries, food and forestry industries remain competitive, profitable and sustainable. DAFF's policies and programs seek to:[15]

12 Beale, Fairbrother, Inglis, Trebeck, *One Biosecurity: A Working Partnership, The Independent Review of Australia's Quarantine and Biosecurity Arrangements Report to the Australian Government,* September 2008, p.xv

13 ibid.

14 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.10

15 Department of Agriculture, Fisheries and Forestry, 'About DAFF', <www.daff.gov.au/about>, accessed 3 June 2010

- encourage and support sustainable natural resource management and use;
- protect the health and safety of plant and animal industries;
- assist industries to adapt to compete in a rapidly changing international and economic environment;
- improve market access and market performance for the agricultural and food sectors;
- encourage industries to adopt new technology and practices; and
- assist primary producers and the food industry to develop business and marketing skills and to be financially self-reliant.

The Biosecurity Services Group, within DAFF includes the Australian Quarantine and Inspection Service (AQIS) and Biosecurity Australia. AQIS manage quarantine controls at Australia's borders to reduce the risk of exotic pests and diseases entering the country. AQIS also provides import and export inspection and certification to help keep Australia's favourable animal, plant and human health status and wide access to overseas export markets.[16] Biosecurity Australia provides science based quarantine assessments and policy advice that protects Australia's favourable pest and disease status and enhances Australia's access to international animal and plant related markets.[17]

The Beale Review

In 2008, the Commonwealth Government commissioned an independent review of Australia's quarantine and biosecurity arrangements. The report entitled, "*One Biosecurity: A Working Partnership"* (the Beale Review) chaired by Mr Roger Beale AO, made an number of recommendations including the replacement of the Australian Biosecurity System for Primary Production and the Environment (AusBIOSEC) with a National Agreement on Biosecurity.

The report noted that past investment in biosecurity has protected the Australian population, economy and environment from potentially significant damage. However, the review pointed out that biosecurity management is a difficult and complex task with biosecurity risks increasing with the increase in global interdependence.[18]

The Review stated that biosecurity risk cannot be completely eliminated due to the importance of imports and tourism and travel to Australia's economy and its people and due to the enormous cost of a one hundred per cent inspection and interception program. As such, the report notes the importance of building effective capacity to respond to the inevitable incursions of some pests and diseases and that future biosecurity risk management needs to encompass a broader concept than just border control but also needs to consider pre-border and post-border measures.[19]

Traditionally the Commonwealth has been the "gatekeeper" concentrating efforts at Australia's international border. If an incursion occurs, the states and territories are responsible for the response effort. The Beale report emphasises the Commonwealth's Constitutional power to assume a much broader biosecurity reach and the need for the Commonwealth to take a

16 Australian Government, Australian Quarantine and Inspection Service, 'Australian Quarantine and Inspection Service', <www.daffa.gov.au/aqis>, accessed 16 April 2010

17 Department of Agriculture, Fisheries and Forestry, 'Biosecurity Australia Home', <www.daff.gov.au/ba>, accessed 16 April 2010

18 Beale, Fairbrother, Inglis, Trebeck, *One Biosecurity: A Working Partnership, The Independent Review of Australia's Quarantine and Biosecurity Arrangements Report to the Australian Government,* September 2008, p.ix

19 ibid.

national leadership role in managing increasing biosecurity risks, in partnership with the states and territories, industry, and the community.[20] The Beale Review called for a new partnership between the Commonwealth and states and industries with a broader focus across the biosecurity continuum of pre-border, border and post-border biosecurity. The report recommended the development of a National Agreement on Biosecurity between the Commonwealth and the states/territories.

The report also stated that Australia's biosecurity agencies were significantly under-resourced and that the achievement of the review's recommendations would require a funding increase in the order of $260 million per annum shared between business and taxpayers together with an investment of $225 million over a number of years to upgrade biosecurity information technology and business systems.[21]

Overall, the Review concluded that Australia operates a good biosecurity system however it also made a large number of recommendations directed at, dealing with operational deficiencies in the existing biosecurity system and, responding to the increasing challenges to biosecurity. The report stated that implementation of the recommendations should occur in parallel with negotiation of a National Agreement on Biosecurity with the states and territories within two years.

2.3.2 Animal Health Australia

In the early 1990's, Australia's international trading partners started to request more information and evidence attesting to the country's animal health and welfare standards. This led to the formation in 1996 of the Australian Animal Health Council Limited, renamed Animal Health Australia (AHA) in February 2000. AHA is a not-for-profit public company, established by the Commonwealth and state and territory governments and major national livestock industry organisations. The company's mission is *'to ensure that the national animal health system delivers a competitive advantage and preferred market access for Australia's livestock industries.'*[22]

The AHA has thirty member organisations which play a role in the development and implementation of a suite of national programs covering animal disease surveillance, emergency animal disease preparedness, disease risk mitigation, livestock welfare, animal health services, and training. Members fund the activities of the company via annual subscriptions which are based on the Gross Value of Production of the jurisdiction or industry.[23]

AHA works to strengthen Australia's animal health status and reinforce confidence in the safety and quality of Australia's livestock products in domestic and overseas markets. AHA initiate and manage collaborative programs that improve animal and human health, food safety and quality, market access, animal welfare, livestock productivity and national biosecurity. Programs and projects include:[24]

- Animal Disease Surveillance Program – a nationally integrated surveillance system to underpin trade;

20 ibid., p.x

21 ibid.

22 Animal Health Australia, 'Company profile and background', <www.animalhealthaustralia.com.au/corporate/company-profile.cfm>, accessed 16 April 2010

23 ibid.

24 Animal Health Australia, 'Programs and Projects', <www.animalhealthaustralia.com.au/programs/programs_home.cfm>, accessed 28 June 2010

- Emergency Animal Disease Preparedness Program – aimed at enhancing Australia's capability to detect and respond to emergency animal diseases;
- Animal Health Services Program – aims to improve Australia's capability, standards and performance of the national animal health system; and
- Disease Risk Mitigation Program – draws together all projects associated with reducing the disease risks facing Australian livestock production industries.

AHA produces a report annually which provides details of Australia's animal health system, the status of animal health in Australia and any major animal disease events occurring in the year. Information for the report comes from the Commonwealth and state and territory governments, livestock industry organisations and, from the AHA itself. The report is presented at the General Session of the International Committee of the World Organisation for Animal Health each year.[25]

National Animal Health Performance Standards

The AHA has established a performance assessment program aimed at achieving consistency across states and territories in national animal health outcomes. The *National Animal Health Performance Standards* set out the minimum standards for all activities that impact on the national animal health status.

The Standards are linked to the following six core functions of the national animal health system:[26]

- consumer protection;
- trade and market access;
- disease surveillance;
- endemic disease management;
- emergency preparedness and response; and
- livestock welfare.

As previously mentioned, the new *Livestock Management Act 2009* in Victoria provides legislative recognition of the national standards and seeks to encourage compliance with the standards.

2.3.3 Victorian government

The Victorian Department of Primary Industries' role is to develop and implement government policies and programs which enable the State's primary and energy industries to maximise the wealth and wellbeing they generate in a sustainable manner. DPI is the leading source of knowledge and science associated with the primary industry sectors of agriculture, fisheries, forestry and earth resources in the State. [27]

25 ibid.

26 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.12

27 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08,* December 2009, p.111

With respect to biosecurity management within the State, the DPI is responsible for preventing plant and animal diseases from occurring, responding to an outbreak should one occur, and managing the recovery from any such outbreak.

The Victorian Department of Health is responsible for managing an outbreak of, and recovery from, a human pandemic or epidemic including zoonotic diseases (i.e. those diseases which can be transmitted from vertebrate animals to humans). As such, effective communication and collaboration between the DPI and the Department of Health is an important part of biosecurity management in the State.

Organisational arrangements within the Department of Primary Industries

Biosecurity Victoria is the division within DPI responsible for the development of policy, standards, systems and services directed at:[28]

- reducing the threat of invasive plants and animals to agriculture and the natural environment;
- protecting animals and plants from pests and diseases;
- enhancing food safety;
- ensuring minimal and effective chemical use;
- protecting animal welfare; and
- maintaining and expanding market access for Victoria's primary industries.

The Animal Health Service, within Biosecurity Victoria, is responsible for developing and implementing policy for animal health and welfare. The group comprises the: Chief Veterinary Officer's (CVO) Unit; Animal Standards Branch (ASB); Animal Health Field Service; and contracted diagnostic laboratories.

The CVO Unit is responsible for:[29]

- policy development and for maintaining arrangements with the Commonwealth, other state and territory jurisdictions and AHA;
- liaising with industry groups in planning and monitoring animal health programs; and
- developing plans for surveillance and Emergency Animal Disease (EAD) incidents and training.

The ASB is responsible for:[30]

- developing detailed plans for animal health programs (e.g. livestock product integrity; livestock disease surveillance and control);

28 Department of Primary Industries, Agriculture, 'Food and Forestry, Biosecurity Victoria', <www.dpi.vic.gov.au/dpi/nrenfa.nsf/LinkView/>, accessed 7 April 2010

29 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.14

30 ibid.

- coordinating delivery of animal health programs across the State;
- coordinating animal health training across the State;
- developing and conducting simulation exercises for EAD preparedness; and
- managing statewide disease operations in response to an EAD outbreak.

The Animal Health Field Services Group which is located within Farm Services Victoria, another division within DPI, is responsible for monitoring, surveillance, control, prevention and reporting associated with the ASB's key livestock projects.

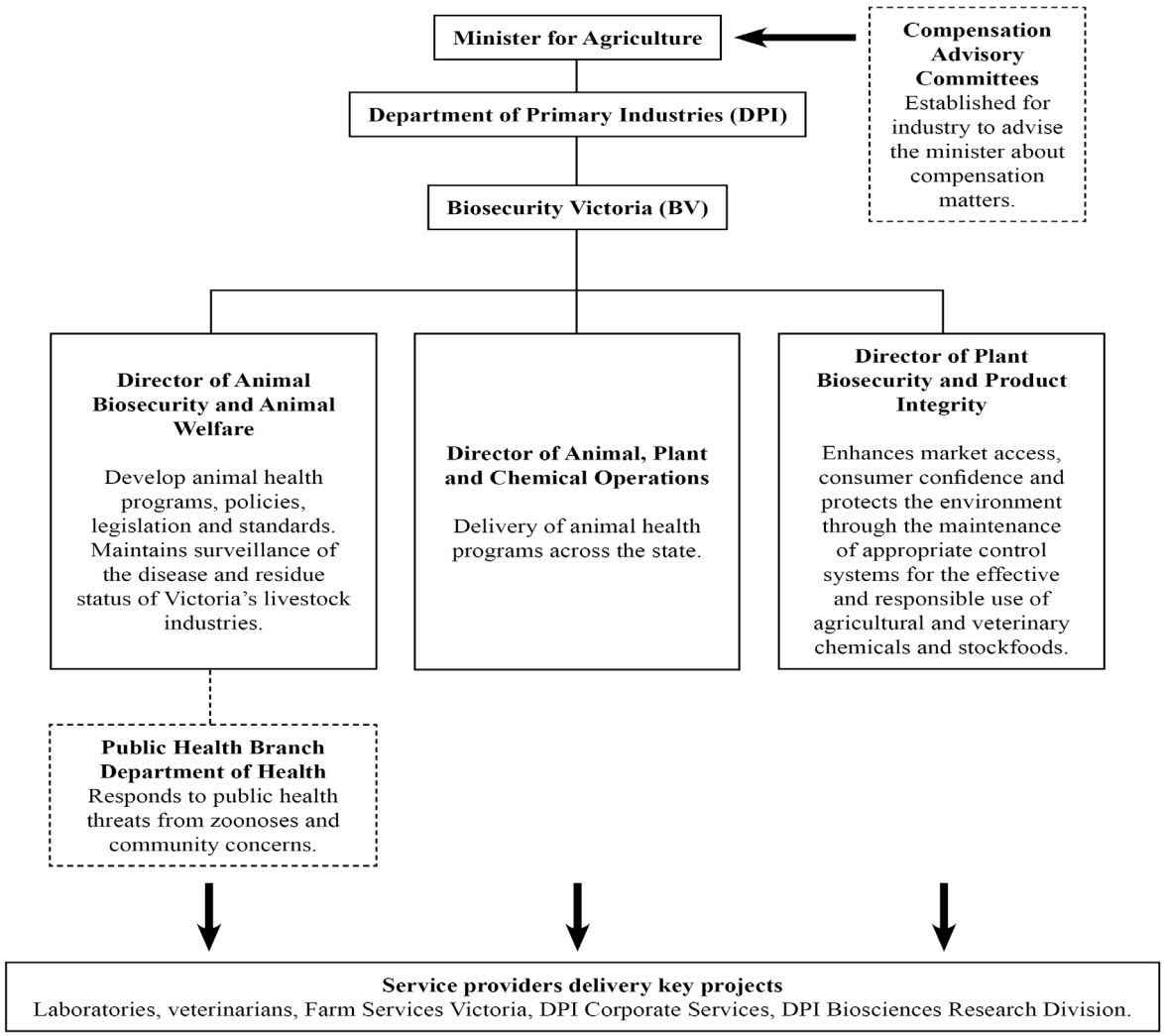
The DPI Biosciences Research Division (now known as the Centre for AgriBioscience) includes a laboratory facility at Attwood and also contracts a private veterinary pathology laboratory which provide diagnostic support and to maintain the Department's capacity to respond to emergency animal diseases. Veterinary pathologists also provide education to AHS staff and private veterinarians.[31]

Figure 2.1 provides a diagrammatic representation of the Department's current organisational structure for biosecurity management in the State.[32]

31 Department of Primary Industries, *Animal Health in Victoria 2009*, May 2010, p.13

32 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010

Figure 2.1 DPI's organisational arrangements for biosecurity management in Victoria



Source: Department of Primary Industries, July 2010

Victorian legislation

The *Livestock Disease Control Act 1994* is the key legislation used in the prevention, monitoring and control of livestock diseases in the State. The objectives of the legislation are to:[33]

- protect public health by preventing, monitoring and controlling diseases which are transmissible between livestock and humans;
- protect domestic and export livestock markets through the prevention, monitoring and control of livestock diseases;
- provide compensation for certain losses caused by livestock diseases; and
- facilitate livestock identification and tracking programs for disease control and market access.

The legislation contains provisions specifying, the responsibilities of owners in respect to livestock identification, notification of diseases and isolation and destruction of livestock; the payment of compensation; administration of licences and registrations; and the powers of inspectors.

During 2009, two new versions of the *Livestock Disease Control Act 1994* were introduced to:[34]

- enhance the Department's Emergency Animal Disease response capabilities;
- increase the penalties for offences;
- reduce the regulatory burden; and
- improve the framework for the efficient collection of duty on the sale of livestock.

In December 2009, the *Livestock Management Act 2009* was formally introduced to recognise a number of national livestock management standards, notably in relation to animal welfare and biosecurity, which have either been approved or which may be developed in the future. Nationally consistent and agreed standards, enabled under this legislation, provide assurance regarding livestock management practices and will assist in maintaining productivity and market access for livestock businesses.[35]

During 2010, the *Primary Industries Legislation Amendment Bill* and the *Livestock Disease Control Regulations 2006* are due to be considered by the Parliament. Benefits expected from this review include, better information sharing between emergency services in the planning, response and recovery stages, improved livestock traceability, and new structures aimed at enhancing fund administration in the compensation committees.[36]

33 Livestock Disease Control Act 1994, section 4

34 Department of Primary Industries, *Animal Health in Victoria 2009*, May 2010, p.28

35 ibid.

36 ibid.

A new Biosecurity Strategy for Victoria

The Beale Review noted that while the job of managing Australia's complex biosecurity regime has always been difficult, it has become more challenging in recent years due to: [37]

- globalisation which has seen more goods traded internationally;
- population spread into new habitats and increasingly intensive agriculture which increases the risk of zoonoses and complicates the ability to contain a pest or disease incursion;
- growth in tourism, passenger and cargo movements, increasing the risk of exotic pest and disease incursion;
- risk of agri-terrorism involving political terrorist groups or animal rights extremists;
- increasing global movement of genetic material as farmers attempt to raise agricultural productivity;
- climate change, which can affect the spread of pests and diseases through changes in habitats, migratory bird patterns, and weather events;
- an emerging shortage of highly qualified plant and animal pest and disease professionals;
- physical constraints for border interception activities, especially at major passenger airports; and
- financial constraints as governments allocate scarce resources across competing demands.

In June 2009, the Victorian Government launched a new *Biosecurity Strategy for Victoria* aimed at strengthening Victoria's approach to dealing with new and emerging biosecurity threats. The Strategy seeks to improve partnerships between government, industry and the community in order for these groups to work together to help prevent, prepare for and manage future biosecurity threats.[38]

The Strategy applies across the whole-of-government and to biosecurity issues generally across the State. It covers threats to primary industry, the environment, social amenity and human health, across Victorian public and private land, freshwater and marine habitats, caused by:[39]

- plant pests and diseases;
- animal pests and diseases (including diseases which can be transmitted between animals and humans); and
- invasive plants and animals.

The Strategy is built around the following six themes:

37 Beale, Fairbrother, Inglis, Trebeck, *One Biosecurity: A Working Partnership, The Independent Review of Australia's Quarantine and Biosecurity Arrangements Report to the Australian Government,* September 2008, p.xiii

38 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria*, May 2009, p.4

39 ibid., p.5

- Theme 1 – Developing partnerships between government, industry and the community.
- Theme 2 – Strengthening the coverage (i.e. increased attention on fisheries, forestry, marine and environmental management areas) and addressing the challenges (i.e. threats to social and amenity assets and threats from wildlife diseases).
- Theme 3 – Making sound decisions and investments based on a clear understanding and assessment of risks and threats.
- Theme 4 – Building biosecurity skills, tools and knowledge through research, new technologies and new methods.
- Theme 5 – Smarter surveillance through comprehensive, flexible and sensitive systems to monitor pests and diseases across the State.
- Theme 6 – Early detection and rapid response to incursions.

The Strategy outlines a total of twenty-four planned Actions under each of these themes and states that an implementation plan will be developed by July 2010 to progress the actions outlined.

The new *Biosecurity Strategy for Victoria* acknowledges the recommendations of both the Beale Review and the Auditor-General's recent review of livestock biosecurity management and seeks to address the gaps and exposures that have been identified and to build on the strengths in the existing systems in order to best position the State to meet future biosecurity challenges.

CHAPTER 3: PLANNING AND RISK MANAGEMENT FRAMEWORK FOR BIOSECURITY IN VICTORIA

3.1. The Department of Primary Industries planning and risk management for livestock biosecurity

Australia's reputation in the global market for its safe, "clean" produce has been achieved through effective planning and risk management approaches at national, state and territory levels. This reputation needs to be maintained and protected in the face of new and emerging threats to the biosecurity of the country's agricultural markets. In respect of livestock, the high standard of animal health in Australia is attributed to cooperative and effective partnerships between the Commonwealth, state and territory governments, livestock industry groups, research organisations and the veterinary profession.[40]

The Auditor-General's report included a chapter reviewing the planning approach and risk management processes undertaken by the DPI in managing livestock biosecurity in Victoria.

3.1.1 Auditor-General's findings and recommendations

The Auditor-General found that the DPI had established clear and relevant objectives for the management of livestock biosecurity in Victoria and that the planning framework in place was well articulated and divisional and branch plans were linked to DPI strategic plans.[41]

In relation to risk management, the Auditor-General found that the DPI's risk management processes were also well established and were generally compliant with the Australian Standard for Risk Management (AS 4630), with risks and remedial actions regularly reviewed and monitored.[42]

The Auditor-General commented that it was important for the DPI planning and risk management frameworks to complement and link with national priorities and risk assessments. To this end, the Auditor-General recommended that:[43]

- DPI planning should demonstrate closer alignment with national planning frameworks and that the Department should seek an active role in the development of the national AusBIOSEC framework; and
- DPI should align its planning and risk management processes more closely to support departmental decision-making and its response to changing priorities, capabilities, capacity and investment.[44]

40 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.10

41 ibid., p.25

42 ibid.

43 ibid.

44 ibid.

3.1.2 Response by the Department of Primary Industries

The Department's response as detailed in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09*, refers to the intended release of the *Biosecurity Strategy for Victoria* in June 2009. The Department also refers to the preparation of a *VBS Implementation Plan* by June 2010 which will include the development of detailed projects and programs which will contribute to addressing the Auditor-General's recommendation.[45]

With respect to the Auditor-General's recommendation that DPI's planning should demonstrate closer alignment with national planning frameworks and that it should take an active role in the development of the Commonwealth's AusBIOSEC framework, the Department refers in its response, to Action 1.4 of the new *Biosecurity Strategy for Victoria* which states:[46]

> *The Victorian Government will actively and constructively influence national biosecurity arrangements to ensure Victoria's biosecurity needs are met.*

The Department also states that following the 2008 Beale Review, AusBIOSEC was replaced by the *Intergovernmental Agreement for Emergency Response to Nationally Significant Biosecurity Incidents* (IGA). The Department states that Victoria has actively contributed to the development of the Agreement and is contributing to the development of the National Biosecurity Agreement and National Biosecurity Legislation.[47]

With respect to the recommendation for closer alignment of planning and risk management processes to support decision-making and respond to changes in priority, capacity, capabilities and resources, the Department referred to Theme 3 of the *Biosecurity Strategy for Victoria* which relates to "Making sound decisions and investments".[48] The response quotes two of the actions identified under this Theme:[49]

> *Action 3.1: Victoria will adopt a strategic and integrated risk management framework across all biosecurity activities. This process will include ongoing consultation with all government and external stakeholders to inform decision-making.*
>
> *Action 3.2: Existing Victorian biosecurity programs will be evaluated to determine if current activities are aligned with the revised role of government in biosecurity and public investment priorities. Evaluation will include the identification of beneficiaries of existing programs.*

3.1.3 Subsequent developments noted by the Committee

The Committee wrote to the Department in March 2010 requesting further information in regard to the Department's links to national planning frameworks; the status of the *VBS Implementation Plan*; and how risk management has been integrated into the Department's biosecurity activities.

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45 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.112

46 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria,* May 2009, p.19

47 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.112

48 ibid., p.113

49 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria,* May 2009, p.24

Alignment with national planning frameworks

In April 2010, the Department advised that preparedness and response planning in the Victorian livestock industries is more advanced than in other sectors and that the new *Biosecurity Strategy for Victoria* clearly articulates and recognises the importance of long-term planning and alignment with national biosecurity frameworks.[50]

The Department also advised that as a result of the Beale Review, AusBIOSEC is being replaced with the *National Environmental Biosecurity Response Agreement* (NEBRA), to which DPI has made a significant contribution. The Department states that NEBRA will provide a national framework for jurisdictions to support and co-fund emergency responses to biosecurity threats. The Agreement has been sent to the Primary Industries Ministerial Council to be considered for endorsement by the Council of Australian Governments (COAG). The Department also advised that it was due to participate in a national simulated wildlife disease emergency exercise in May 2010 to test the application of the new Agreement.[51] At the Committee public hearing, the Department advised that, in terms of national policy development, the DPI had been very active in AusBIOSEC and in recent times had played a key role in the development of a new national agreement on biosecurity, in addition to the development of the NEBRA.[52]

Another key recommendation of the Beale Review was the development of a national *Intergovernmental Agreement on Biosecurity* (IGAB) which would underpin a partnership arrangement between the Commonwealth and state and territory governments on biosecurity policy and action. The Department advised the Committee that Victoria had played a key role in national policy discussions and in the drafting of this Agreement to ensure its relevance to state and territory governments.[53] Further information provided by the Department in July 2010 advised that the key reforms outlined in the document include:[54]

- a national risk-based decision making and investment framework;
- an integrated national monitoring, surveillance and diagnostic system;
- an enhanced and nationally consistent level of preparedness and response arrangements; and
- a robust national research and development capability framework to address knowledge gaps.

The Committee was also advised that implementation of the Agreement will be the responsibility of the Primary Industries Ministerial Council and will be contingent upon available jurisdictional resources and Parliamentary processes. It is intended that costed work plans will be developed by the National Biosecurity Committee for consideration by Primary Industry Ministers. The two new national agreements are being prepared by DAFF and will be considered at the next COAG meeting (a date for which was unavailable at the time of writing this report). The Department

50 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.1

51 ibid.

52 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence, 28 April 2010, p.3

53 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, pp.1–2

54 ibid., p.1

further advised that once these agreements had been considered and endorsed by COAG they would be made publicly available.[55]

At the public hearing in April 2010, the Department advised that DPI would be participating in two national exercises in the coming months reviewing how the new Agreement might apply in the event of a wildlife disease emergency and secondly how it might apply in the event of an incursion of a highly invasive pest. These are areas which are separate from livestock diseases but which relate to an area of biosecurity protection and preparedness in the State and nationally which has not been well covered in the past.[56]

Alignment of planning and risk management to Departmental decision-making

In terms of the alignment of planning and risk management processes, the Department advised the Committee that risk management approaches are currently applied across its' biosecurity livestock programs to determine priorities and direct investment. Investment focuses on prevention and preparedness activities as these represent the highest return on investment.[57]

The Department also stated that, as part of its culture of continuous improvement, it aims to further strengthen the links between risk management and decision-making across all biosecurity activities. The DPI further advised that it has undertaken important work involving detailed risk identification and scoping assessment to inform future decision-making.[58]

The Department also advised that the *VBS Implementation Plan*, which is currently being considered by the Government, is built on a risk management approach, with initiatives developed and prioritised to address and collaboratively manage biosecurity risks to Victoria.[59]

At the public hearing in April 2010, Dr Hugh Millar, Executive Director, Biosecurity Victoria, advised the Committee that the Department bases its planning and policy development on a number of key principles namely:[60]

- that prevention and preparedness provide the highest return on investment;
- that the alignment to national health activities is essential (in addition to working co-operatively across state borders);
- enhancing trade and market access;
- responding to emergencies as a core capability; and
- a strong culture of continuous improvement.

55 ibid.

56 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence, 28 April 2010, p.4

57 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.2

58 ibid.

59 ibid.

60 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence, 28 April 2010, p.3

Further, Dr Millar stated that, looking at the whole spectrum of biosecurity management in the State, the area of livestock disease risk management is well developed compared with environmental biosecurity risk management. And so, the new *Biosecurity Strategy for Victoria* seeks to place emphasis on changes in the future risk profile and on areas which have received less attention in the past. In respect of animal health, the Strategy consolidates the position in regards to the management of animal health and animal biosecurity and continues to emphasise the early detection of any new, emerging and/or exotic diseases as the key risk.[61]

3.1.4 Review and conclusion

Based on the information and advice provided by the Department, the Committee concludes that the DPI has been very active in working with the Commonwealth to influence national biosecurity policy and intergovernmental arrangements. In addition, the new *Biosecurity Strategy for Victoria* presents a comprehensive approach to biosecurity management across the State and to addressing the future challenges in this area. The Committee looks forward to the DPI building on its past successes in maintaining Victoria's reputation as a clean, safe market for agricultural produce and to its continuing contribution to Australia's agricultural export reputation overseas.

Further information provided by the Department in July 2010 advised that the *VBS Implementation Plan* would be finalised by 31 July 2010 and considered by the Biosecurity Standing Committee at its first meeting on 11 August 2010. The Plan will outline specific activity to 30 June 2011 with detailed action foreshadowed for a further two years. Actions will be progressively assessed to determine their implementation within the Department's current resourcing.[62] This is despite the Department's original response in the Auditor-General's report that:[63]

> *There will undoubtedly be resourcing implications in building an enhanced capacity and capability within DPI to meet the emerging challenges highlighted in the report. It is therefore intended that the development of strategy will be supported by a 2009-10 Expenditure Review Committee bid – A new approach to biosecurity in Victoria.*

The Department advised the Committee in July 2010 that no new funding has been provided for the specific implementation of the actions outlined in the Strategy.

The Committee considers that, the recommendations of the Beale Review and the release of Victoria's new Biosecurity Strategy suggest that the Department's resourcing requirements may need to be reassessed to assist in the effective and efficient implementation of the actions outlined.

In addition, a critical component of the new *Biosecurity Strategy for Victoria* and the accompanying *VBS Implementation Plan* will be the development of a process for monitoring the timely and effective implementation of the actions outlined in the Strategy and reporting on the outcomes achieved over the next three years.

61 ibid., p.6

62 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, pp.4–5

63 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.6

Recommendation 1: **The Committee recommends that the Department of Primary Industries undertake an evaluation of the resourcing requirements over the next three years of the actions outlined in the Biosecurity Strategy for Victoria to ensure that the Department is able to implement the actions efficiently and effectively.**

Recommendation 2: **The Committee recommends that the Department of Primary Industries establish a process to monitor and track the implementation of the actions detailed in the *Biosecurity Strategy for Victoria* and to publicly report on at least an annual basis on the progress made and outcomes achieved under the Strategy.**

CHAPTER 4: PREVENTION AND EARLY DETECTION

4.1. Introduction

Prevention and early detection are critical in avoiding the serious social, economic and public health effects which can flow from an EAD outbreak. Experience around the world shows that if an outbreak can be detected early and action taken to contain and eliminate the disease, the social and economic costs can be minimised.

Prevention is achieved through improving biosecurity awareness across the industry and by maintaining, and ensuring compliance with, animal health standards of management. Early detection is dependent upon general awareness and knowledge together with a well developed system of animal health surveillance and livestock tracing.

4.2. DPI's approach to prevention

As noted in the Auditor-General's report, the extent to which a single jurisdiction, such as Victoria, can prevent the incursion of an animal disease is impacted by:[64]

- controls at the national border, which is a Commonwealth responsibility managed by AQIS;
- terms in the Australian Constitution which guarantee free trade between states; and
- the very nature of the biological processes by which animal diseases are spread.

The Auditor-General states in his report, that within this environment, the DPI has:

- actively supported national efforts to exclude diseases from Australia;
- contributed to national programs and efforts to contain or eradicate incursions within the borders of other jurisdictions as well as in Victoria;
- worked co-operatively with other jurisdictions to promote effective biosecurity risk management practices; and
- taken action within the State to improve biosecurity awareness and promote good practice.

4.2.1 Auditor-General's findings and recommendations

The Auditor-General concluded that DPI demonstrated strong, cooperative arrangements with many livestock industry groups, however, there were some sectors of the industry where engagement with producers and biosecurity awareness was inadequate.[65]

64 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, pp.29–30

65 ibid., p.31

In addition, the Auditor-General stated that government expectations of industry in relation to biosecurity standards and practice, was not well defined and that the development of quality assurance programs aimed at tracking disease outbreaks and minimising the risk of outbreaks had been slow due to a lack of economic and legislative encouragement.[66]

The Auditor-General recommended that the Department develop a coordinated approach to prevention and early detection across the livestock industry which:[67]

- targets high risk groups;
- introduces legislation to clarify industry roles and responsibilities with regard to biosecurity practice standards;
- ensures that biosecurity principles are incorporated into quality assurance programs and trigger reporting requirements are in place;
- reviews existing consultative structures with industry and other interest groups to ensure that they complement and support government biosecurity objectives;
- promotes a closer working relationship between the policy, program development and operational arms of the Department itself; and
- provides DPI regional staff with a greater role in improving awareness and engagement in local communities.

4.2.2 Response by the Department of Primary Industries and further developments noted by the Committee

Targeting high risk groups

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* the Department stated that a key deliverable of the *VBS Implementation Plan* is to scope high risk threats and gaps not covered by current arrangements including any resourcing implications.[68]

The Committee wrote to the Department in March 2010 requesting further information about whether the high risk threats and gaps have since been adequately addressed by the Department. The Department advised that work has recently been undertaken to further review the high risk threats and gaps in key areas of biosecurity exposure, namely zoonotic and wildlife diseases. The Department intends that risk identification and scoping assessment in these areas will inform future decision-making in addition to the research and analysis that informs the *VBS Implementation Plan*, currently being considered by the Government.[69]

66 ibid.

67 ibid., p.38

68 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.113

69 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.3

Legislation to clarify industry biosecurity roles and responsibilities

The Department's response stated that it was in the process of developing an implementation plan that will seek to clarify roles and responsibilities which will allow for participation across the whole-of-government, industry and community in the implementation of the *Biosecurity Strategy for Victoria*. The Department stated that legislation to formalise these responsibilities was one of the options being considered.[70]

In March 2010, the Committee requested further information from the Department about how industry roles and responsibilities in respect to biosecurity practice and performance standards had been clarified.

The Department advised that the *Livestock Management Act* has been developed to provide a framework for the integration of new nationally agreed standards relating to aspects of livestock management such as animal welfare, biosecurity and traceability which will assist in clarifying industry responsibilities. The objectives of the Act are to:[71]

- regulate standards relating to livestock;
- recognise compliance arrangements that demonstrate high standards for livestock management;
- encourage the adoption and use of approved quality assurance programs and/or equivalent arrangements that ensure industry good practices and standards compliance;
- establish a co-regulatory arrangement for compliance with set standards for livestock management; and
- improve community understanding of livestock management standards and demonstrate to the community that they are being met.

The Department advises that the *Livestock Management Act* is enabling legislation and as such only takes effect as standards are prescribed over time. These standards are under development.

The first new national standards, endorsed through the Primary Industries Ministerial Council (comprising Commonwealth, state, territory and New Zealand government ministers responsible for agriculture, food, fibre, forestry, fisheries and aquaculture production) relate to animal welfare (the *Pig Code (Victorian Standards for Pigs)* and the *Australian Standards and Guidelines for the Welfare of Animals – Land Transport*). The Department advised that these standards will be integrated in law to commence by August 2010.[72] Further standards for cattle and sheep production are currently under development and expected to be finalised in 2011. It is intended that other industry sector standards will follow in future years as part of a broad five year plan.[73]

In terms of industry regulation, the Department advised that the new *Livestock Management Act 2010* will support the future integration of biosecurity standards in regulation, as well as recognising compliance with these standards via industry quality assurance arrangements.

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70 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.113

71 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.3

72 ibid.

73 ibid., p.6

According to the Department, national discussion regarding future regulation with regard to biosecurity and traceability is currently underway.[74]

A review of the new *Biosecurity Strategy for Victoria* indicates that the Auditor-General's recommendation concerning clarification of responsibilities in respect to biosecurity practice and performance standards has been addressed in the document with Action 4.4 in the Strategy stating that:[75]

> *Relevant Victorian legislation will be reviewed to ensure that it is consistent, complementary and supports biosecurity policy objectives.*

Further, the Strategy states that contemporary and better integrated biosecurity legislation will support the *'description of biosecurity standards for farm, fishing and timber businesses, industries and communities, and recognise the shared responsibility and duty of care held by stakeholders.'*[76]

Quality assurance programs and "trigger" reporting

The response provided by the Department in December 2009 states that quality assurance programs in the livestock industry are managed by industry stakeholders. The Department states that it uses its consultative committee to raise issues with industry relating to biosecurity threats, and to suggest to quality assurance mechanisms for minimising those risks.[77]

In March 2010, the Committee requested further details about how biosecurity principles have been incorporated into quality assurance programs in the livestock industry.

The Department reiterated that the new *Livestock Management Act 2010* provides a framework for the integration of new nationally agreed standards about livestock management, including biosecurity principles. The Act ultimately aims to ensure that livestock operators apply the best practice techniques within existing industry programs.[78]

Also, the Department advised that through the development of the *VBS Implementation Plan*, consideration will be given to the development and introduction of biosecurity standards within industry quality assurance programs.[79]

In June 2010, the Committee requested more specific details in regard to quality assurance (QA) programs and trigger reporting requirements as recommended by the Auditor-General. The Department advised that in May 2010, SAFEMEAT (which is the national government and industry partnership responsible for food safety policy in the red meat industry) agreed to review all SAFEMEAT initiatives including the industry's Livestock Production Assurance QA Program, the National Livestock Identification Scheme (NLIS) for both cattle and sheep/goats, and the National Vendor Declaration arrangements in order to produce a system that achieves current and future expectations for food safety, traceability and market access.[80]

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74 ibid.

75 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria,* May 2009, p.28

76 ibid.

77 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.114

78 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.4

79 ibid.

80 ibid., p.10

The Committee was advised that the Department intends to use the outcomes of the SAFEMEAT review to demonstrate to industry the importance and value of incorporating biosecurity elements into its QA programs.[81]

The Department did not provide any comment to the Committee regarding its response to the Auditor-General's recommendation for the introduction of trigger reporting requirements across the livestock industry which the Auditor-General stated in his report would *'significantly strengthen the focus on prevention, risk mitigation and early detection.'* [82]

The Committee also asked the Department to advise on the nature and extent of compliance checks of producers to ensure standards are being maintained. The Department advised that the DPI conducts regular and random audits to check industry compliance with standards including those relating to:[83]

- NLIS (Cattle);
- NLIS (Sheep and Goats);
- NLIS (Pork);
- animal welfare;
- ruminant feed ban compliance; and
- swill feeding.

In addition to DPI audits, the Department advised that peak industry groups audit producers in relation to their compliance with their own QA program requirements. [84]

Consultative structures

The Department's response, as detailed in the Minister for Finance's report states that while the DPI has a range of consultative structures designed to engage more closely with industry, it acknowledges that some review and rationalisation is necessary.[85]

Following a request from the Committee for further information from the Department in respect to its review of the purpose, roles and responsibilities of existing biosecurity consultative structures, the Department advised that it has commenced a review of biosecurity consultative structures which will be an on-going activity.[86]

The Department also advised that, Victoria's published policy framework for animal health decision-making states that DPI is committed to engaging stakeholders and values the assistance provided by the external members of the various consultative and advisory committees in place. There are a number of consultative and statutory committees involving industry groups which

81 ibid.

82 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.37

83 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.11

84 ibid.

85 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.114

86 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.4

provide a forum for information exchange on operational, policy and strategic issues relating to pest and disease control, livestock management and welfare standards, traceability and EAD preparedness.[87]

The following statutory committees are formed under the *Livestock Disease Control Act 1994* and develop biosecurity programs using industry funds raised from stamp duty on the sale of livestock and livestock products:[88]

- Agricultural Industry Advisory Committee (AIAC);
- Cattle Compensation Advisory Committee (CCAC);
- Sheep and Goat Compensation Advisory Committee (SGCAC); and
- Swine Industry Project Advisory Committee (SIPAC).

The Department advised the Committee that following a review of the composition of these statutory industry committees, DPI has supported the introduction of legislation to update and improve membership of the CCAC and the SGCAC.[89]

Other important non-statutory forums include the:[90]

- Livestock Industry Consultative Committee;
- Horse Health Industry Advisory Committee;
- Sheep and Goat Identification Advisory Committee;
- NLIS Cattle Implementation Advisory Committee;
- Pig Industry Liaison Group; and
- Poultry Health and Welfare Liaison Group.

In addition, consultative forums are convened regularly and on an "as needs" basis to deal with specific biosecurity issues. The Department considers that the present consultative forums are effective and relevant for animal biosecurity needs.[91]

The Department also advised that, as identified in the *Biosecurity Strategy for Victoria* (Action 1.3), a Biosecurity Standing Committee chaired by the DPI will be established. This Standing Committee will include key stakeholders across government with biosecurity responsibilities which will assist in providing *'integrated, efficient and comprehensive planning and delivery across agencies and departments.'*[92]

87 ibid., pp.4–5

88 ibid., p.5

89 ibid.

90 ibid.

91 ibid.

92 ibid., p.4

In June 2010, the Committee requested further information from the Department in relation to the proposed timeline for the establishment of the new Biosecurity Standing Committee. The Department advised that Terms of Reference for the new Committee have been developed and endorsed by the Biosecurity Strategy Project Control Board. The Standing Committee will be chaired by the Deputy Secretary, Agriculture and Fisheries Services, DPI and the Deputy Chair will be nominated by the Department of Sustainability and Environment. Membership will be taken from the DPI, Department of Health, Department of Justice, Department of Premier and Cabinet, Parks Victoria, and the Environment Protection Authority.[93]

The Department also advised that the scope of the Committee's work will cover all issues involving plant and animal pests and diseases that may impact upon the environment, social amenity, human health, and primary industries and will focus on policy, planning and preparedness. The first meeting of the Biosecurity Standing Committee is intended to take place on 11 August 2010 and the Committee will report annually against its work plan to the Secretary, DPI.[94]

Improving working relationships within the Department

In its response in the Minister for Finance's report, the Department indicated that it was engaged in a series of discussions aimed at developing a closer working relationship between policy and operational staff within the Department. In addition, the Department stated that it was taking action to establish closer collaboration between various categories of field staff, together with a new series of field-based surveillance activities directed at improving relationships with local communities.[95]

In June 2010, the Committee requested more information from the Department concerning specific action taken to improve internal coordination within the Department. The Department advised that during 2009-10, the Agriculture and Fisheries Division of the Department was reviewed, resulting in changes to the Biosecurity Victoria Division of the Department. It is anticipated that the new structure (shown in Figure 2.1 of this report) will enable more efficient and effective internal coordination through the movement of biosecurity field services staff into the Division in addition to the consolidation of seven small policy and regulatory branches into three key branches focusing on animal, plant and invasive species, to allow a more flexible and integrated approach. The Department stated that it expects these changes to increase opportunities for innovation and capability development flowing from closer and easier collaboration between policy, regulation and operations.[96]

4.2.3 Review and conclusion

Based on the information provided by the Department, the Committee considers that the Department has responded positively to the Auditor-General's recommendations to improve its approach to prevention and early detection. A review of the new *Biosecurity Strategy for Victoria* also indicates that several of the Auditor-General's comments and recommendations have been taken into account and incorporated into some of the actions outlined in the Strategy. The Committee looks forward to the forthcoming *VBS Implementation Plan* assisting with further progress to address a number of the issues raised by the Auditor-General. The Committee notes

93 ibid., p.7

94 ibid.

95 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.114

96 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.11

the introduction of the *Livestock Management Act 2009* which will provide a framework to encourage producers to adopt standardised biosecurity practices and assist with future regulation of livestock industry groups.

The Committee notes the Department's comments in relation to industry quality assurance programs and the SAFEMEAT review currently underway at a national level however, the Department has not indicated any response to the Auditor-General's recommendation for the introduction of industry trigger reporting requirements. The Committee recognised that this recommendation forms a significant risk identification and mitigation strategy and considers that trigger reporting by industry groups should be introduced to further assist with early detection and prompt response.

In terms of improvements to biosecurity consultative structures, the Committee considers that the Biosecurity Standing Committee will provide a higher profile for biosecurity issues across the State and allow for a whole-of-government approach to biosecurity policy, planning and preparedness. The Committee also looks forward to the Standing Committee also being active in driving the implementation of the new *Biosecurity Strategy for Victoria*.

Prevention and early detection of EADs also relies on an awareness of biosecurity risks and issues, not just in producers across the livestock value chain but also amongst smaller agricultural producers, peri-urban producers and the general community to encourage prevention and early detection of EADs. This view is reinforced in the new *Biosecurity Strategy for Victoria* which espouses the importance of government, industry and the broader community, working together to identify, prevent, prepare for, and manage future biosecurity threats. The Committee considers that the Department should review the level of understanding of these issues amongst smaller producers and the general community and consider strategies/initiatives to address any deficiencies in this area of information, education and awareness.

The Committee notes the organisational changes implemented by DPI and looks forward to these changes improving collaboration and synergy across policy and operational areas of Department.

Recommendation 3: **The Committee recommends that the Department of Primary Industries elevate as an important priority, the introduction of trigger reporting requirements to further assist early detection of, and rapid response to, Emergency Animal Diseases as recommended by the Auditor-General.**

Recommendation 4: **The Committee recommends that the Department of Primary Industries investigate the level of general awareness amongst small scale producers and also amongst the general community of biosecurity risks and issues and takes action to address any identified misconceptions and knowledge gaps.**

4.3. Disease surveillance, monitoring and reporting

The Auditor-General's report notes that the main aim of surveillance is the compilation of relevant data about diseases and disease agents which can assist with decision-making about animal health policies and programs. The report states the following five objectives of surveillance:[97]

- early detection of emerging/exotic disease incursions;
- demonstration of freedom from disease or disease agents;
- determination and detection of changes in the distribution, prevalence and incidence of diseases or disease agents;
- detection of changes in factors or events that influence the risk of disease; and
- biosecurity planning/decision-making.

The DPI participates in a number of national surveillance programs to provide information in support of market access and disease management activities. The Auditor-General notes that national reports and DPI's self-assessment against the National Animal Health Standards indicate that Victoria is meeting its obligations with respect to these national surveillance programs.[98]

The Auditor-General also noted the implementation of a number of State-based surveillance activities by the Department aimed at expanding the State's biosecurity surveillance capacity and the high quality of Biosecurity Victoria's diagnostic laboratory services.[99]

4.3.1 Auditor-General's findings and recommendation

The Auditor-General found that while there had been significant enhancements to animal health surveillance in Victoria, these had come about through risk management processes rather than through a clear and comprehensive DPI surveillance strategy.[100]

The report also included comments on the importance of livestock tracing systems to surveillance and early detection and response. The report noted that whilst the cattle tracing system in Victoria is well developed, the progress of a sheep tracing system has been impeded by national and industry constraints. Also, systems are under development in respect to tracing swine and mainstream poultry production. The Auditor-General stated that Biosecurity Victoria should continue to encourage other jurisdictions and industry to develop and implement livestock tracing systems.[101]

The Auditor-General recommended that the DPI develop a surveillance strategy which defines goals and objectives, roles and responsibilities, performance targets, timelines, and resource requirements. In addition, the strategy should provide for evaluation and allow for surveillance program priorities to be adjusted for changes in risk profiles.[102]

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97 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.33

98 ibid.

99 ibid., pp.34–5

100 ibid., p.37

101 ibid., p.36

102 ibid., p.37

4.3.2 Response by the Department of Primary Industries

The response of the Department as detailed in the *Response by the Minister for Finance to the Auditor-General's Reports 2008-09* indicates that the Department accepted the Auditor-General's recommendation in principle and stated that further consideration would be given to the resourcing implications and the needs of stakeholders in implementing this recommendation.[103]

The Department also stated in its response that *A Smarter Surveillance Strategy for Victoria* was in progress and due for completion by 30 June 2010. An enhanced surveillance approach had been developed by the Department and endorsed by the National Animal Health Committee. The approach was noted as being under the consideration of the Commonwealth Department of Agriculture, Fisheries and Forestry which would help guide Victoria's approach. In the meantime, the Department stated that it had established a series of new surveillance initiatives directed at cattle and sheep/goat related diseases, which have received industry co-funding. It was expected that these initiatives will involve livestock producers, private veterinarians, stock agents, abattoir, knackery and saleyard operators, and laboratory personnel. Also, the Department stated that an extensive amount of disease information and data will be collected and analysed to improve knowledge of disease status, prevalence and significance in the State.[104]

4.3.3 Subsequent developments noted by the Committee

The Committee wrote to the Department in March 2010 requesting an update on any further action taken by the Department in respect to the Auditor-General's recommendation for the development of a surveillance strategy.

The Department advised that a strategy has been developed which outlines a comprehensive and integrated approach to livestock surveillance across the value chain. The Department states that the strategy embraces a plan and future vision for animal health surveillance and includes all of the aspects recommended by the Auditor-General for inclusion in such a strategy.[105]

In addition, the Department provided the following list of enhanced animal surveillance activities which have been introduced in-line with the strategy and with support and significant co-funding from industry:[106]

- a new software tool – '*Yes! (Yes Epidemiology System)*', to enable the collection and prompt analysis of disease surveillance data;
- a new electronic management information system – '*MAX (Maximum Disease and Pest Management)*' to manage EAD incident response;
- a new electronic analytical tool – *'LiveTRACE'* to support livestock tracing and disease investigation;
- a major Foot and Mouth Disease simulation exercise in 2009 (*'Exercise DIVA'*);
- knackery surveillance;

103 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.114

104 ibid.

105 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.5

106 ibid., p.6

- anthrax surveillance;
- investigation of lamb/kid and weaner sheep mortalities;
- surveillance in saleyards and abattoirs for emerging and exotic diseases of sheep and goats;
- sentinel sheep and goat flock and herd monitoring;
- dairy goat and sheep health management; and
- promotion of the NLIS (Sheep and Goats).

The Committee noted that one of the recommendations in the Beale Review refers to the development of a comprehensive, national, post-border monitoring and surveillance program for priority pests and diseases. This recommendation is referred to in the new *Biosecurity Strategy for Victoria* which states that Victoria will work closely and collaboratively with the Commonwealth Government to support the implementation of the recommendations in relation to national surveillance.[107]

At the public hearing in April 2010, the Department advised that prevention and early detection is critical to providing an effective response and avoiding the most serious of the social, economic and potentially harmful public health effects which can result from emergency disease outbreaks. The Department stated that one of the features of the way animal health is managed in Victoria is the close relationship which the Department has with industry which includes shared funding arrangements and involvement of industry in decision-making. The Committee was advised that the recently developed animal health surveillance strategy was developed in close consultation with industry groups and that industry had also matched Departmental funding for a range of surveillance projects and initiatives over the past 18 months, a relationship which does not exist so closely in other jurisdictions.[108]

At the hearing, the Department provided the Committee with a copy of *Animal Health in Victoria 2009*. The report contains information on major livestock events, initiatives and animal health issues and programs introduced throughout the year. The results of DPI's disease surveillance activities conducted over the period are documented in this report and a range of disease surveillance activities focussing on pig production is scheduled to commence in July 2010.[109]

4.3.4 Livestock tracing systems

According to an AHA, Farm Biosecurity newsletter, Foot and Mouth Disease (FMD) remains the biggest biosecurity risk to Australia's livestock industries.[110] The National Livestock Identification System (NLIS) is Australia's system for identifying and tracking animals susceptible to FMD. These include cattle, sheep, goats, pigs, alpacas and llama.

107 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria,* May 2009, p.32

108 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence, 28 April 2010, p.5

109 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.8

110 Animal Health Australia, 'Focussing on FMD – Our Biggest Livestock Disease Threat', 24th Farm Biosecurity News, April 2010, <www.farmbiosecurity.com.au/farm-biosecurity/news/news-stories/24th-farm>, accessed 28 June 2010

The NLIS was introduced in 1999 to meet European Union requirements for cattle exports although Victoria's cattle identification system dates back to the 1970's. The NLIS (Sheep and Goats) commenced in 2006. Since 1999, the NLIS has expanded to enable cattle, sheep and goats to be traced from property of birth to slaughter for: [111]

- biosecurity;
- meat safety;
- product integrity; and
- market access.

To meet national and international market access obligations, Australia's animal health services must meet certain minimum national performance standards. Included in these standards are the National Livestock Traceability Performance Standards which were endorsed by the Primary Industries Ministerial Council in May 2004. It is envisaged that all states and territories will aim to meet these standards and AHA is planning to conduct annual audits to encourage and assess compliance.[112]

The Auditor-General's report stated that livestock tracing systems are critical to surveillance, early detection and response. These systems can provide efficient and reliable tracing of animals exposed to an EAD risk and assist with providing evidence of disease free livestock through surveillance programs, which is an increasing demand internationally. The report also notes the need for improvement in the sheep and goat tracing system.[113]

The publication on *Animal Health in Victoria* produced by the Department in 2009 states that the DPI regularly audits saleyards and abattoirs for NLIS (Cattle) tagging compliance. During 2009, it notes that tagging rates were 99.5 per cent in saleyards and 99.6 per cent in abattoirs.[114]

The Department advised that currently, as part of the NLIS (Sheep and Goats), paper records are retained by producers, saleyards and stock agents and must be physically located in the event of an EAD or food safety emergency. This is a resource intensive, slow and sometimes unreliable method of identification and tracing.[115]

In 2009, the DPI commissioned a consultant's report of the NLIS (Sheep and Goats) to look into the most cost effective way to improve the system. The Department advised that the consultants reported that electronic identification was the most cost effective method going forward. However, the Department advised that the system has to be a national one as the movement of livestock does not stop at the Victorian borders.[116]

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111 Meat and Livestock Australia, 'Livestock Identification', <www.mla.com.au/Meat-safety-and-traceability/livestock-identification>, accessed 28 June 2010

112 Animal Health Australia, 'National Livestock Identification System', <www.animalhealthaustralia.com.au/aahc/index.cfm?F26691D6->, accessed 28 June 2010

113 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.36

114 Department of Primary Industries, *Animal Health in Victoria 2009,* May 2010, p.53

115 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.9

116 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence, 28 April 2010, p.8

This issue was discussed at the public hearing and the Department was asked what further action was being taken to address the deficiencies identified in the current system.

The Secretary of the Department advised that there is currently no industry consensus to move to an electronic system of tagging for sheep and goats and as such the national performance standards for traceability are unlikely to be met under the current system. The Committee was advised that the Department has spent considerable time attempting to gain agreement on a system which will meet the performance standards however, the issue relates to the economics associated with electronic tagging for smaller animals which are worth less in the marketplace. AHA is currently undertaking a review of the costs and benefits associated with a national system which meets the standards. In terms of the risks, the Secretary stated: [117]

> *It is a particularly significant issue for foot-and-mouth where, as I am told by those who know much better, sheep are the silent carriers of the disease. Without proper tracing of those animals, we would struggle to find out where it had gone by the time it was well entrenched within the livestock sector.*

In late 2009, AHA appointed consultants to prepare a national business plan outlining options for addressing the current gaps in the NLIS (Sheep and Goats) and considering the use of electronic tagging over visually readable tags and paper records.

At the Committee hearing, the Department also advised that the Minister for Agriculture had established an industry advisory committee for sheep identification and that the recent consultant's report had been provided to this committee to inform their deliberations.

In relation to pork, the Department advised that the tracing system for pigs is based on a tattoo system and that around 90 per cent of pork is marketed through vertical systems where the tracing is quite good. Also the Committee was advised that the risk in the pig livestock industry is of a lower order than for sheep and goats, especially as it relates to the spread of FMD.[118] During 2009, AHA conducted a national training exercise assessing the ability of the current NLIS (Pork) system to meet the National Performance Standards. The AHA identified the need for improvements in this area and Australian Pork Ltd is coordinating joint industry-government action to improve the NLIS (Pork).[119]

In June 2010, the Committee requested further information from the Department about additional actions taken by DPI to mitigate the risks of an outbreak of FMD not being able to be traced quickly, in the absence of a high level of traceability of sheep and goats.

The Department advised that its sheep/goat disease surveillance activities are an important part of its risk mitigation strategy to facilitate early detection. In addition, the Department reiterated the importance of its emergency preparedness activities which are directed at improving the Department's preparedness for a high risk disease and assisting with the prompt containment of an outbreak.[120]

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117 Mr R Bolt, Secretary, Department of Primary Industries, transcript of evidence, 28 April 2010, p.7

118 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence, 28 April 2010, pp.8–9

119 Department of Primary Industries, *Animal Health in Victoria 2009,* May 2010, pp.53–4

120 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.9

4.3.5 Review and conclusion

The Committee notes the range of animal surveillance activities and initiatives undertaken by the Department since the release of the Auditor-General's report and considers that a significant amount of consideration and continued effort has been afforded to surveillance activities. The Committee also notes recent advice from the Department concerning the development of a specific animal health surveillance strategy incorporating each of the components recommended by the Auditor-General and also the advances made in the application of information technology to assist the Department in its surveillance activities (discussed further in Chapter 6 of this report).

The Committee wishes to reiterate the Auditor-General's comments in relation to formal assessment and review of surveillance programs to build knowledge within the Department and contribute to the Department's overall program of continuous improvement. In this respect the Department needs to ensure regular, structured monitoring of its new animal health surveillance strategy to continually review and check the relevance and effectiveness of the Department's surveillance efforts.

Also the Committee encourages the Department to continue promoting improved livestock traceability systems for sheep and goats to ensure compliance with National Performance Standards in this area and to better manage the risks associated with early detection and containment of an EAD.

Recommendation 5: **The Committee recommends that the Department of Primary Industries develop a process to enable regular monitoring and evaluation of its new animal health surveillance strategy to ensure that it remains relevant and effective.**

Recommendation 6: **The Committee endorses the efforts of the Department of Primary Industry to improve the livestock traceability of sheep and goats and recommends that the Department continue to promote amongst other jurisdictions, and at a national level, Victoria's commitment to electronic livestock tracing systems.**

CHAPTER 5: EMERGENCY ANIMAL DISEASE PREPARATION AND RESPONSE

5.1. Introduction

Any suspicion of an Emergency Animal Disease (EAD) outbreak or evidence of an actual outbreak requires a swift and effective response. The ability to provide such a response is dependent on preparedness for such an event. To this end, planning and training are critical, as are clearly articulated and widely understood EAD response policies and procedures.

5.2. DPI's preparation for a potential EAD

The Auditor-General assessed the Department's approach to preparing for an EAD by reviewing the two main components of the Emergency Animal Disease Preparedness (EADP) Plan, namely:

- simulation exercises; and
- capability training.

5.2.1 Simulation exercises and staff training

The main purpose of simulation exercises is to practice response to an EAD outbreak and thereby try to ensure that when a response is required it will be swift, well organised and effective in containing and halting the outbreak. A critical part of launching an effective EAD response is ensuring that frontline and specialist staff are trained to a high level of preparedness.

The Auditor-General stated in his report that the Department *'places a high priority on conducting regular simulation exercises to support preparedness'* and regularly participates in both national and state simulation exercises.[121]

Auditor-General's findings and recommendation

The Auditor-General reported that while the selection of simulation exercises had been sound, future exercises should be chosen on the basis of clearer links to the EAD risk assessment profile. He recommended that to improve response preparedness, the Department should clearly link the selection of simulation exercises to the risk management framework to target coverage of the high risks.[122]

In terms of staff training, the Auditor-General concluded that the Department places a high priority on training to support preparedness and had substantially increased its commitment to EAD staff training since 2003. Further, the Auditor-General noted that the Department has a comprehensive training program in place which prepares animal health staff for basic activities and roles during EAD emergencies and also addresses identified gaps and emerging issues in the animal health environment. The Auditor-General also noted that the Department regularly reviews and evaluates its training programs.[123]

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121 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.42

122 ibid., p.53

123 ibid., pp.44–5

Response by the Department of Primary Industries

The Department stated in the *Response by the Minister for Finance to the Auditor-General's Reports 2008-09*, that it supported the recommendation in part/principle. The Department stated that it evaluates the risk profile of Victoria on an ongoing basis with the aim of building its emergency management strategy around new and emerging risks. The Department also indicated that it hosted an Emergency Animal Disease Risk Assessment Workshop in October 2008 and that the simulation exercises conducted during 2009 had focussed on the high risk diseases identified by this workshop, including Hendra virus and Foot and Mouth Disease (FMD).[124]

Subsequent developments noted by the Committee

In March 2010, the Committee requested further advice from the Department as to why the Auditor-General's recommendation had not been fully supported by the Department.

The Department advised that the recommendation had been supported in principle rather than outright because while the EAD risk profile has always been considered in selecting simulation exercises, other factors also need to be taken into account.[125]

The Department advised that the selection of exercise scenarios (i.e. the disease type and hypothetical location of an outbreak) and the exercise type (i.e. field, functional or desk-top) are made after consideration of the most efficient and effective way to address identified gaps/training needs. These gaps may relate to a general lack of awareness by key stakeholders or a lack of clarity about what 'being prepared' means, through to gaps in policy or operational capability.[126]

The Department provided a list of recent livestock disease simulation exercises and objectives as follows:[127]

- **Exercise DIVA'09** – This major simulation exercise was based on a hypothetical outbreak of FMD in the Goulburn Valley. The overall aim of the exercise was to improve the preparedness and capability of DPI's response to an emergency FMD incursion. The exercise contained a number of objectives relating to: the implementation of a "livestock standstill"; the implementation of emergency FMD vaccination; the development of a comprehensive communications strategy and plan for a FMD emergency response; the identification of the resourcing needs of a FMD emergency response; the identification of the learning and development needs of staff; the testing of the Department's EAD information systems, plans, procedures and strategies; and the involvement of the national EAD Rapid Response Team.

- **Exercise Hendra'09** – This simulation exercise was based on a hypothetical detection of Hendra virus in horses in Victoria. The overall aim of the exercise was to raise awareness of Hendra virus amongst key stakeholders in the Victorian equine industry and to identify the key issues to be addressed in the event of an emergency response.

124 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.115

125 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.6

126 ibid., p.7

127 ibid., Annex A, pp.15–16

- **Exercise Varroa'08** – This exercise was based on a hypothetical incursion of Varroa mite in Victoria. The overall aim of the exercise was to improve the preparedness of DPI Victoria to respond to the incursion of an emergency animal disease (EAD) in honey bees and Varroa mite in particular. The objectives of the exercise were, to raise awareness amongst Department EAD response managers and industry representatives of an incursion of Varroa mite, to identify gaps in the preparedness of industry and government to such an incursion and, to develop a response action plan.

At the public hearing in April 2010, the Department stressed the importance of preparedness and planning in providing an effective emergency response. One part of this focus is a very structured approach to training. The Department stated that simulation exercises undertaken by the Department test not only staff preparedness but also the preparedness and capability of systems in place particularly, in more recent years, new information technology.[128]

Conclusion

Based on the information provided by the Department, the Committee considers that the Department has a well developed approach to the selection of appropriate simulation exercises based on its EAD risk profile and its identification of staff training needs. The Committee also notes evidence taken at the public hearing that the Department has taken action to improve the documentation surrounding the identification, selection and design of simulation exercises.[129]

5.3. Effectiveness of EAD response management

The *Livestock Disease Control Act 1994* is the key legislation governing the State's response to an EAD outbreak and provides the necessary powers and authority to act.

To test the effectiveness of the Department's response to an EAD incursion, the Auditor-General examined two recent case studies (Anthrax in January 2007 and Equine Influenza in August 2007) and also reviewed the interface between the Department and the Department of Health (formerly the Department of Human Services).

5.3.1 Auditor-General's findings and recommendations

The Auditor-General concluded that the Department had responded promptly to the two recent EAD incidents and had taken the necessary action to limit the spread of the diseases.[130] The most significant issue identified in the outbreak of Equine Influenza was that resources were stretched considerably which, the Auditor-General noted, raises concerns about the Department's capacity and capability to sustain a response over a prolonged or extensive EAD outbreak.[131]

The Auditor-General made comment on the effectiveness of communication undertaken by the Department during the Equine Influenza emergency stating that some elements of the communication process were slow but that overall, the Department had conducted a large and effective publicity campaign.[132]

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128 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence 28 April 2010, p.5

129 Dr H Millar, Executive Director and Dr M Ramsay, Principal Veterinary Officer for Exotic Diseases, Biosecurity Victoria, Department of Primary Industries, transcript of evidence 28 April 2010, p.16

130 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.53

131 ibid., p.49

132 ibid., p.50

The Auditor-General noted that a key issue identified in the Anthrax incident was the need for the EAD policies and procedures manual to be revised and updated. The Auditor-General commented that a large amount of undocumented policy and operational knowledge was held by Department staff which needed to be formally documented in policy and procedure manuals.[133]

With respect to the interface between the DPI and the Department of Health, the Auditor-General found that the two agencies have a close working relationship which has assisted the effective management of endemic zoonotic diseases (i.e. diseases which can be transferred from vertebrate animals to humans) and minimised the risks to public and animal health.[134] However, the Auditor-General noted that the relationship between the two agencies was based on strong personal relationships and high levels of mutual respect rather than formalised structures and processes. He added that: [135]

> *...the predicted increase in zoonoses and their potential impact on human health and economy warrants a stronger governance framework and clearer structural relationship.*

As a result of their findings in relation to the effectiveness of the Department's EAD response management, the Auditor-General recommended that the Department:[136]

- develop a strategy to address the capacity and capability for dealing with a prolonged or extensive EAD incursion;
- further develop its communication strategy to include planning for specific EAD's, outlining the key steps, processes and timing to provide early warning and effective delivery of information to key stakeholders and the general public;
- implement a systematic review and update of the Manual of Procedures and the Standard Operating Procedures relating to an EAD outbreak; and
- collaborate with the Department of Health to establish a more systematic approach to developing protocols for managing specific zoonoses.

5.3.2 Response by the Department of Primary Industries and subsequent developments noted by the Committee

In the *Response by the Minister for Finance to the Auditor-General's Reports 2008-09*, the Department accepted the Auditor-General's recommendation in part/principle noting action taken in response to each of the points raised. In March 2010, the Committee requested additional information from the Department in respect to the issues raised and actions taken. The Department's initial response together with further information received by the Committee is presented in the following paragraphs.

133 ibid.

134 ibid., p.53

135 ibid., p.51

136 ibid., pp.49–54

Seeking to improve capacity and capability

The Department's response the Minister for Finance report stated that a three year program plan (2009-2012) had been developed for Emergency Animal Disease Preparedness (EADP) with the following objectives:[137]

- to ensure that up-to-date EADP plans, policies and procedures are in place;
- to develop an adequate human resources base for an EAD response;
- to develop arrangements for accessing physical resources for an EAD response; and
- to build effective emergency animal relationships, within the Department and, with emergency response agencies and industry stakeholders.

The response also noted that the EADP Program includes a number of key initiatives to develop capacity and capability including the:[138]

- expansion and deepening of the EADP training program; and
- implementation of recommendations arising from the 2008 review of the DPI response to the Equine Influenza outbreak.

In addition, the *Primary Industries Legislation Amendment Bill 2008*, given Royal Assent in June 2009, provides for registered veterinary practitioners to practice in all other states and territories and thereby allows for the rapid mobilisation of interstate vets to assist with an EAD incident.[139]

The Committee notes that the new *Biosecurity Strategy for Victoria* recognises the need for long term planning in support of decision-making about capacity and capability building and investment for effective biosecurity emergency response and recovery.[140] The Department's response also referred to the *VBS Implementation Plan* which will include projects aimed at improving emergency capacity and capability.[141]

The Committee requested further information from the Department about the three-year EADP Program. The Department advised that the main activities and key achievements of the Program in 2009 were: [142]

- simulation EAD Exercise DIVA'09;
- EAD response training and assessment activities for the government and private sectors, with in excess of 524 DPI staff in attendance;
- enhanced disease surveillance of livestock and honey bees;

137 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.115

138 ibid., p.116

139 ibid.

140 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria,* May 2009, p.35

141 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.116

142 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, pp.7–8

- development of communications strategies for high-risk pests and diseases, including Varroa mite, Anthrax, Avian Influenza and Foot and Mouth Disease;
- development of MAX, an electronic information management system for biosecurity emergency response;
- a number of projects aimed at building capabilities for infected premises operations;
- implementation of recommendations from Victorian and national equine influenza reviews;
- major revision of the Anthrax Manual of Procedures and Standards;
- collaboration with the National EAD Preparedness Program including the development of training and assessment materials;
- ongoing contribution to the development of AUSVETPLAN and National Standard Operating Procedures; and
- a rapid "pen-side" test for exclusion of Anthrax was trialled in Victoria aimed at improving the speed and accuracy of diagnosing, or excluding, the presence of Anthrax in suspect carcasses on farms.

In addition, the Department provided the Committee with a list of current and future activities relating to improving EAD response capacity and capability:[143]

- Implementation of recommendations arising from Exercise DIVA'09.
- A system-level review of lessons learned from Exercise DIVA'09 and other EAD exercises and emergency responses over the last five years.
- Annual EAD response capability gap analysis and training needs assessments together with the design of training activities to address gaps identified.
- Development of "disease-specific" response capability auditing frameworks for high risk diseases. Action plans will be developed to address gaps identified by annual audits.
- A number of projects to increase capacity and capability for managing destruction, disposal and decontamination activities during a response.
- An on-going program of developing and maintaining operational plans, procedures and information systems.

At the public hearing, the Department was questioned about the Auditor-General's concerns regarding the DPI's capacity to sustain a response during an extensive or prolonged livestock disease incursion. The Department stated that it did not have the resources available to maintain a 'standing army' which could be occasionally called into service at high levels for a limited period of time but it did maintain a core capability in its animal health group which provides a first response approach with key roles identified and planning done in advance.[144]

143 ibid., pp.8–9

144 Mr R Bolt, Secretary, Department of Primary Industries, transcript of evidence 28 April 2010, p.13 and Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence 28 April 2010, p.13–14

The Department advised that it has extended its capability by accessing other groups across the Department which have relevant knowledge in relation to farming and farmers. Currently that capacity is over 1000 staff. In addition, Victoria has a pre-arranged employment agreement in place with the Veterinary Association to employ them in the event of an emergency and at a national level, the Department has reciprocal arrangements in place with the other states and territories in addition to the International Animal Health Emergency Reserve (which involves Canada, the United States, Japan, New Zealand and the United Kingdom).[145]

In 2007, the DPI established an Emergency Response and Recovery Team (ERRT) to ensure that the Department had a team of committed and trained staff capable of responding to DPI emergency preparedness, response and recovery activities. The Department advised that ERRT membership is open to all Departmental staff and includes all staff who have experience and/or training related to emergency response and recovery. At the end of 2008, the ERRT was expanded from 400 staff to 1,100 in response to increasing demand for the Department to respond to emergency incidents. ERRT members are expected to participate in at least 4 to 5 days of preparedness training each year. In June 2010, the Department established the Emergency and Security Planning Division to further coordinate planning and support capacity and capability development in response to emergencies, including EAD outbreaks.[146]

The Secretary of the Department acknowledged at the public hearing that while the Department is acutely conscious of its emergency management risks, there remains the possibility that because the likelihood is low, the Department could be under prepared. However, he stated that the Department counters that by:[147]

> *...planning reactively not just for a range of biosecurity outbreaks but also for our work in leading farm recovery after natural disasters, providing fire response contributions to DSE in particular, managing mine emergencies such as the Yallourn collapse, managing electricity supply emergencies and gas supply emergencies...*

Improvements in the Department's capability as a result of recent developments in Biosecurity Victoria's information technology systems are discussed in Chapter 6 of this report.

Improvements in Communication Strategies

The Department's response included in the Minister for Finance report states that Biosecurity Victoria has developed a communication strategy that will be reviewed and updated annually and a key deliverable within the strategy is to develop specific communication strategies for high-risk biosecurity emergencies. The Department indicated that communication strategies had been developed for Anthrax; Varroa Mite; Avian Influenza; and Plague Locusts and that one for Foot and Mouth Disease was in progress.[148]

The Committee requested further information from the Department about other initiatives being taken to improve communication in regard to biosecurity emergencies.

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145 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence 28 April 2010, p.14

146 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.3

147 Mr R Bolt, Secretary, Department of Primary Industries, transcript of evidence 28 April 2010, p.15

148 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.116

The Department advised that it is proposing to undertake emergency response scenario communication planning and training and to establish a state-wide Biosecurity Communication Taskforce to lead biosecurity emergency communication across the Victorian government. This is included in the *VBS Implementation Plan*, currently under consideration by Government.[149]

In addition, the Department referred to the recently developed Animal Health and Welfare Communications Strategy. The objectives of this strategy are to ensure that key stakeholders are kept informed of the latest biosecurity and animal health information and to maintain efficiency, effectiveness, transparency and consistency in the Department's communications with the media and other target audiences.[150]

In conjunction with the Animal Health and Welfare Strategy, the Department advised that it has also established an Animal Health and Welfare Communications Group. The main function of the Group is to oversee the production and revision of DPI communications materials with respect to animal health and welfare, including EAD's. The Group is responsible for ensuring that all web content is relevant and current and that publications are available to staff for distribution and dissemination.[151]

Review of the Manual of Operating Procedures

In its' response the Department stated that it had commenced internal consultations on the update of the Manual of Procedures for a range of animal diseases and emerging threats. Also, a process has been implemented to ensure relevant livestock industry Manuals and Standard Operating Procedures are developed in a consistent format and are reviewed annually.[152]

In March 2010, the Committee requested advice from the Department on the status of its review of the Manual of Operating Procedures and Standard Operating Procedures as recommended by the Auditor-General.

The Department advised that as a result of the review process, a number of new Procedures have now been prepared or are under development. There are now 95 Standard Operating Procedures dealing with a wide range of issues relating to animal disease management. The Department advised that this is a significant increase in the number of Operating Procedures available to field staff since the Auditor-General's audit. In addition, processes have been implemented for all livestock disease Operating Procedures to be reviewed either on an annual basis or as required.[153]

Further, the Department advised that it is taking action to incorporate its Operating Procedures into its quality management system, certified under ISO 9001:2000.[154]

149 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.9

150 ibid.

151 ibid.

152 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.116

153 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.10

154 ibid.

At the hearing in April 2010, Dr Hugh Millar, Executive Director, Biosecurity Victoria advised that the Department had made a significant effort over the past 18 months to ensuring that all departmental protocols and procedures relating to emergency animal disease management are clearly documented.[155]

The Committee wrote to the Department in June 2010 requesting further clarification about certification of the Manual of Procedures and Standard Operating Procedures under ISO 9001:2000. The Department advised that standardised processes and procedures around the documentation and administration of the operating procedures were still being developed in preparation for incorporation into the current quality management system. Once completed, an internal review would be undertaken to verify the integrity of the system in readiness for an external audit by a registered certification company. It is anticipated that this will be included in the Department's annual re-certification audit in July 2011.

5.3.3 Review and conclusion

The information provided to the Committee indicates that the Department has responded in a positive manner to the Auditor-General's comments in relation to further improving the Department's EAD response management. The advice indicates that the DPI has taken action, and continues to look at ways, to improve its capacity and capability in this area.

In addition, the Department has indicated that it has taken action to improve its communication strategies as they relate to high-risk biosecurity emergencies and has moved to formally document emergency management protocols and operating procedures.

The Committee notes developments to better target communication campaigns to key biosecurity stakeholders however the Committee also wishes to highlight the importance of increasing the awareness of biosecurity issues in the wider community. This is particularly important given increases in the number of people travelling for work and leisure in and out of Victoria, and internationally, including the more exotic and remote areas. And, increases in new agricultural industries (i.e. animals and plants not farmed traditionally) and the growth in peri-urban, lifestyle farming enterprises where the participants are not necessarily involved in the larger, more formalised agricultural industry groups and associations. The June 2010 Farm Biosecurity newsletter on the AHA website includes reference to a letter recently prepared by the Chief Executive Officer of AHA which states: [156]

> *The current outbreaks of FMD in Japan, Korea and China should serve to remind Australian producers that they are the first line of defence in protecting our livestock industries against any exotic disease or pest…*
>
> *…The key FMD risk at the moment is anyone who has been to one of the countries presently experiencing an outbreak…The FMD virus will survive on boots and clothing for up to eight days and in nasal passages of people for up to three days. Anyone who has visited these countries – especially if they were near a farm – could bring it back to Australia with them on a plane.*

155 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence 28 April 2010, p.5

156 Animal Health Australia, 'Focussing on Biosecurity farmer of the year', 25th Farm Biosecurity News, June 2010, <www.animalhealthaustralia.com.au/farm-biosecurity/news/news-stories/25th-farm>, accessed 27 July 2010

The Committee notes also that the new *Biosecurity Strategy for Victoria* states:[157]

> *Farmers and resource managers, industry and the community need to be more effectively involved in identifying, prioritising, resourcing and implementing biosecurity actions…*
>
> *Everyone in the community has a role in reporting possible pest or disease outbreaks or other unusual events, and in cooperating with biosecurity program requirements.*

The Committee considers that, in order for this to be possible, the wider community and smaller agricultural producers not associated with industry associations require education and information about biosecurity risks and their responsibilities in prevention and early detection to help protect all of Victoria's agricultural markets and also the State's natural environment from incursion.

Recommendation 7: **The Committee recommends that the Department of Primary Industries ensure that future communication strategies and campaigns also address the need for:**

(a) **public education and awareness about biosecurity threats generally and what can be done to guard against these threats; and**

(b) **information and education about sound biosecurity practices and risk management for new and smaller agricultural producers in Victoria.**

5.4. Relationship between the DPI and the Department of Health

Whilst the DPI is the key agency involved in the prevention of, and response to, emergency animal diseases, the Department of Health is responsible for responding to human epidemics or pandemics, including zoonotic diseases (i.e. those diseases transmissible between animals and humans). As such, the two Departments collaborate to detect and manage any zoonotic incursions. This collaboration can occur in response to persistent food poisoning outbreaks or in planning for a potential zoonotic disease outbreak such as Avian or Swine Influenza.

As part of its assessment of the Department's responsiveness to a potential zoonotic disease incursion, the Auditor-General examined the effectiveness of the relationship between DPI and the Department of Health.

5.4.1 Auditor-General's findings and recommendation

The Auditor-General found that DPI and the Department of Health regularly cooperate to manage outbreaks of food poisoning (e.g. salmonella in eggs) through joint investigations of the source and the development of management plans directed at reducing contamination.[158]

157 Department of Primary Industries, Biosecurity Victoria, *Biosecurity Strategy for Victoria,* May 2009, p.11

158 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.51

In addition, the Auditor-General stated that the interface between the two Departments operates well but is based on strong personal relationships between personnel in each of the Departments rather than formalised structures and processes.[159]

The Auditor-General concluded that the risk of changes in personnel together with the anticipated future increase in zoonotic diseases, and their impact on human health and the economy, warrants a stronger governance framework and clearer structural relationship. [160]

The Auditor-General recommended that the Department take action to formalise its relationship with the Department of Health through the development of a Memorandum of Understanding (MOU) to support joint planning and risk management between the Departments. He recommended that such an MOU should include:[161]

- objectives and purpose;
- roles and responsibilities;
- joint planning arrangements and risk management procedures;
- operational procedures;
- joint communication strategies;
- details of cost-sharing arrangements;
- joint training and capability development; and
- performance measurement.

5.4.2 Response by the Department of Primary Industries

The Department acknowledged in its response that many emerging threats are zoonotic in nature and that the Hendra Virus, Psittacosis and Salmonellosis have been identified as priority diseases for shared management protocols between the DPI and the Department of Health. The Department states that the development and endorsement of an MOU between the two Departments is the first step in formalising joint management arrangements. The Department stated that it had prepared a draft MOU which was being considered by the Department of Health with a finalised, agreed MOU expected by 31 December 2009.[162]

5.4.3 Subsequent developments noted by the Committee

In March 2010, the Committee requested advice from the Department as to whether an MOU between DPI and the Department of Health was now in place and how that had improved the relationship between the two Departments.

The Department advised that considerable liaison had been undertaken between DPI staff and staff of the Chief Health Officer of the Department of Health to develop an MOU in line with the Auditor-General's recommendation. A draft which was broadly acceptable to both parties was

159 ibid.

160 ibid.

161 ibid., p.54

162 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, pp.116–17

considered at a meeting on 11 March 2010. The Department stated that subject to some minor amendments, the MOU would be finalised for endorsement by both parties by November 2010.[163]

The Department advised that in developing the MOU, a number of priorities for improved collaboration and integration had been agreed, including:[164]

- the development of a joint threat analysis and risk assessment for zoonotic diseases;
- sharing of planning and preparedness documentation, training materials and activities;
- sharing and documentation of operational procedures for zoonotic diseases, including single procedural documents for specific zoonotic diseases outlining the responsibilities and actions of each of the Departments; and
- the development of a broad and effective communication strategy to ensure efficient and coordinated communications.

Further to this advice, the Committee was advised at the hearing in April 2010, that the delay in finalising the MOU had been due to the increased workload of the Department of Health during the Swine Influenza outbreak in 2009.[165]

5.4.4 Conclusion

The Committee acknowledges the actions taken to date to develop an MOU between the DPI and the Department of Health to formalise joint planning and risk management in the area of zoonotic disease incursions in Victoria and looks forward to finalisation of the arrangements as advised by the Department.

5.5. Review and evaluation of EAD incursions and simulation exercises

5.5.1 Auditor-General's findings and recommendation

The Auditor-General noted in his report that simulation exercises and responses to EAD incidents are routinely reviewed by the Department and that any detailed recommendations have generally been incorporated into future planning and training for EAD responses. However, the Auditor-General also commented that the Department had not systematically recorded the extent to which recommendations had been implemented.[166]

As a result, the Auditor-General recommended that the Department take a more formalised approach to the evaluation of simulation exercises and EAD incidents, including:[167]

- developing a standardised internal evaluation framework to provide guidelines on the review process;

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163 Ms K Lonsdale, Business Analyst, Department of Primary Industries, email to the Committee, received 11 August 2010

164 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, pp.10–11

165 Dr H Millar, Executive Director, Biosecurity Victoria, Department of Primary Industries, transcript of evidence 28 April 2010, p.19

166 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.52

167 ibid., p.54

- introducing periodic external evaluations of simulation exercises to enable comparison over time and to demonstrate independence and rigour;
- developing guidelines for the external evaluation of EAD incursions;
- recording the implementation of recommendations from simulation exercises and response to EAD incidents; and
- introduction of a system-level review of lessons learned.

Response by the Department of Primary Industries

The Department accepted the Auditor-General's recommendation in part/principle stating that a standardised evaluation framework had been developed and applied for all EAD simulation exercises conducted during 2008 and 2009. Further, the Department stated that a recording framework for the implementation of recommendations arising from simulation exercises and evaluation of EAD incidents had also been developed.[168]

The response states that, following on from the Department's response to the Black Saturday bushfires in February 2009, guidelines were developed for conducting "after action" reviews of emergency responses. The Department indicated that it intended to incorporate these guidelines into the *DPI Emergency Management Manual* providing a standardised internal evaluation framework for all emergency responses undertaken by DPI, including EAD responses.[169]

In addition, the Department's response indicated that a system-level review of lessons learned from EAD exercises and incident responses over the years 2007-2009 would be undertaken in early 2010.[170]

5.5.2 Subsequent developments noted by the Committee

In June 2010 the Committee asked the Department whether the system-level review had been completed and what form it had taken. The Department advised that the review had as yet not been initiated but would be completed by the end of 2010 and would take the form of an internal review, examining the issues relating to emergency management.[171]

Further, the Department advised that the Exercise Diva'09 simulation had indicated that progress had been made both nationally and in Victoria in preparing for a FMD outbreak however, there were some important areas requiring further work. The Department advised that it intends to implement the high priority actions arising from lessons learned by December 2010 with other actions to be implemented by December 2011.[172]

5.5.3 Conclusion

The Committee notes that the Department has taken some action to standardise its evaluation of EAD simulation exercises and improve the tracking of recommendations arising from these internal evaluations. The Committee notes that the Department has not yet conducted the

168 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.117

169 ibid., p.118

170 ibid.

171 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.13

172 ibid., p.12

system-level review of EAD exercises and incident responses occurring in 2007-2009 as stated in the *Response by the Minister for Finance to the Auditor-General's Reports 2008-09.*

The Committee encourages the Department to undertake this review as soon as possible while events remain relatively fresh and to ensure that the Department fully capitalises on the knowledge gained through the Exercise Diva'09 simulation conducted by the Department in 2009. The Committee envisages that such a review will assist the Department to further improve its' EAD preparedness and response procedures.

Recommendation 8: **The Committee recommends that the Department of Primary Industries undertake a system-level review of recent incidents and simulation exercises to capitalise in an early manner, the lessons learned and improve the Department's Emergency Animal Disease preparedness and response efforts in the future.**

CHAPTER 6: PERFORMANCE MONITORING, REPORTING AND CONTINUOUS IMPROVEMENT

6.1. Introduction

The development and use of a comprehensive performance management framework is critical to the Department's effective management of biosecurity.

The Auditor-General notes that an effective performance management framework comprises the following: [173]

- performance information – quantitative and/or qualitative data is collected on a regular basis;
- performance measurement – data collected is analysed against performance measures to evaluate the appropriateness, efficiency and effectiveness of activities/services; and
- performance reporting – performance measurement and evaluation is reported regularly.

In addition, continuous improvement is assisted by an effective process of performance monitoring and reporting. The information generated can be used to improve future performance and provides a key input to effective decision-making.

A significant part of the audit review assessed whether the Department adequately measures, monitors and reports on the performance of EAD planning and response. This involved a review of the Department's biosecurity performance management framework including, EAD information systems, performance reports and the Department's approach to continuous improvement.[174]

6.2. DPI Biosecurity management information systems

The BioWeb and ADMIS management information systems, used by the Department to manage biosecurity incidents, were reviewed by the Auditor-General. ADMIS is a data storage system, used by the Department to case manage properties and diseases. The information contained in the system includes data from the National Livestock Information System (NLIS), historical data, observational data entered by Animal Health Field Services and laboratory results entered by the Animal Standards Branch. [175]

BioWeb connects information from a variety of sources and databases relevant to effective EAD response management such as, the Property Identification Tailtag Register (PITR), the NLIS Mirror, the Livestock Tag and Trace (LTAT) and the ADMIS system. [176]

The Auditor-General noted in his report that the Department had been engaged in the development of LiveTRACE, a program which allows for comparison and graphical presentation of large amounts of data from the NLIS Mirror, ADMIS and PITR databases. LiveTRACE is anticipated

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173 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.57

174 ibid., p.55

175 ibid., p.60

176 ibid.

to be extremely valuable in a livestock disease outbreak and was noted in the report as being internationally unique.[177]

6.2.1 Auditor-General's findings and recommendations

The Auditor-General's findings in relation to EAD performance measurement, monitoring and reporting by the Department were generally positive. In particular, the Auditor-General reported that the Department's:[178]

- performance measurement framework is consistent with recognised good practice;
- business plans are clearly linked to specific objectives and to the Department's vision, purpose, outcomes and strategies;
- commitments are aligned with key result areas and key performance indicators and associated reporting timeframes; and
- performance reporting is regular, extensive and accountable.

The Auditor-General also reported that systems and processes were in place to support continuous improvement in planning and risk management for biosecurity incidents. The continuous improvement model in the Department ranges from a formalised process based on ISO certification requirements through to less formalised review mechanisms.[179]

The one area of concern noted by the Auditor-General was in regard to some issues associated with data integrity within Biosecurity Victoria's EAD management information systems. The Auditor-General identified two issues associated with existing data integrity and validation processes over data within BioWeb which needed to be addressed by the Department. The first issue concerns the differing approach to data entry taken across different regions within the State which impacts on the accuracy and completeness of data in the system. The second issue relates to the incompleteness of property data, caused by a lack of cooperation from a local government authority in providing property data.[180]

The Auditor-General recommended that the Department undertake work to improve input controls to enhance data integrity by:[181]

- working with local government to provide accurate and complete property data across the State;
- enhancing processes aimed at ensuring consistent notification of disease events across regional offices; and
- reviewing all processes related to the collation, input, processing, output and protection of data to improve the integrity of the system.

177 ibid.

178 ibid., p.55

179 ibid., p.62

180 ibid., p.60

181 ibid., p.64

6.2.2 Response by the Department of Primary Industries

In its response as included in the *Response by the Minister for Finance to the Auditor-General's reports 2008-09*, the Department states that in relation to improving the completeness and accuracy of property data held by DPI, discussions with the Local Government Association are ongoing.[182]

With respect to the issue of improving data input and consistency across regions, the Department states that an improved information management system (i.e. the *YES! System*) has been introduced to collect disease surveillance notifications and information. The Department states that staff training is an important component of implementing this new system.[183]

In addition, the Department stated that an Animal Health and Welfare Information Technology (IT) Users Group had been established to review relevant IT data systems with a view to their improvement. The Department's response states that priority issues have been identified and working groups established to progress these tasks.[184]

6.2.3 Subsequent developments noted by the Committee

The Committee requested additional information from the Department about recent actions taken and progress made in relation to the following issues:

- data sharing arrangements with local government;
- improvements to data consistency through the new *Yes! System*; and
- establishment of the Animal Health and Welfare IT Users Group.

Data sharing arrangements with local government

As noted in the Auditor-General's report, property identification supports livestock tracing systems and disease control by providing information allowing prompt location of properties and notification to owners of an EAD incursion.[185] The Committee requested further advice from the Department about progress made in improving the completeness and accuracy of property data used by DPI through agreeing data sharing arrangements with local government.

The Department advised the Committee that local government landholder information has been very valuable in the:[186]

- efficient scoping of a response to a natural disaster event, or emergency animal or plant disease outbreak;
- comprehensive assessment of, and collection of data from, affected rural properties; and
- analysis of data and accurate reporting of information back to Councils, emergency services, government agencies and the media.

182 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09,* December 2009, p.118

183 ibid.

184 ibid.

185 Victorian Auditor-General's Office, *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*, November 2008, p.36

186 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, pp.11–12

Accessing this information, however, has been frustrated by differing local government policies relating to data sharing, privacy issues, and a lack of understanding of the type and format of information required by the DPI. The Department advised that the issue was highlighted again by an '*Internal review of DPI's response to the February 2009 fires'* which recommended that: [187]

> *DPI should continue to work with local government to review and confirm arrangements for accessing and sharing personal information for emergency response.*

The Department is currently able to source property ownership information from local government authorities as part of a "declared emergency response". However, this information is not available for further use once the emergency is over.[188]

The Department advised that it has been working to address data issues associated with landholder information (i.e. in relation to privacy and non-emergency access to data) through a multi-pronged approach which has included:[189]

- direct negotiation with local government and other stakeholders with a focus on access to property ownership details prior to an emergency response;
- the development of draft protocols for data sharing in an emergency which are the subject of ongoing discussion with local government authorities, including the potential for a signed data sharing agreement between DPI and local government which will specify the type of data DPI will request in an emergency, when it will be requested, under what conditions it will be used, and how it will be disposed of afterwards;
- discussions with government authorities in outer metropolitan Melbourne (urban-rural fringe areas), as these authorities have traditionally had less exposure to DPI and have a lower awareness of DPI's role in emergency management. Raising awareness of DPI's role will assist in ensuring cooperation when emergency issues arise and negotiations take place for access to data; and
- the possibility of access to Land Victoria data to improve DPI's preparedness planning and emergency management. This access would also offer potential benefits to other government agencies, for example, to the DSE or DHS during fire recovery incidents.

In June 2010, the Committee requested advice from the Department about whether access to land ownership details from Land Victoria would obviate the need to access property information from local councils. The Department indicated that there are some limitations associated with the property owner information held by Land Victoria as the property owner is not necessarily the occupant of the land and also the address information held by Land Victoria doesn't always provide easy access or contact with the property owner. Local councils are more likely to hold this information for rate collection purposes.[190]

As such, the Department advised that its preferred option would be for Land Victoria to be the coordinating body combining council details and the core legal owner dataset to produce a single comprehensive property dataset which could be accessed by DPI during a response scenario and also routinely to improve the Department's service delivery. The Department noted that

187 ibid., p.12

188 ibid.

189 ibid., pp.12–13

190 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.14

some other jurisdictions in Australia (e.g. South Australia) currently have the capability of direct interface with central property records (within appropriate controls) for biosecurity purposes.[191]

New software for livestock disease management and control

The Committee requested further information from the Department about how the new *Yes Epidemiology System (Yes!)* has improved data input and consistency across the State and details of the training conducted to support the effective implementation of the system.

The Department advised that *Yes!* was launched in April 2009 and can be used to record, and find information about, cases of clinical disease in production animals. The System provides a profile of Victoria showing the location, time of year and type of diseases which occur within the State or in geographic regions.[192]

Use of the system provides for disease events to be recorded consistently across the State and allows for any specified disease or set of symptoms in any livestock species to be viewed, mapped and analysed epidemiologically. In this way, the Department is able to discern trends quickly and easily and to comprehensively analyse disease outbreaks.[193]

The Department advised that roll-out of the new system commenced with on-line tutoring sessions for staff followed by personal coaching as required. *Yes!* is currently undergoing a series of enhancements and a training programme for the enhanced version of the software is being developed.[194]

In terms of the other recent developments in new software tools, the Department advised that the *MAX* (*Maximum Disease and Pest Management*) system provides a wide range of emergency response data management capabilities such as case management, resource management, spatial facilities, document management, workflows, messaging and notification, mobility, and security. *MAX* is fully integrated with the Department's animal health surveillance system and NLIS (Cattle) and also interfaces with *Yes!*, the NLIS mirror server, the DPI property database and the DPI animal disease management information system (ADMIS).[195]

In addition, the Department has developed the LiveTRACE computer application to support livestock tracing and disease investigation. LiveTRACE combines property data from the DPI property database, disease data from *Yes!* and transaction data from the NLIS database. The Department has used LiveTRACE in various movement analyses and was used successfully during the 2009 Anthrax outbreak and as part of the DIVA'09 simulation exercise. The Department advised that the application continues to be developed and tested to support disease surveillance activities and enhance emergency response capabilities in relation to cattle, sheep and goats.[196]

In June 2010 the Committee sought advice from the Department as to the application of these IT systems to the management of other livestock such as bees, fish, poultry and pigs. The Department advised that these information systems are used to manage all livestock species. Although

191 ibid.

192 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, p.13

193 ibid.

194 ibid.

195 ibid., p.14

196 ibid.

currently, the aquaculture industry is not required to participate in any property identification schemes, the systems can provide a data management capability for aquaculture.[197]

Animal Health and Welfare IT Users Group

The Committee requested the Department provide details about the work undertaken by the Animal Health and Welfare IT Users Group, in particular, information about any improvements which had been made to the Department's livestock IT data systems.

The Department advised that DPI's animal branch now has two IT user committees to assist with animal health systems. The IT Advisory Committee (ITAC) which concentrates on the development of software for routine, everyday use (for example, the *Yes!* software) and the IT for Emergency Animal Disease Response (ITEADR) group which works on developing software dedicated to emergency responses. The latter group was responsible for the development of the new software tool, *MAX*.[198]

The Department states:[199]

> *Both IT committees have made invaluable contributions to emergency animal disease software development and have enabled programmers and users to work together in a co-ordinated fashion.*

6.2.4 Review and conclusion

The Committee notes the developments in information management systems undertaken by Bisoecurity Victoria in recent years. At the public hearing, the Committee questioned Departmental representatives about the costs associated with developing these new systems.

The Committee was advised that Biosecurity Victoria has a small, specialised IT team which has investigated business specific solutions to information management issues related to the Department's Animal Health Service within the Department's existing budget. The Department advised that no special or additional funding had been sought or received for the development of these new systems.[200]

The Secretary advised at the hearing that the DPI has taken a careful approach to developing its IT systems by ensuring thoughtful planning and design in terms of setting out the business rationale for the projects and seeking to capture economies of scale by adding custom made features to existing IT systems.[201]

197 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.15

198 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 April 2010, pp.13–14

199 ibid., p.14

200 Dr H Millar, Executive Director, Biosecurity Victoria,, Department of Primary Industries, transcript of evidence 28 April 2010, p.11

201 Mr R Bolt, Secretary, Department of Primary Industries, transcript of evidence 28 April 2010, p.12

Further, the Executive Director, Biosecurity Victoria, Dr Millar, indicated that while these systems had initially been developed for livestock disease management, they are 'sufficiently generic' and are now also being used for plant disease information management and plant emergencies (i.e. invasive plants and weeds).[202]

The Committee also questioned the Department about its future plans for biosecurity data management. The Department advised that it is currently going through some refinement of the systems now in place and is working to develop a solution to the issues surrounding use of, and access to, property data bases.[203] The Secretary of the Department advised that in the event of an emergency (flood, fire, EAD, etc) a significant amount of effort in the incident control centres goes into establishing the database of land ownership. Mr Bolt stated:[204]

> *...any support we can get to take that out of the system will free up a lot of resources, but it will also, more than anything else, make sure that we are much more clearly on the ball as to who we need to talk to at the outset about particular issues of a recovery effort or an emergency response.*

Further correspondence received from the Department identified the following future needs which would assist in improving existing system capability and biosecurity risk management:[205]

- improved access to the core landholder data in Victoria;
- integration of several systems into DPI's biosecurity web platform (i.e. BioWeb);
- involvement in the national biosecurity network and associated initiatives, for example, ABIN (Australian Biosecurity Information Network); and
- increasing the ability to integrate industry and other external stakeholders into the data gathering and analysis for biosecurity outcomes.

The Department advised that these future needs will be prioritised in accordance with Departmental policy objectives and available resources.[206]

The Committee acknowledges information provided by the Department indicating a strong culture of continuous improvement and notes the Department on action taken in recent years to improve its' biosecurity management information systems.

The Committee supports the efforts of the DPI in attempting to improve access to property information held by local government. The Committee is of the view that there are benefits to be gained from developing arrangements or protocols which allow for this information to be shared more readily (within acceptable privacy considerations and controls over access and use of the information) not only for the DPI but also for other State government departments involved in emergency response and land management activities such as the DSE and Police and Emergency Services. The Committee considers that there is a need for this issue to be addressed by government through a review involving liaison between those departments requiring property

202 Dr H Millar, Executive Director, Biosecurity Victoria,, Department of Primary Industries, transcript of evidence 28 April 2010, p.12

203 ibid.

204 Mr R Bolt, Secretary, Department of Primary Industries, transcript of evidence 28 April 2010, p.13

205 Mr R Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 19 July 2010, p.2

206 ibid.

information and Local Government Victoria (within the Department of Planning and Community Development), to consider the most efficient and effective options for resolving this issue.

The Committee also notes actions taken by the Department to address the Auditor-General's concerns regarding data integrity within the Department's biosecurity information systems. The Committee considers that the Department should ensure that a process is in place to monitor the completeness and accuracy of data being input to these systems.

Recommendation 9: **The Committee recommends that the State Government should establish a group to review property landholder data sharing arrangements between local councils and State government departments to improve the economy, efficiency and effectiveness of the current arrangements surrounding access to this information.**

Recommendation 10: **The Committee recommends that the Department of Primary Industries implement an audit process directed at checking the accuracy and completeness of the data recorded in Biosecurity Victoria's information technology systems.**

PART B: MANAGING ACUTE PATIENT FLOWS

CHAPTER 1: BACKGROUND TO THE REVIEW

1.1. Objective, scope and findings of the Auditor-General's report on Managing Acute Patient Flows

The audit *Managing Acute Patient Flows*, was tabled by the Auditor-General in November 2008. The objective of the audit was to examine whether patient flow and management of beds was efficient and effective in Victoria's public hospitals.[207]

In August 2009, the Premier announced that a new department would be set up specifically to oversee the provision of health services in Victoria. The Department of Health is now responsible for health services, including hospitals, mental health, aged care and preventative health.[208]

At the time the audit was undertaken, these functions were still the responsibility of the Department of Human Services. This follow-up audit and its recommendations are directed at the Department of Health (the Department).

The audit examined the policies, procedures and activities of five Victorian public hospitals, Alfred Hospital, Austin Hospital, Ballarat Base Hospital, Frankston Hospital and Northern Hospital. The audit assessed and made recommendations on whether the Department and health services had:[209]

- planned for inpatient services;
- managed demand for inpatient services;
- managed planned and unplanned admissions;
- managed the use of inpatient beds; and
- discharged patients from an inpatient setting (for example, discharging patients with community support or to a residential aged care facility).

1.1.1 Planning for acute inpatient services

In relation to planning for acute inpatient services, the audit found that, overall, both the Department and hospitals plan inpatient services to provide '*sufficient capacity*' to meet demand. The key findings included:[210]

- All five hospitals examined undertook service planning which took into account acute inpatient services in collaboration with the Department. This helped to inform future capital requirements.
- Reliable data is crucial for planning. However, the mechanisms in place did not ensure that data available was reliable.

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207 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.2

208 Department of Premier and Cabinet, 'Premier announces reforms to health, community services and local government', <www.premier.vic.gov.au/newsroom/7776.html>, accessed 5 July 2010

209 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.20

210 ibid., pp.2–3

1.1.2 Managing acute inpatient admissions

Patients admitted to hospital are done so on a same day or overnight basis. In managing acute inpatient admissions, a hospital has to manage the balance between the demand for acute inpatient care, elective surgery admissions and emergency admissions. The audit made the following findings in regards to this area:[211]

- All the audited hospitals had put in place strategies to substitute and divert patients from inpatient care. However, these strategies had not been evaluated.
- As emergency patients are prioritised, elective surgery is sometimes postponed. While there is variance in emergency admissions, it is predictable in terms of presentations to emergency. There is a need for hospitals to better understand the variation in emergency admissions to improve planning for elective surgery.
- A culture existed where emergency department staff would 'push' emergency admissions onto wards. That is, emergency department staff would contact wards to find patients a suitable bed. A more efficient process would exist if wards were actively 'pulling' patients from the emergency department, or ward staff were contacting the emergency department for suitable patients.

1.1.3 Managing the acute inpatient stay

The management of beds within hospitals impacts on a patient's flow through a hospital. If beds are not available, a patient may have to wait in the emergency department longer than required, which then impacts the treatment of other patients waiting in the emergency department. At times, elective surgery may also be delayed as a result of a lack of beds. The audit found that:[212]

- There was a lack of procedures and policies in regards to bed management, which created inefficient and inconsistent practices.
- There was no real time data available regarding the number of beds available, with paper-based systems used to collect information. The information when collated could be difficult to understand and reduced the reliability of information on the utilisation of bed-state data. At the time of audit, an IT system for bed management was being piloted.

1.1.4 Managing acute inpatient discharges

Appropriate discharge of patients is important to ensure that beds are available within a hospital, for emergency patients and elective surgery. The audit found that in relation to managing acute inpatient discharges:[213]

- Hospitals did not have procedures that guided patient discharge and clearly articulated roles and responsibilities.
- Staff commenced planning for patient discharges in advance, making sure that transitions to alternative care can be made. This assisted to prevent delays in discharges.

211 ibid., pp.3–4

212 ibid., pp.4–5

213 ibid., p.5

- Junior doctors were at times hesitant to discharge patients prior to consulting senior medical staff, resulting in delays in discharging patients. The development of criteria for discharges would assist to overcome delays.

- Overall hospitals needed to put more effort into increasing the number of patients discharged in the morning and on the weekend.

1.2. Recommendations of the audit

The Auditor-General made ten recommendations. Six recommendations were aimed at public hospitals. These recommendations focused on specific action that could be done by hospitals to improve patient flow, such as develop and promote policies and procedures, maximise the use of alternative care models, focus on pulling patients into wards from the emergency room and undertake more regular examinations of data available to aid planning. [214]

Four recommendations focused on improvements that could be made by the Department, such as working with hospitals to better balance emergency and elective demand, develop bed management guidance, facilitate the development of discharge criteria and introduce an electronic bed management system.[215]

1.3. Response by the Department of Health

The Department accepted all four recommendations in principle. The Secretary noted in her general response that the Department was pleased that the Auditor-General's report found that hospitals are adequately planning for providing capacity to meet demand.[216]

The Secretary noted that while the performance level of Victoria's public hospitals is one of the best in Australia, there is still more that can be done to improve the efficiency and effectiveness of processes in place. As well, the Secretary stated that:[217]

> *The audit report's recommendations and identified areas for improvement are consistent with the range of work being undertaken by DHS to improve patient flow across Victoria's public hospitals.*

1.4. Response by the public hospitals

There was no response from the public hospitals reported.

1.5. Scope of the review undertaken by the Committee

The scope of this follow-up review is limited to the findings and recommendations made by the Auditor-General in his report. This review assesses what actions have been undertaken to implement the recommendations made by the Auditor-General.

On 28 April 2010, public hearings were held with:

214 ibid., pp.6–7

215 ibid.

216 ibid., p.6

217 ibid.

- Mr Des Pearson, Auditor-General, Mr Andrew Greaves, Deputy Auditor-General and Mr Chris Sheard, Director, Performance Audit from the Victorian Auditor-General's Office; and

- Ms Fran Thorn, Secretary, Mr Lance Wallace, Executive Director, Hospitals and Health Service Performance and Ms Frances Diver, Director, Performance, Acute Programs and Rural Health from the Department of Health.

CHAPTER 2: BACKGROUND TO MANAGING ACUTE PATIENT FLOWS

2.1. Victoria's public hospitals

Victoria has 19 public health services, comprising 13 metropolitan and six regional boards. There are 57 rural public hospitals as well as seven multi-purpose services. Victoria's public health services are incorporated public statutory authorities governed by boards. The *Health Services Act 1988* has two categories of statutory authorities, public health services and public hospitals.[218]

2.2. Subsidiarity

In regards to hospitals and their management, the Department takes the view that matters or decisions impacting the functioning of hospitals should be made at the lowest reasonable level. This is called the subsidiarity approach and has been previously discussed by this Committee.[219]

2.2.1 Governance roles and responsibilities

In the Victorian system, the Government and the Department retain responsibility for providing funding, policy, planning and monitoring and managing hospital performance in Victoria.[220] The Secretary of the Department explained the roles at the Committee's public hearing:[221]

> *Our role is that of ... system manager, looking at how the whole system operates and the performance of the system and how the individual elements of that come together. The actual delivery of the services is the responsibility of the board.*

To support the subsidiarity approach in Victoria's hospitals, each hospital has a board of directors or board of management appointed to govern the health service. They govern in line with legislation and the terms and conditions attached to funding provided by the Department. The boards are accountable to the Minister for Health and set the strategic direction of the organisation. Boards also assist to ensure that the organisations they manage:[222]

- have effective and efficient management;
- offer high quality care and service delivery;
- meet the needs of the community; and
- achieve the financial and non-financial performance targets.

In managing the hospital, the board is responsible for ensuring hospitals have the following key functions in place:[223]

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217 Department of Health, 'Health Service Governance', <www.health.vic.gov.au/governance>, accessed 7 July 2010

219 Public Accounts and Estimates Committee, *Review of the Findings and Recommendations of the Auditor-General's Reports 2008*, May 2010, pp.81–2

220 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 22 July 2010, p.5

221 Ms F Thorn, Secretary, Department of Health, transcript of evidence, 28 April 2010, p.13

222 Department of Health, *Health Service Governance*, <http://www.health.vic.gov.au/governance>, accessed 7 July 2010

223 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 22 July 2010, p.7

- Strategic planning – preparing a strategy that documents the hospital's medium term strategy and an annual business plan with targets and milestones.
- Clinical governance – complying with the Victorian Clinical Governance Policy Framework by ensuring there is consumer participation, clinical effectiveness, an effective workforce and risk management.
- Financial management – ensuring that funds are spent and accounted for in accordance with good practice and the Financial Management Compliance Framework.
- Managing risk – hospitals have risk management systems and frameworks that comply with the Australian Standard.

With governance devolved to a local level, local hospitals are able to make decisions that impact their community. The Department is of the view that such a system allows hospitals to find the most effective solutions, which may not be the same as those in another hospital. The Department reports that:[224]

> *The devolved governance model for health services is designed to provide meaningful accountability for service delivery and recognises that this can best be realised if accountability for service delivery and performance is held at the same level alongside the power to make decisions and act in relation to service management, service priorities and local community needs.*

The Secretary noted that a negative of this system is that the governance model in place does not allow for change to occur quickly. However, the Secretary's view is that where hospitals are fully engaged in the change process, change tends to 'stick' because the people responsible for implementing the change can see the positives of the change.[225]

The Auditor-General, in his public hearing informed the Committee that while a hospital board is held accountable for the management and performance, the funding models in place can impede the board's ability to manage. For example, resources such as capital funding is limited and the condition of the infrastructure will impact on the service that a hospital can provide. The Auditor-General was of the view that there needs to be modifications to the extent that a board can be held accountable.[226]

2.2.2 Governance in practice

The Department reports that it is committed to a devolved system of governance in Victoria and that regulation and management mechanisms are also devolved. That is, a hospital board must assure itself that the services it provides are of a high quality and safe. This is then supported by public enforcement capability. The Department reports this system of 'responsive regulation' is in line with contemporary governance.[227]

224 ibid., p.5

225 Ms F Thorn, Secretary, Department of Health, transcript of evidence, 28 April 2010, p.10

226 Mr D Pearson, Auditor-General, Victorian Auditor-General's Office, transcript of evidence, 28 April 2010, p.5

227 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 22 July 2010, pp.9–10

In practice, the Department reported that relationships operate at various levels between hospitals and the Department. The degree of formality differs based on the issues. The Department has formal periodic meetings with hospitals where performance is discussed as well as regular informal discussions. The Secretary of the Department stated at the public hearing that:[228]

> *On a day-to-day basis, the level of contact between individuals in the department and health services is very high. A day would not go by when Lance, for example, or Frances or any number of people are not in very detailed discussions with individual health services about a whole range of issues relating to performance, or them highlighting in advance problems that they can see emerging or … them coming to tell you about the good things that they are doing .. So there is a very detailed set of ongoing discussions and interactions between the department at all levels and the health services and, indeed, the board chairs.*

2.2.3 Monitoring performance

The Department has quarterly meetings with all metropolitan, regional and rural health services to examine performance. The Department uses these meetings to:[229]

- analyse performance from the previous year and set new activity targets;
- finalise budgets, discuss Expenditure Review Committee outcomes and funding priorities;
- discuss the Statement of Priorities;
- assess ongoing performance; and
- discuss new programs or other changes.

Where poor performance is identified, the Department increases the amount of monitoring and may also engage other external assistance, such as independent reviews. The Department reports that it manages underperformance by increasing the level of monitoring, including more regular meetings with the Department, more detailed reporting that outlines performance as well as initiatives to improve performance. The Department provides assistance through supporting models of change, reviewing targets and drawing on external expertise.[230]

2.2.4 Outcomes under the subsidiarity model

The Department informed the Committee that the Australian Institute of Health and Welfare's report, titled *Australian Hospital Statistics* shows that Victoria's performance is on par to that of other states and territories on a range of indicators.[231]

228 Ms F Thorn, Secretary, Department of Health, transcript of evidence, 28 April 2010, p.13

229 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 22 July 2010, p.11

230 ibid.

231 ibid.

2.2.5 Committee comment and conclusion

The Committee has examined the Department's subsidiarity model through its previous inquiry, 'Patient safety in public hospitals'.[232] The Committee notes the positive aspects of the model in place in Victoria, including the freedom given to local hospitals to provide services and programs that meet the needs of their community. The Committee also notes that Victoria's hospital system is performing at the same level or better than those in other states and territories.

The Committee has supported, and continues to support, the Department's subsidiarity model while noting the Department's specific roles of monitoring performance and providing support where needed to improve local performance.

The Committee is pleased to note the regular and frequent contact that the Department reports it has with hospitals. Such contact is important for ensuring an appropriate level of monitoring by the Department.

The Auditor-General stated during the public hearing that capital funding and facilities are not within the scope of control of hospital boards however they are responsible for the management and performance.

The Committee noted the Department's comments that accountability for service delivery and performance ultimately lies with hospitals. While this is the case, instances of poor performance will impact the reputation of the Department, Minister and ultimately the Government. The Committee is of the view that while the Department can devolve many functions, it ultimately, through its monitoring and improvement role, shares accountability for the performance and management of Victoria's health service.

The Committee is of the view that the Department should monitor the implementation of recommendations made by external parties, such as the Auditor-General, the Health Services Commissioner or any Parliamentary Committees. The Department stated in its response that it had not monitored the implementation of recommendations by hospitals. While the Committee notes that the Department does meet with hospitals to discuss performance and monitor outcomes, the Committee's view is that the Department should ensure that all Victorian hospitals are aware of recommendations made by the Auditor-General and that they implement recommendations made. This also includes any recommendations made by this Committee, including those contained in this report.

Recommendation 11: The Department of Health monitor the implementation of recommendations made by external parties that are aimed at improving performance in hospitals.

2.3. Acute inpatient care

Acute inpatient care refers to the short term medical treatment of patients in hospital for an acute illness or injury to assist in reducing a patient's symptoms, severity of the illness or to provide a cure. Acute care is provided to Victorians via the following medical services:[233]

- emergency departments;

232 Public Accounts and Estimates Committee, *Review of the Findings and Recommendations of the Auditor-General's Reports 2008*, May 2010, pp.81–2

233 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.9

- emergency surgery;
- elective surgery;
- medical inpatient care; and
- planned treatment for existing illnesses.

2.3.1 Demand for acute inpatient care

The Australian Institute of Health and Welfare reports that all states and territories in Australia have seen increases in the demand for hospital care.[234]

Demand in Victoria for acute inpatient care has increased over the past decade. The increase in demand has been due to a range of factors, such as an ageing and increasing population in Victoria, an increase in chronic illnesses and the advancements made in medical treatments.[235] Increased capacity of hospitals particularly in terms of additional nurses and doctors and recent funding has also played a role.

The rate of admissions into Victoria's public hospitals has been steadily increasing. In 2008-09, over 1.42 million patients were admitted and treated in Victorian public hospitals, compared to 1.04 million patients in 1999-2000. This represents an increase of 36.4 percent over the nine year period. Between 2007-08 and 2008-09, the number of patients treated increased by 27,608, or 2 per cent.[236]

The number of patients being treated and admitted in Victoria is growing disproportionately to the Australian average. The graph below shows that in 1999-2000, public hospitals in Victoria provided 203 admissions per 1,000 people, just six above the Australian average of 197. In 2007-08, the number of admissions per 1,000 people grew to 248, 30 more admissions per 1,000 people compared to the Australian average.[237]

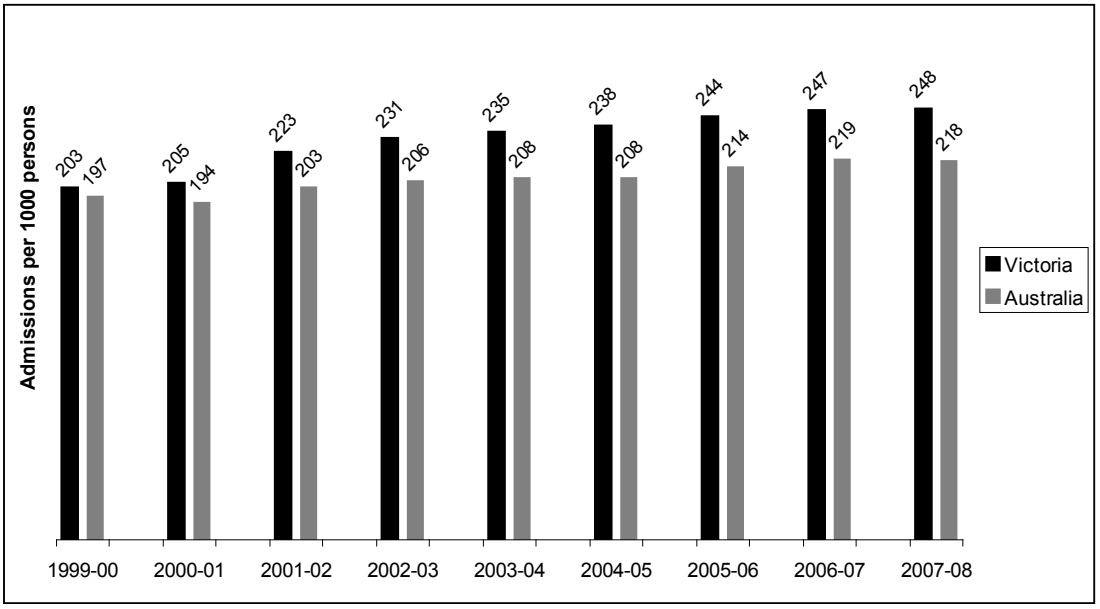
234 Australian Institute of Health and Welfare, *Australian hospital statistics 2008-09*, June 2010, p.15

235 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.9

236 Department of Health, *Your hospitals – A report on Victoria's public hospitals July 2008 to June 2009*, October 2009, p.16

237 ibid., p.2

Figure 2.1: Public hospital admissions – Victoria and Australia



Source: Department of Health, Your Hospitals report, 2009

2.4. Capacity of hospitals and the health care system

In his report, the Auditor-General refers to the capacity of hospitals being of critical importance in treating patients. The audit defines capacity as being:[238]

> *...the resources a hospital has available to treat patients, including the number of beds, bed types and substitutes, health workforce and models of care.*

Where there is not sufficient capacity in the hospital system or the capacity available is not used effectively, pressure builds on the available resources and a hospital's ability to offer timely care to acute patients lessens.[239]

2.4.1 Available beds

One measure of hospital capacity is the number of beds with available medical staffing. While the number of beds available has increased in the last decade in Victoria, the number of beds per 1,000 people has decreased due to the increasing size of the population.[240] This crude statistic does not, however, take into account available staff for beds. Staffing arrangements and improved bed and patient management practices can improve bed utilisation and hence hospital capacity or capability to treat more patients.

In 1996-97, Victoria's public acute hospitals had 2.7 beds per 1,000 people, with the Australian average being 3.1 beds per 1,000 people.[241] In 2008-09, this number had fallen in Victoria, to 2.4 beds per 1,000 people. However, this drop is in line with the rest of Australia with the average

238 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.13

239 ibid.

240 ibid.

241 ibid.

number of available beds falling from 3.1 beds per 1,000 people to 2.5 beds per 1,000 people in 2008-09.[242]

The Auditor-General's report notes however, that the number of 'available beds' is not seen as a useful measure of capacity. This is because of new care models used in treating patients, such as Hospital in the Home (HITH).[243]

The table below, compiled by the Australian Institute of Health and Welfare (t) show that Victoria is by far the largest user of HITH care in Australia.

Table 2.1: Number of Hospital in the Home days per state and territory in 2008-09

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Number of hospital in the home days	n/a	187,327	21,520	87,265	59,544	n/a	10,843	5,953	372,452

Source: Australian Institute of Health and Welfare report, Australian hospital statistics 2008-09, 2010

In 2008-09, Victoria's public hospitals administered 187,327 days of HITH care. This represented more than 50 per cent of all the HITH days across the whole of Australia.

2.4.2 Bed utilisation

The way in which hospitals use beds can have more impact on the capacity of a hospital than the number of beds available. While adding hospital beds can increase capacity, the Auditor-General noted that the United Kingdom has improved capacity of hospitals by better managing the beds available and patient flows through the hospital.[244]

In terms of bed utilisation, the Auditor-General's report found that while the number of beds in Victoria had fallen, relative to population growth, the capacity of hospitals had increased due to the improvements made in the use of beds. Analysis in the audit found that Victoria had the highest utilisation of public acute hospital beds across Australia in 2006-07, with Victoria, with 355 patient days for each available bed.[245]

The table below shows that Victoria's patient days per available beds continues to be the highest performing state in Australia, at 350 days per available bed in 2008-09.

Table 2.2: Patient days per available bed in 2008-09

	NSW	Vic	Qld	WA	SA	Tas
Patient days	5,885,000	4,455,000	2,954,000	1,588,000	1,490,000	270,000
Available beds	18,844	12,715	10,347	5,155	4,600	1,196
Patient days per bed	312	350	285	308	324	226

Source: Committee analysis of data from Australian Hospital Statistics 2008-09, 2010

242 Australian Institute of Health and Welfare, *Australian hospital statistics 2008-09*, June 2010, p.63

243 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.13

244 ibid., p.14

245 ibid.

2.4.3 Bed occupancy

Also important in ensuring that hospital's have sufficient capacity to treat patients is bed occupancy, or the number of beds being occupied by patients at any given time. When a hospital's beds are nearly or all occupied, an 'access block' occurs, where new patients are not able to be given timely care. The audit stated that a number of studies have shown that where bed occupancy rates go over 90 per cent, there is an '*exponential increase in the number of times they experience access block.*'[246]

Ensuring that there are a number of available beds in hospitals means that a bed should be available when needed by a patient. However, this situation is not always possible. Victoria has an eight hour time limit for patient admission from the emergency department, which means that a hospital can, in theory, have a higher level of occupied beds prior to experiencing access block. The audit notes that it is important that hospitals keep some spare capacity to ensure that emergency patients are admitted in a timely fashion.[247]

2.4.4 Length of stay

The length a patient stays in hospital (between being admitted and discharged) also impacts on the capacity of a hospital to offer acute care to other patients. If a patient stays longer, a hospital has fewer beds available for new patients. The audit states that being able to reduce hospital stays to clinically appropriate timeframes improves the capacity of a hospital.[248]

The length of a hospital stay is measured in two ways, by measuring same-day and multi-day patients and also by only measuring multi-day patients. At the time of audit, statistics from 2006-07 showed that Victoria had the shortest average length of stay.[249]

2.5. Patient flow

Patient flow in hospitals is the way in which a patient moves through the hospital system, from first being seen in the emergency department, to being admitted to an inpatient bed, moved to a sub-acute bed and then discharged. The audit notes that:[250]

> *Good patient flow sees patients move through the various parts of the hospital system without delay, providing benefits to patients and hospitals that include improved clinical outcomes; eliminated waits and delays and; saved time, effort and costs. Achieving good patient flow requires effective management of hospital beds, staff, operating theatres and equipment.*

2.5.1 Bottlenecks

While the hospital system aims for good patient flow throughout a patients journey, in reality there are bottlenecks which interrupt the patient flow. Bottlenecks occur when the system does not meet the demand presented, either due to inefficient practices or insufficient resources available, particularly to meet demand spikes.

246 ibid., p.15

247 ibid.

248 ibid.

249 ibid.

250 ibid., p.16

The audit noted that the United Kingdom had identified two types of bottlenecks that occur in patient flow. They are:[251]

- Process bottlenecks – when a process takes a lengthy time to complete. An example is patient discharge.
- Functional bottlenecks – when there are competing demands on the resources available in a hospital, such as radiology or pathology.

It is important to minimise bottlenecks to ensure that other processes within a hospital are not impacted. When bottlenecks occur, it often impacts elective surgery. Some patients on waiting lists may have to wait longer than desirable or they may have their surgery cancelled at short notice. Other impacts can include waiting longer in emergency to be admitted and delays in being discharged, meaning that a patient may stay longer than required.[252]

2.6. Initiatives to improve patient flow

2.6.1 United Kingdom initiatives

The Auditor-General noted that the experience in the United Kingdom with patient flow had shown that hospitals can improve hospital performance without adding new beds.[253]

The United Kingdom Department of Health established the NHS Institute for Innovation and Improvement (the Institute) in 2005. While established by the NHS, the Institute is an arms length body of the Department of Health.[254] The Institute aims to bring about change in the healthcare system by developing and promulgating new ways of working, technology and leadership.[255]

The Institute has published a range of material in regards to patient flow in hospitals, including a clinical guide for reviewing service provision. The guide, titled *Seven Ways to No Delays*, outlines seven steps to improve the quality and productivity of patient care. The seven steps identified are:[256]

251 ibid.

252 ibid., pp.16–17

253 ibid., p.14

254 Mr D Pearson, Victorian Auditor-General's Office, Auditor-General, letter to the Committee, received 5 July 2010, p.1

255 The National Health Service Institute for Innovation and Improvement, <www.institute.nhs.uk/organisation/about_nhsi/about_the_nhs_institute.html>, accessed 20 July 2010

256 The National Health Service Institute for Innovation and Improvement, *Seven Ways to No Delays*, p.3

- focusing on the whole patient pathway;
- planning all stages of a patients pathway;
- balancing demand and capacity;
- pooling work together and sharing resources;
- keeping things moving;
- reducing process that don't add value; and
- reducing unnecessary waits.

2.6.2 Health reform in Victoria

The audit found that at the time of audit, the Department had commenced undertaking a four-year health reform program to identify inefficiencies throughout the healthcare system. Two strategies in particular focused on patient flow: Redesigning Hospital Care Program; and Focus on Variation Project.[257]

Redesigning Hospital Care Program

This program is a four year initiative, commenced in 2007, which aims to redesign processes in Victoria's public hospitals with a view to increasing the efficiency and the quality of care provided. On its website, the Department states that the program aims to develop the capabilities of clinicians and managers within hospitals to assist in driving change.[258]

The Alfred Hospital undertook a project to improve the discharge of patients from acute to sub-acute care and improve patient flow. It examined the processes in place by interviewing staff, holding focus groups and mapping processes. The Alfred Hospital then piloted a number of changes which resulted in the average wait for patients discharged from acute to sub-acute beds reducing by almost four hours and 95 per cent of patients exiting the acute system by 11am, compared to 27 per cent previously.[259]

Focus on Variation

The Focus on Variation Project aims to develop a set of measures that hospitals can use to track their performance against the rest of the health system. At the time of audit, more than 50 performance indicators had been drafted and the Department expected to be providing information to hospitals in 2008-09.[260]

257 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.17

258 Department of Health, 'Redesigning Hospital Care Program', <www.health.vic.gov.au/redesigningcare>, accessed 20 July 2010

259 Department of Health, *Redesigning Hospital Care Program Bulletin*, June 2009

260 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.18

2.7. Funding for acute care

In July 1993, Victoria was the first state to implement a basic casemix funding model to fund acute care in Victoria's public hospitals. Prior to this, budgets were allocated based on historical budgets rather than the number of patients treated.[261] The aim of casemix funding is to provide incentives to hospitals to treat and discharge patients quickly, by having a better flow of patients through the hospital system.[262]

Casemix funding allocated funds based on the type and number of patients treated with specific diagnoses or for certain procedures. A price is fixed based on the average cost of treating patients with a given diagnosis or for a procedure.[263] At the time of audit, casemix funding provided approximately 84 per cent of all admitted acute inpatient funding. The rest was made up of performance bonuses and grants paid to hospitals.[264]

261 Department of Health, 'About Casemix', <www.health.vic.gov.au/casemix/about>, accessed 7 July 2010

262 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.3

263 Department of Health, 'About Casemix', <www.health.vic.gov.au/casemix/about>, accessed 7 July 2010

264 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.18

CHAPTER 3: PLANNING FOR INPATIENT SERVICES

3.1. Introduction

Planning assists hospitals and the Department to identify the resources required for treating patients as well as the priorities for the health system. The audit examined the way in which hospitals and the Department undertake planning for inpatient services.[265]

The audit examined planning, anticipating to find that both the Department and the hospitals undertook planning in a coordinated manner and that planning was undertaken with the support of reliable data. The audit also expected to find that the Department had linked funding to a planning system that was responsive to the needs of hospitals and the health system, while still promoting patient flow.[266]

3.2. Planning frameworks

The audit found that the Department was responsible for developing a statewide planning framework that could achieve outcomes, contribute to hospital planning processes and also assist hospitals in the coordination of strategic service plans.[267]

The audit found that there were two planning frameworks:[268]

- The Metropolitan Health Strategy, which aims to set directions and objectives for the health system to meet future demand. The Strategy is focused on increasing, redistributing and re-organising capapcity as well as substitution, diversionary services and new service models.

- The Rural Directions for a Better State of Health, which sets out three strategic directions for rural health services; to promote health and wellbeing, foster a contemporary health system and strengthen and sustain rural health services.

3.2.1 Planning in hospitals

The audit found that all five hospitals examined undertook service planning that focused on acute inpatient services and that assisted to inform future capital requirements. This process was coordinated by the Department, which gained a better understanding of the implications of individual service plans to the health system and also examined whether plans were consistent with strategic directions of each program area.[269]

3.3. Planning and data use

The audit stated that the availability and use of reliable data is a crucial aspect of planning. Reliable data assists to identify trends and patterns in care required, the use of health services as well as the funding and resources required.[270]

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265 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.21

266 ibid., p.22

267 ibid.

268 ibid.

269 ibid., p.23

270 ibid., p.24

3.3.1 Data collection

The audit identified three sets of data collected by hospitals, and maintained by the Department that were used for planning purposes. The datasets were:[271]

- the Victorian Admitted Episodes Dataset (VAED), which collects information on every admitted patient's episode of care;
- the Elective Surgery Information System (ESIS), which collects information on waiting lists and elective surgery patients; and
- the Victorian Emergency Minimum Dataset (VEMD), which collects information in emergency departments on patient presentations, including patients who are later admitted into hospital.

Hospitals collect this data and submit it to the Department, where it is used in a variety of ways, including planning, policy development, hospital funding and forecasting.[272]

3.4. Data reliability

Given the uses of data collected, reliability is important. The audit examined whether there were processes in place to ensure that the data was robust. The audit concluded that the mechanisms in place were not always effective in ensuring data was reliable. In particular the audit found:[273]

- There was no auditing regime in place for the VEMD and ESIS datasets, which meant that the Department was unable to provide assurance on whether these datasets were robust, which the audit concluded was a '*significant weakness*'. In addition, progress had been slow in improving controls over the VEMD data collection.
- There was no benchmarking data available to hospitals. At the time of audit, this was being rectified via the Focus on Variation Project.
- Forecasting assisted in providing data on the likely demand for services. While the model used for forecasting was robust, it was limited by the use of outdated population data.

3.5. Audit recommendations

The audit found a number of weaknesses in the reliability of the data collected by hospitals, and used by the hospitals and the Department, in planning for inpatient services. However this audit on patient flow made no recommendations on this topic.

A later report by the Auditor-General, titled *Access to Public Hospitals: Measuring Performance*, and tabled in April 2009, made a number of recommendations in regards to the integrity of the VEMD and ESIS systems including that:[274]

271 ibid.

272 ibid.

273 ibid., pp.25–6

274 Victorian Auditor-General's Office, *Access to Public Hospitals: Measuring Performance*, April 2009, p.6

- the Department should routinely audit the VEMD and ESIS for compliance with reporting and data reliability; and
- hospitals should conduct internal audits of the accuracy of the VEMD and ESIS data.

The audit on patient flows reached the same conclusions in regards to VEMD and ESIS as the Auditor-General's later report, *Access to Public Hospitals: Measuring Performance*. Therefore, the Committee considers that there was scope for this audit to have made at least one recommendation aimed at the Department establishing a more robust audit regime for the VEMD and ESIS datasets. This was particularly important, given that the audit concluded that a lack of data integrity for these systems posed a significant weakness.

The Committee considers that it is important that the Department establish a more robust audit regime for the VEMD and ESIS datasets. The Department should have a high level of data integrity, given the importance of the systems.

Recommendation 12: **The Department of Health should have regular audits of the accuracy, compliance with reporting, and data reliability of the Victorian Emergency Minimum Dataset and the Elective Surgery Information System.**

CHAPTER 4: MANAGING INPATIENT ADMISSIONS

4.1. Introduction

Following assessment in an emergency room, a patient may need to be admitted to the hospital for surgery or treatment to either reduce or cure their condition. The hospital then assumes caring and treating the patient, either on a same-day basis or overnight.[275]

Hospitals face a challenge in managing inpatient admissions, with an increasing number of patients being treated in Victoria's hospitals. This puts pressure on resources available to hospitals, and managing this demand, as well as emergency admissions and elective surgery, can place added pressure on hospitals.[276]

The Auditor-General's report notes that if hospitals are to achieve a good patient flow, there needs to be an effective management of inpatient admissions. Examples of effective management of inpatient admissions include:[277]

- admitting patients on the day of surgery rather than the night before; and
- examining the pattern of admissions from the emergency department and scheduling elective surgery accordingly.

Such processes assist to ensure that patients do not have long waits in the emergency department and that elective surgery is not postponed. Consequently, effective management of inpatient admission assists hospitals to ensure that patients are treated within clinically appropriate timeframes.[278]

4.2. Managing demand for admissions

The audit found that the demand for inpatient services has grown in Victoria by almost 30 per cent since 2000-01. The Department anticipates that demand will grow by another 30 per cent between 2006-07 and 2018-19. Should this be the case, the Department estimates that there will need to be an extra 1,150 beds required to maintain the status quo.[279] Given current population increases, the Committee anticipates that demand may grow more quickly than the Department anticipates. It recommends that the Department review as a matter of urgency anticipated demand up to 2020.

Recommendation 13: The Department of Health review, as a matter of urgency, anticipated demand up to 2020 for Victoria's hospitals.

275 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.29

276 ibid.

277 ibid.

278 ibid.

279 ibid.

4.2.1 Substitutions for inpatient care

To assist in meeting the demand for inpatient care and improve patient flow, the audit stated that there was a requirement for patients with avoidable admissions to be diverted as well as substitution services for inpatient care.[280]

The audit found that there were a number of substitution strategies put in place to reduce the use of inpatient beds in Victorian hospitals. However, these were used to varying degrees. Some of the strategies used included:

- short stay observation and medical assessment planning units;
- medi-hotels;
- hospital in the home; and
- day surgery/23 hour procedure units.

The Hospital Admissions Risk Program (HARP) works with frequent users of hospitals with chronic diseases such as heart and respiratory disease, diabetes, older people with complex needs and people with complex psychosocial needs. The HARP aims to reduce the number of hospital visits and admissions. The Auditor-General found that the Department had undertaken a review of the HARP program, which demonstrated positive outcomes in terms of decreased attendance at emergency departments, emergency admissions and hospital stays.[281]

4.2.2 Auditor-General's findings and recommendation

The audit found that while hospitals had many different substitution and diversion programs and strategies in place, these were not adequately evaluated across hospitals, therefore it was not possible to determine if the strategies were effective in reducing demand for inpatient care.[282]

The Auditor-General recommended that public hospitals should maximise the use of care models that substitute for inpatient beds to reduce the pressure on the current resources. This recommendation should be implemented in conjunction with the Department.[283]

4.2.3 Response by the Department of Health

The Department accepted the response in principle, responding on behalf of health services.[284]

4.2.4 Subsequent developments

The Committee sought information from the Department on the implementation of this recommendation. The Committee was informed that the Department has been working with hospitals in developing, establishing and managing a range of initiatives. The Department has also included representatives from health services on working groups and advisory committees to assist the Department in resolving issues and also as a means of sharing information.[285]

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280 ibid.

281 ibid., p.32

282 ibid., p.30

283 ibid., p.41

284 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.1

285 ibid., p.2

In its response to the Minister for Finance, the Department outlined a range of initiatives it has been developing in conjunction with hospitals.[286] Also contained in its response to the Committee, the Department outlined a range of alternative models of care being used in Victoria. In particular the Committee noted the following:[287]

- the HARP program is continuing to assist patients with chronic diseases to better manage their conditions;
- the Hospital in the Home program is currently operating from 47 hospitals and provides hospital care from a patient's home or other residence;
- the Nurse on Call program provides telephone advice 24 hours a day, seven days a week and is an alternative source of information for patients that may attend emergency departments;
- the General Practice Liaison program promotes an integrated system of care and aims to reduce presentations to the emergency department and the need for acute care; and
- the After Hours General Practice clinics aim to divert patients from emergency departments. There are currently six health services operating these clinics.

The Committee was also provided with information regarding a number of initiatives currently being undertaken in Victoria's hospitals. This information is included in the table below:

286 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09*, December 2009, p.29

287 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.2

Table 4.1: Substituting Inpatient Care

Initiative	Update (as at April 2010) [a]	Number of hospitals
Framework for medi-hotels	The framework was released in 2009 and a self assessment tool against the guidelines will be completed in 2010. From July 2010, participating hospitals will report occupancy data on a regular basis.	11
Establishment of 23 hour/extended day surgery units	Both the Royal Melbourne Hospital and Monash Medical Centre have received capital funding to upgrade and extend their 23 hour day surgery units.	7
Establishment of Intensive Care Nurse Liaison positions	Additional hospitals including 3 regional hospitals have established nurse liaison positions.	17
Development of observation medicine guidelines	The guidelines and self assessment tool for Short Stay Units (SSU) were completed in early 2009. Three new SSU's are currently being built with start up later in 2010.	18 plus 3 hospitals later in 2010
Development of Health Independent Guidelines	The Health Independence Guidelines are being implemented by all health services. A self assessment and implementation plan was completed in 2009.	All hospitals
Redesigning Hospital Care Program	A number of major hospitals are improving various aspects of emergency department patient flow. Four health services are participating in a demonstration project to redesign the journey for acute medical inpatients expected to have a hospital stay of less than 72 hours. These projects are aimed at both patient flow and inpatient substitution.	21

Notes:

(a) Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.1

Source: Department of Health, 2010

4.2.5 Review and conclusion

The Committee considers that the Department has implemented a range of programs to assist in substituting for inpatient beds. Of particular note is the use of Hospital in the Home in Victoria, which is substantially used more than in any other state. However, not all the initiatives listed by the Department substitute for inpatient beds.

The Auditor-General concluded that:[288]

> *Each of the five hospitals had implemented a range of demand management strategies that both substituted for, and diverted patients from impatient care. Evaluation of these strategies is required to assess their effectiveness, and to refine the strategies.*

At the public hearing, Mr Chris Sheard, from the Victorian Auditor-General's Office, commented that the Department received funding to implement a range of programs, however a consistent finding over a number of recent audits of the Department is that they do not have a strong focus on evaluation.[289]

288 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.40

289 Mr C Sheard, Director, Victorian Auditor-General's Office, transcript of evidence, 28 April 2010, p.8

The Committee considers that future evaluation of programs and their outcomes will be important to assure the Department that programs are achieving their intended outcome. A rigorous evaluation program will assist the Department to ensure that alternative care models are appropriately substituting for inpatient beds and assisting in alleviating the pressure associated with a growing and ageing Victorian population.

Recommendation 14: **The Department of Health ensure that they put in place a continual and rigorous evaluation program to assess the success of the initiatives and programs implemented for substituting inpatient care.**

4.3. Planning for admissions

Planning for acute patient care presents a number of challenges for hospitals. Hospitals have to manage a number of groups including, patients requiring elective surgery and patients attending emergency departments, some of which will need to be admitted. Hospitals have timeframes for admitting patients requiring elective surgery as well as admitting emergency department patients.[290]

4.3.1 Policies and procedures for admissions

The audit found that all five hospitals had policies in place for admissions, however they varied on the extent to which they included elective surgery and emergency admissions. However, all hospitals had used the Department's elective surgery access policy, which provided consistency in managing elective surgery across hospitals. There was however a lack of guidance from the Department on how to manage emergency admissions.[291]

4.3.2 Balancing elective and emergency admissions

Guidance and policy issued by the Department states that hospitals should consider the balance between elective surgery and emergency admissions, as both groups compete for acute inpatient beds.[292]

For hospitals, this means that it is important that they consider the demand for emergency admissions when scheduling elective surgery admissions. To do this, hospitals need to monitor the demand for emergency admissions over time because while presentations to emergency departments are unplanned, they are '*highly predictable*' in terms of the number of presentations.[293]

The audit found that none of the five hospitals examined monitored the balance between elective and emergency admissions on an ongoing and regular basis. This had the most impact on elective surgery patients, who could have their surgeries cancelled due to emergency admissions.[294]

290 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.32

291 ibid., pp.32–3

292 ibid., p.33

293 ibid., p.34

294 ibid.

4.3.3 Auditor-General's findings and recommendations

The audit concluded that it was possible for the Department to work with hospitals to improve elective surgery planning by better understanding the variation in emergency admissions that occurs throughout the year, and plan elective surgery in response to this.[295]

The audit made two recommendations aimed at improving the scheduling and balancing of elective surgery:

- Public hospitals need to undertake more regular and comprehensive analysis and monitoring of data to inform scheduling and to assist in managing variation in demand and capacity (recommendation 4.3); and
- the Department should work with hospitals to develop tools to assist in monitoring emergency admissions and also to balance the demand between emergency and elective admissions (recommendation 4.4).

4.3.4 Response by the Department of Health

In regards to public hospitals undertaking more regular and comprehensive data analysis and monitoring, the Department responded that the recommendation was accepted in principle.[296]

In regards to recommendation 4.4, the Department informed the Committee that this recommendation was supported in principle because:[297]

> *... health services are responsible for managing emergency admissions and balancing emergency and elective demand.*

4.3.5 Subsequent developments

As part of the Government response by the Minister for Finance, the Department stated that in relation to recommendation 4.3, it was working on improving variation in demand and capacity through a number of projects, the Redesigning Hospital Care Program and funding a new bed management system.[298] The bed management system being rolled out by the Department is discussed further in Chapter 5.

The Committee asked the Department to provide further information. The Department stated that the Redesigning Hospital Care Program was a statewide initiative that was examining how to redesign processes and implement system improvements in Victoria's public hospitals. Hospitals aim to manage the variation in capacity and demand by examining the processes involved in patient care and removing those that do not add value. The Department has been supporting three main types of redesign through this program, individual health services programs, collaborative programs and demonstration projects.[299]

295 ibid., p.40

296 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.6

297 ibid., p.4

298 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09*, December 2009, p.30

299 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.4

The Committee sought information from the Department as to how the Department monitored the implementation of this recommendation. The Committee was informed that the Department had established networks for the Redesigning Hospital Care Program, which assisted in sharing innovations as well as working with hospitals to rectify issues that may arise. As well there is an expert advisory committee made up of senior executives from hospitals and members from the Departments of Health and Treasury and Finance. This group meets to monitor implementation of the program.[300]

In regards to recommendation 4.4, that the Department work with hospitals to develop tools to assist in monitoring emergency admissions and also to balance the demand between emergency and elective admissions, the Department reported a number of actions in the Minister for Finance's report. The actions included the establishment of the Emergency Surgery Working Group and meetings of access managers to support innovation, information sharing and collaboration.[301]

The Committee was informed by the Department that the Emergency Surgery Working Group has overseen the following activities since its inception:[302]

- collected qualitative and quantitative data from hospitals on the planning and delivery of emergency surgery;
- reviewed literature and good practice from other jurisdictions; and
- undertaken to develop recommendations for further policy.

The Department also reported that it had taken a range of other actions to implement this recommendation including:[303]

- $6 million to assist hospitals to meet increases in demand during the winter period;
- an additional $321.5 million for 100 acute, 170 sub-acute and six critical beds to improve patient flow; and
- an addition $77 million over five years for elective surgery as well as an additional $45 million for elective surgery in 2009-10, following an additional $60 million in 2008-09.

The Department also informed the Committee that through its funding agreements, performance targets are set for hospitals. These reflect the patterns of demand between elective and emergency services. The Department reports that they identify and discuss variations in demand with hospitals at regular meetings.[304]

4.3.6 Review and conclusion

In regards to recommendation 4.3, the Committee notes that the Redesigning Hospital Care Program is assisting hospitals to re-think processes and improve patient flow throughout the hospital. The Committee however, was not provided with evidence by the Department that

300 ibid., p.6

301 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09*, December 2009, p.30

302 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.6

303 ibid.

304 ibid.

hospitals were undertaking more regular analysis to inform scheduling to assist in managing variation in demand and capacity. The Committee considers that the Department has a role in encouraging hospitals to undertake more analysis in this area.

Recommendation 4.4 recommended that the Department work with hospitals to develop tools to assist in monitoring emergency admissions and also to balance the demand between emergency and elective admissions.

The Committee notes that the Department has set up an Emergency Surgery Working Group. The Committee also notes that the Government has contributed extra funding towards treating more elective surgery patients and providing more acute and sub-acute beds.

The Committee notes that Victoria has implemented a subsidiarity approach in the management of Victoria's hospitals. In that context, the Department bears overall responsibility for the management of Victoria's health system with a specific role in terms of acute monitoring and support to improve performance.

Recommendation 15: Hospitals should undertake more regular and comprehensive data analysis to better inform scheduling and assist in managing variation in demand and capacity.

4.4. Emergency admissions

The Auditor-General's report examined the emergency admission process as part of the audit. It found that most of the time, the emergency department starts assessing the patient's condition and need for further care and admission from the triage stage. Once a patient is assessed by a medical officer and treatment started, their need for admission is confirmed. Emergency staff will then make a request for an inpatient bed with the unit or ward most appropriate for the patient. When a bed is available, the patient is transferred to the ward.[305]

Good patient flow is dependent on all parts of the hospital working together to ensure a patient is admitted within clinically appropriate timeframes. In particular, finding a suitable bed for an emergency department patient can take time, however advising the person responsible for the allocation of beds early can assist to ensure that a bed will be available within the clinically appropriate timeframe.[306]

The audit found that the process in place for emergency admissions varied across all five hospitals examined. Recognising the delays that can occur, two hospitals had put in place the use of interim orders. Interim orders assist in improving patient flow by placing patients in wards that may be unsuitable for the care they require, however they ensure that other patients do not wait in the emergency department.[307]

Three hospitals did not use interim orders. The audit found this was because the ward did not accept emergency department care plans. The audit concluded this '*reflected poor cooperation between emergency department and inpatient medical staff.*'[308]

305 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.37

306 ibid., p.38

307 ibid.

308 ibid.

'Pulling' patients from the emergency department by ward staff can improve processes and patient flow. 'Pulling' patients refers to where ward staff:[309]

- seek out emergency patients suitable for their ward;
- ensure patients are discharged in a timely manner so beds are available;
- ensure beds are ready for patients; and
- tell the emergency department and those responsible for bed allocations that there is an available bed.

4.4.1 Auditor-General's findings and recommendations

The five hospitals examined had put in place a range of processes that had improved patient flow, however these mainly related to elective surgery. In terms of emergency admissions, there was room for improvement because the process was heavily reliant on the emergency department staff.[310]

All five hospitals examined noted that wards could be more responsive in 'pulling' patients from the emergency department.[311] The audit found that some specialist areas, such as intensive care, would 'pull' patients, however ward staff did not 'pull' staff from the emergency department. This meant that emergency department staff were 'pushing' patients onto wards, that is, calling wards informing them of patients that needed beds.[312]

The audit recommended that to reduce delays in admissions for emergency department patients, public hospitals should promote the use of interim orders as well as more actively pulling patients from emergency departments into wards.

4.4.2 Response by the Department of Health

The Department of Health accepted the recommendation in principle, responding on behalf of health services.[313]

4.4.3 Subsequent developments

The Committee sought information from the Department on how this recommendation had been implemented. The Department report that hospitals see the need of implementing a whole-of-hospital approach to emergency patient flow and as such, there are a range of strategies in place to improve patient flow. These strategies include:[314]

- the expansion and redevelopment of a number of emergency rooms as well as the rebuilding of the Royal Children's Hospital and the Box Hill Hospital will provide for expanded emergency department facilities;

309 ibid., p.39

310 ibid., p.40

311 ibid., p.38

312 ibid., p.39

313 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.3

314 ibid.

- funding of access coordinators in metropolitan hospitals, who support innovation, information sharing and collaboration across metropolitan hospitals;
- the development of guidelines for ambulance presentation, which clarify the roles and responsibilities for patient transfers and escalation in peak times;
- fast track treatment for patients who are seeking primary care services for less serious injuries and illnesses; and
- funding for After Hours General Practice clinics to assist in diverting patients from the emergency department.

In relation to the specific strategies recommended by the Auditor-General, that is the use of interim orders and 'pulling' patients from the emergency department into wards, the Department responded that:[315]

> *Some health services have reported introducing local policy to support the use of interim orders, and local protocols and local targets to improve the responsiveness of wards to demand from the ED ("pull").*

The Committee sought further information regarding whether the Department had provided guidance to hospitals regarding the use of interim orders or 'pull' strategies. The Department informed the Committee that it has drafted a policy that is before the Emergency Access Reference Committee. The draft policy requires that hospitals put in place policies and procedures for the use of interim orders. The Department also reports that they have published Observation Medicine Guidelines and a Self-Assessment Tool, which has the 'pulling' of patients from the emergency department as a feature.[316]

The Committee also sought information from the Department as to how it monitored the implementation of this recommendation in hospitals. The Department reported that while it did not specifically monitor the implementation of this recommendation, it monitors outcomes of the strategies developed to improve patient flow in emergency departments through monitoring the performance of hospitals.[317]

4.4.4 Review and conclusion

The Department has overseen the redevelopment and expansion of a number of emergency departments across a number of hospitals which will provide more emergency beds. As well, the Department has undertaken a number of initiatives which aim to promote good practice and innovation, or divert patients from emergency departments. Such programs and practices will require evaluation in the future to assess their effectiveness and efficiency.

The Committee noted the development of a policy requiring hospitals to use interim orders. The Committee also noted that the Department is promoting the pulling of patients via its Obeservation Medicine Guidelines. The Committee considers that the Department has taken action to ensure that relevant strategies it has developed to improve patient flows are monitored.

315 ibid., p.4

316 ibid.

317 ibid.

CHAPTER 5: MANAGING THE INPATIENT STAY

5.1. Introduction

Ensuring that beds are available is important for treating patients with acute needs. If a bed is not available, elective surgery may be postponed or patients will wait longer than clinically desirable in the emergency department prior to being admitted. Also, a patient should be admitted into a suitable bed for their treatment. Managing acute patients from the emergency department as well as elective surgery and keeping abreast of the status of beds is very difficult. The audit examined how well hospitals:[318]

- had processes in place that ensured good patient flow; and
- had information systems to support good bed management.

5.2. Bed management processes

5.2.1 Policies and procedures

The audit stated that processes in place to allow staff to control and understand the changing status of hospital beds was crucial to ensuring effective bed management because it helps staff to manage competing demands. Effective processes also help staff understand the capacity available in the hospital and what is required each day. The audit stated that effective policies and procedures:[319]

> *...inform decision making, promote consistent work practices and communicate expectations regarding bed management.*

5.2.2 Bed managers

The task of a bed manager in a hospital is very complex, with many competing demands from a variety of areas within the hospital. To ensure good outcomes, there needs to be a collaborative and coordinated approach to undertaking bed management. The audit identified two key areas important for a bed manager; authority and training.

5.2.3 Auditor-General's findings and recommendations

The audit found that only three hospitals had documented policies and procedures on bed management. There was also a range of variation in regards to the distribution of the procedures. The audit considered that only one hospital had thorough bed management manuals in place which incorporated policies, procedures and guidelines. The manual provided direction on the allocation of beds for admission, procedures for managing peaks in demand, bed management tasks and decision trees for a range of scenarios.[320]

Two other hospitals had bed management policies, however, the audit found they were not comprehensive. The remaining two hospitals did not have any documented bed management policies. The audit concluded that the lack of documented policies and procedures impeded the hospitals ability to effectively manage beds. There was a strong reliance placed on individual staff

318 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, pp.43–4

319 ibid., p.44

320 ibid.

members to manage beds via accumulated knowledge, meaning that if these staff members were not available, processes may not work as well.[321]

With regards to bed managers, the audit found that all five hospitals had bed managers. They also had after-hours bed coordinators to manage beds on the weekend, evenings and night-shifts. At two hospitals, the audit found that bed managers had additional roles, which could distract them from their key role of managing beds and patient flow.[322]

The audit also found that all staff had received bed management training, however the training varied and generally involved 'shadowing' a staff member. In relation to authority, the audit found that four of the five hospitals had given bed managers sufficient authority to undertake their role.[323]

The audit recommended that the Department should develop, in conjunction with hospitals, comprehensive bed management guidance for achieving better practice, just as it has developed guidance on elective admissions[324]

5.2.4 Response by the Department of Health

The Department accepted this recommendation in principle. The Department stated that the Elective Surgery access policy provides guidance for the management of patients for elective surgery. The Department said it would consider this recommendation when developing further guidelines.[325]

The Committee sought clarification on why the recommendation was only accepted in principle by the Department. The Department responded that it accepted the recommendation in principle because this would be considered by the Medical Inpatient Program in the development of policy.[326]

5.2.5 Subsequent Developments

The Committee sought information from the Department on the implementation of this recommendation. The Department reported that it established the Medical Inpatient Program in late 2009, with the Acute Medical Inpatient Advisory Committee to oversee it. This Committee has since developed work priorities, which include the effective discharge of patients, of which bed management is included. The Department expects that these guidelines will be issued to hospitals in 2010-11.

The Department reports that it has undertaken other activities to support this recommendation including the establishment of the Access Managers Network to share good practice on patient flow, including electronic management of beds. The Department reports that the Network discusses a range of issues relating to patient flow, such as winter demand strategies, discharge strategies and electronic bed boards.[327]

321 ibid., p.45

322 ibid.

323 ibid., p.46

324 ibid., p.51

325 ibid., p.7

326 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.7

327 ibid.

5.2.6 Review and conclusion

The Department accepted this recommendation in principle. The Committee considers that the Department could have accepted the recommendation, noting that the recommendation would be more fully considered by its Medical Inpatient Program. The Committee notes that work is currently in progress to implement the recommendation of the Auditor-General, through the work of the Medical Inpatient Program.

5.3. Bed management information systems

The status of hospital beds is constantly changing, with patients being admitted, moved to different areas and discharged. To be able to allocate beds appropriately, bed managers need to know up to date information on the status of hospital beds, expected discharges, planned admissions and the status of patients in the emergency department waiting for admission.[328]

5.3.1 Auditor-General's findings and recommendations

In examining bed information systems, the audit sought to examine what systems the five hospitals had in place to manage bed information, stating that it expected that hospitals would have comprehensive information systems in place for bed management.[329]

The audit found that there was a large degree of variation across the five hospitals examined. The systems used for managing beds included electronic information systems, paper-based resources, physical ward visits and telephone and pager based communication tools. The audit found that:[330]

- while paper-based tools were used extensively, they could be complex, inconsistent, difficult to complete and only available to the bed manager;
- the systems available did not always provide current information;
- ward visits could occur three to four times a day;
- bed managers would receive continuous information from wards, departments and other hospitals; and
- the IT systems to support bed management were poor.

The Department had recognised in 2005 that the systems in place in hospitals for bed management were poor and decided to examine putting in place an electronic system. At the time of audit, the Department was examining two systems already in hospitals and a system used by New South Wales. The Department anticipated that it would be piloting the chosen system in October 2008, with an evaluation taking place after 12 months.[331]

The audit concluded that the Department should provide Victoria's hospitals with an effective bed management system because processes in place duplicated effort and were inefficient. The audit recommended that the Department should introduce the preferred IT system system to each Victorian hospital as a key tool for improving patient access and flow, giving consideration for

328 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.46

329 ibid., p.47

330 ibid.

331 ibid., p.50

the life-cycle costs of implementation, following the pilot and evaluation of the electronic bed management system.[332]

5.3.2 Response by the Department of Health

The Department accepted this recommendation in principle. In its response, contained in the Auditor-General's report, the Department stated:

> *DHS has funded an electronic bed management system that will provide hospitals with the capability for 'real time' organisation wide monitoring and management of bed capacity. DHS will consider this recommendation following the evaluation of the electronic bed management systems currently being piloted in selected Victorian hospitals.*

The Committee sought information from the Department as to why this recommendation was only accepted in principle. The Department responded that the recommendation was only accepted in principle because it needed to consider the implications within the broader ICT reforms that the Department supported or that were already underway in hospitals.[333]

5.3.3 Subsequent developments

In regards to the new bed management system, the Department reports that they have trialled an electronic bed management system in three hospitals in 2007-08. In 2009-10, this was rolled out to a further four health services. [334]

The Department reported that in 2009, it engaged the Centre for Health Innovation to undertake a review of the five bed management systems used in hospitals in Australia. The review found that the system used in New South Wales (NSW) was the preferred system because it was easy to use and could be integrated with other systems. The NSW system could also be extended with extra reporting capabilities.[335]

Further the Department informed the Committee that the three health services involved with the first phase of the electronic bed management system reported that the electronic bed management system has assisted with communication between the emergency department and the wards in hospitals. The Department noted that:[336]

> *...hospitals also report that the benefits of the system cannot be isolated from the broader impact of improvements to patient flow, or from changes to larger ICT systems within participating health services.*

At the public hearing, the Committee asked the Department about the roll out of the electronic bed management system. Ms Frances Diver informed the Committee that the first three hospitals that implemented the system provided positive feedback. The Department reported that at the present time, they are considering evaluation of the electronic bed management system before deciding whether further implementation is appropriate.[337]

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332 ibid., p.51

333 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, pp.7–8

334 ibid., p.5

335 ibid.

336 ibid.

337 Ms F Diver, Director, Department of Health, transcript of evidence, p.12

To monitor the introduction of the electronic bed management system, the Department has established a Steering Committee. There was also a working group which had representatives from the seven hospitals participating in the trial.[338] Further the Department reported that they were in the process of agreeing an evaluation framework for the electronic bed management system.[339]

5.3.4 Review and conclusion

The electronic bed management system commenced trials in 2007-08 and is currently operational in seven hospitals. A review was undertaken after the system was rolled out to determine that the electronic system used in NSW was preferred because of the functionality. The audit found that the system was being rolled out in 2008, as a result of deficiencies identified by the Department in 2005. The Committee considers there has been a significant amount of time spent implementing the system. The Committee notes that the Department is agreeing an evaluation framework and considers this is a positive step towards implementing this recommendation. As such, the Committee considers that the Department should undertake to evaluate the current system without further delays, with a view to rolling out the system more widely to Victoria's hospitals.

Recommendation 16: **The Department of Health should roll out an electronic bed management system to all of Victoria's health services once an effective evaluation of the current system is completed.**

338 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.5

339 ibid., p.8

CHAPTER 6: MANAGING INPATIENT DISCHARGE

6.1. Introduction

When a patient has had their injury or illness successfully treated, the hospital will discharge them for further recovery. Most patients can complete their recovery at home, while some patients will require rehabilitation or care in a sub-acute facility.[340]

Ensuring that patients are discharged in a timely manner is important because it allows hospitals to maximise the beds available. A well managed discharge process can improve patient flow throughout the hospital.[341]

Discharging patients in a timely manner, that is when they are medically fit, reduces patients occupying beds and stopping the beds being re-allocated to other patients. Where patients are not discharged in a timely manner, access block occurs. This means that patients in the emergency department will need to wait for longer than clinically desirable for a bed or elective surgery will need to be cancelled. Timely discharge is also important for patients because it limits the risks associated with prolonged hospitalisation, such as acquired infections.[342]

The audit examined three aspects of discharge of acute inpatients. They were whether hospitals:[343]

- planned discharges to improve patient flow;
- discharged patients in a timely manner; and
- provided access to specialist, allied health and diagnostic services in at timely manner.

6.2. Planning for discharges

Discharging patients from hospital is a complex process. It requires planning and coordination, with patients ready for discharge identified early and addressing a patients needs prior to discharge. To ensure that hospital discharges are well coordinated and effective, there need to be appropriate policies and procedures that support and guide discharges, especially when hospitals have junior medical staff, whose training is focused on clinical aspects rather than consideration of patient flow and team work, both required for effective discharge planning.[344]

6.2.1 Discharge policies and procedures

Policies and procedures are important to the discharge process as they inform staff about the requirements for discharge, an individual's role in the process and assist in ensuring consistency in discharging patients. Such processes should assist in making sure that the process is efficient and effective.[345]

340 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.54

341 ibid.

342 ibid.

343 ibid.

344 ibid.

345 ibid., p.55

6.2.2 Auditor-General's findings and recommendations

In examining planning for discharges, the audit assessed whether the five hospitals had policies and procedures that informed staff about the requirements for processes, roles and responsibilities.[346]

The audit found that all five hospitals had documented policies and procedures, however, they were of variable quality. In particular, one hospital's procedures only contained high level information but did not set out any procedures for staff to follow. None of the procedures clearly identified the roles and responsibilities involved in discharging a patient. This is very important, given the number of staff involved in discharging a patient.[347]

The audit recommended that public hospitals should develop comprehensive discharge policies and procedures that clearly identify staff roles and responsibilities, particularly those responsible for the coordination of discharges.[348]

6.2.3 Response by the Department of Health

The Department accepted this recommendation in principle, on behalf of public hospitals.[349]

6.2.4 Subsequent developments

The Committee sought written information from the Department on the implementation of this recommendation. The Committee was informed that the Department is of the view that the discharge procedures within an individual hospital should be consistent, including processes for discharge planning and communication with General Practitioners.[350]

While at the present time, the Department does not provide discharge procedures to hospitals, the Department stated that they will consider developing a policy on effective discharge. However, at present, the Department reports that they facilitate the sharing of good practice via the Access Managers Network and meetings of the General Practice Liaison Officers.[351]

6.2.5 Review and conclusion

The Committee considers that while hospitals operate in the subsidiarity model currently in place in Victoria, there will be variation in policies and procedures. Such variation allows for hospitals to standardise procedures according to their own structures and other supporting policies and procedures.

However, there is scope for the Department, through implementing policy to ensure that all hospitals have comprehensive discharge policies in place. Such a policy does not need to be descriptive, but rather guide hospitals towards better practice.

346 ibid.

347 ibid.

348 ibid., p.64

349 ibid., p.8

350 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, p.8

351 ibid.

Recommendation 17: **The Committee considers that the Department should provide policy on effective discharge to Victorian hospitals.**

6.3. Discharge planning processes

The processes in place for discharging patients can impact the timeliness and effectiveness of patient discharges. In particular, daily rounds to assess whether a patient can be discharged can cause patients to stay longer than necessary if they are not undertaken appropriately or in a timely manner. [352]

The audit stated that planning for patient discharge should start as soon as possible, because it gives hospital staff an opportunity to identify any issues that may arise at the earliest possible opportunity, such as the need for extra assistance. It also gives a patient and their family an idea of when they will be discharged and also gives the hospital an idea of the bed situation. For patients admitted from the emergency department, planning for their discharge should commence at the pre-admission assessment. For patients that are admitted from the emergency department, planning for their discharge should start on the day they are admitted.[353]

Identifying patients that were fit for discharge is also an important part of the planning process.

6.3.1 Auditor-General's findings and recommendations

The Auditor-General found that all five hospitals examined, commenced planning for patient discharge at the pre-admission stage or on the day they were admitted. All hospitals also reviewed patients early for any issues that would delay their discharge.[354]

There were a number of processes in place to identify patients that were fit for discharge. They include ward rounds; where staff review a patient's progress and decide whether a patient is fit to be discharged. The key to ensuring good patient flow is making sure ward rounds are conducted early each day. The Auditor-General found that all five hospitals undertook ward rounds, however one hospital undertook rounds late in the morning, meaning that there was less time to organise patients for discharge.[355]

Two hospitals used Visiting Medical Officers (VMOs) to discharge patients. VMOs are private practitioners that work on a sessional or fee-for-service basis. Hospitals who used VMOs reported that they had delays in discharging patients because junior doctors were hesitant to make decisions without VMOs confirming a decision to discharge a patient, and VMOs are not available every day.[356]

The Auditor-General recommended that public hospitals should promote the use of criteria led discharges to reduce bottlenecks occurring when senior staff are not available (recommendation 6.2). In addition, the audit also recommended that the Department should facilitate the development of discharge led criteria to ensure a consistent approach across hospitals and reduce duplication of effort (recommendation 6.4).[357]

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352 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.55

353 ibid., p.56

354 ibid.

355 ibid., pp.56–7

356 ibid., p.57

357 ibid., p.62

6.3.2 Response by the Department of Health

In the Auditor-General's report, the Department accepted the recommendations in principle on behalf of hospitals.[358].

In relation to recommendation 6.4, that the Department facilitate the development of discharge criteria, the Department responded that it accepted in principle because it was anticipated that this recommendation would be more fully considered by the Medical Inpatient Program in the development of policy.[359]

6.3.3 Subsequent developments

The Committee sought written information from the Department on the implementation of recommendations 6.2 and 6.4, that the Department facilitate the development of criteria led discharge and that hospitals should promote its use.

The Department reported that criteria led discharges have been developed for the observational medicine units and extended day surgery units. However, the length of stay in these two units is more defined than in other hospital units, with care in observational medical unit up to 24 hours for emergency care and 48 hours for patients that require care by a specialty. Similarly in the extended day surgery, a patient's stay is generally 23 hours. The Department reports that discharge criteria are vital to the functioning of these units.[360]

Further the Department reports that policy on discharge will be developed by the Medical Inpatient Program and this may include discharge criteria. This policy may be included in the Statements of Priorities, agreed between the hospital Boards and the Minister for Health.[361]

The Medical Inpatient Program was established in September 2009 to:[362]

> *... lead innovation and develop statewide policy, programs and services to enhance delivery of acute medical inpatient care and related health service performance.*

The Medical Inpatient Program is supported by a Committee. The objectives of the Medical Inpatient Advisory Committee are to:[363]

- identify and examine issues that relate to the delivery of acute medical inpatient care;
- guide strategic direction for the future of acute medical inpatient services; and
- provide advice on the implementation of the recommendations made by the Auditor-General in his report on *Managing Acute Patient Flow*.

358 ibid., p.8

359 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, pp.9–10

360 ibid., p.9

361 ibid.

362 The Department of Health, 'Acute Inpatient Medical Advisory Committee', <www.health.vic.gov.au/medicalinpatient/amiac.htm>, accessed 17 August 2010

363 ibid.

In regards to recommendation 6.2, the Department reported that it has not monitored implementation of this recommendation in hospitals. The Department states that it monitors outcomes rather than strategies designed to improve patient flow.[364]

The Committee considers that to properly implement recommendation 6.2, that hospitals use criteria-led discharges, it is important that the Department provide hospitals with criteria for discharge and promote consistency in discharging patients across Victoria's hospitals. At the present time, the Department reports that they have referred the implementation of this recommendation to the Medical Inpatient Advisory Committee, which, the Department reports, is developing a policy on discharging patients.

While the Department has tasked the Medical Inpatient Advisory Committee with providing advice on the implementation of the recommendations contained in the Auditor-General's report, at the present time, the recommendation has not been implemented. The Committee therefore reiterates the recommendation of the Auditor-General, which requests direct facilitation of discharge criteria development by the Department.

Recommendation 18: The Department of Health should facilitate the development of discharge criteria to enable a consistent approach across hospitals and reduce duplicated effort.

6.4. Discharge performance

Discharging patients in a timely manner is important for ensuring that patient flow is maintained throughout the hospital. Should patients not require further treatment but continue to occupy beds, a hospital becomes unable to offer care to patients that have a greater need. Planned hospital admissions for elective surgery occur in the morning, therefore it is important that there are beds available early in the day.[365]

The Auditor-General's report examined discharge performance in Victoria's hospitals to assess whether it was efficient and effective.

6.4.1 Auditor-General's findings and recommendation

The audit found that hospitals were aware that it was important to discharge patients early in the day and all five hospitals examined stated in their discharge policy that 10.00am was the time by which they would discharge patients.

There was however, a large variation in the time that hospitals discharged patients. The percentage of patients that were discharged by 10.00am in 2006-07 ranged between 10 and 16 per cent. The majority of patients (between 72 and 81 per cent) were discharged in the afternoon. At the time of audit, the statewide average for afternoon admissions was just over 70 per cent.

The day a patient is discharged also impacts on patient flow in a hospital. The audit found that the majority of discharges and admissions occur on weekdays, with a substantial decrease on the weekend. This is common both nationally and internationally because the level of services offered by hospitals on weekends is reduced, including most elective surgery being scheduled for week days.[366]

364 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, pp.8–10

365 Victorian Auditor-General's Office, *Managing Acute Patient Flows*, November 2008, p.59

366 ibid., p.60

The reason for discharges falling on the weekends is more difficult and is partly because patients requiring community support services for discharge cannot access this on the weekend. In addition, hospital staffing is reduced on weekends, meaning that ward rounds are not used to identify patients ready for discharge, and staff are not available to facilitate discharges.[367]

The audit found that there were strategies in place to increase the rate of weekend discharges, such as increased staffing and conducting weekend rounds to identify patients to be discharged. These strategies had not been evaluated, however it was anticipated they would increase the number of weekend discharges.[368]

The audit recommended that public hospitals should increase the rates of discharge on weekends for those patients that are able to return home without the need for community support.[369]

6.4.2 Response by the Department of Health

The Department of Health responded in the report that it accepted the recommendation in principle and that it would consider the recommendation in the context of inpatient program guidelines that include admission and discharge.[370]

6.4.3 Subsequent developments

In regards to discharge times, the Department reported that in comparing the number of patients discharged before noon in 2006-07 and 2008-09, there was:[371]

- an increase of at least one per cent at four hospitals;
- 14 hospitals showed similar performance; and
- discharges fell by more than one per cent at three hospitals.

The Department reported that 86 per cent of hospitals are using discharge lounges for acute patients. A discharge lounge provides a place for patients to receive care, while waiting to be discharged. It also means that the hospital can make the bed available earlier for use by other patients.[372]

The Committee sought information from the Department on the implementation of this recommendation. The Committee was informed that the Department has not monitored the implementation of this recommendation by hospitals. The Department stated that hospitals are responsible for implementing specific strategies to improve patient flow, such as increasing rates of weekend discharges. Rather, the Department monitors outcomes.[373]

367 ibid.

368 ibid., p.61

369 ibid., p.64

370 ibid., p.8

371 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 22 July 2010, p.2

372 ibid., p.3

373 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 20 April 2010, pp.9–10

6.4.4 Review and conclusion

The Auditor-General examined patient discharge times and found that many hospitals were not meeting their expected discharge time of 10.00am. The Department's analysis shows that this is still the case. However, a great number of hospitals have implemented discharge lounges, which allow beds to be freed up much earlier.

The Committee was not provided with any information in regards to whether public hospitals have increased the rates of weekend discharge. The Committee considers that the timely introduction of criteria led discharge encouraged by the Department would assist hospitals to increase the rate of weekend discharge.

Recommendation 19: The Department of Health should provide guidance to hospitals to assist in increasing the rate of weekend discharge.

PART C: PRIORITY TWO FOLLOW-UPS

CHAPTER 1: MANAGEMENT OF COMPLAINTS AGAINST TICKET INSPECTORS

1.1 Introduction

In April 2004, Public Transport Ombudsman Limited (PTO Ltd), a company limited by guarantee, was established to administer an independent dispute resolution scheme, known as the PTO scheme, for persons who use Victorian public passenger transport services or public transport-related activities of the public transport operators.

As a company limited by guarantee, PTO Ltd does not have shareholders, but rather a number of members of the company who pay an annual membership fee.[374] There were eight members of the PTO scheme during 2008-09. These were:[375]

- V/Line Passenger Pty Ltd;
- VicTrack;
- Transport Ticketing Authority;
- Southern Cross Station;
- Metrolink Victoria Ltd, trading as Yarra Trams;
- Metlink Victoria Pty Ltd;
- Connex Melbourne Pty Ltd; and
- bus operators who are members of the Bus Association of Victoria.

The aim of the PTO scheme is to provide independent and prompt resolution of complaints and disputes, having regard to what is fair and reasonable for the members and the complainant, good industry practice and current law.[376]

PTO Ltd is established under a constitution and charter. The Constitution of PTO Ltd establishes a board of directors, comprising:[377]

- three consumer directors who are appointed by the Minister for Transport and represent the interests of users of public transport services;
- three industry directors who are appointed by passenger carrying members of the PTO scheme; and
- an independent chairperson appointed by the Minister for Transport.

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374 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.10

375 Public Transport Ombudsman *Annual Report 2009*

376 Public Transport Ombudsman Limited, *Charter as at October 2007*, Part A, clause 1.5

377 Public Transport Ombudsman, 'What is the Public Transport Ombudsman Scheme', <www.ptovic.com.au/content/whatispto.html>, accessed 7 July 2010

PTO's Constitution also establishes a Public Transport Ombudsman (PTO) vested with authority to receive, investigate and facilitate the resolution of complaints.[378]

The responsibilities of the PTO board are set out in the Public Transport Ombudsman Limited Charter, which has been approved by the Minister for Transport. The PTO board's responsibilities include the oversight of the PTO scheme, appointing the PTO and maintaining the independence of the PTO, providing advice to the PTO about policy matters, and ensuring the effective management of resources.[379]

The Charter sets out the jurisdiction and functions of the PTO. The Charter also provides that the PTO will only have jurisdiction to review a complaint which has first been investigated and considered by a member and the complaint remains unresolved by the member's internal complaint handling mechanisms, except where the PTO exercises its discretion in cases where there have been delays beyond the timeframes for responding established by Metlink.[380]

The jurisdiction over complaints about authorised officers has been shared between the PTO and the Victorian Ombudsman. Before October 2007, the PTO's jurisdiction in this area was very narrow. It dealt with complaints about the conduct or behaviour of authorised officers. The Victorian Ombudsman managed complaints about authorised officers when they were performing their statutory functions. Consequently, the PTO handled few complaints about authorised officers.[381]

Changes to the PTO's jurisdiction in late 2007 meant that it now has the same jurisdiction (but not the same powers) as the Victorian Ombudsman and can handle any complaints about authorised officers' use of their statutory powers.[382]

Under the *Transport Act 1983 (now the Transport (Compliance and Miscellaneous) Act 1983)* the Director of Public Transport, Department of Transport may authorise persons to exercise the following powers where that officer believes that an offence has been committed:

- require a person to state his or her name and address;
- request a person to provide evidence of the correctness of name and address;
- arrest a person, if necessary;
- remove a person and that person's property from a bus, train or tram or from company premises or property; and
- require a person to produce a valid ticket and proof of entitlement to a concession fare entitlement.

The relationship between the PTO and the Victorian Ombudsman, and the administrative arrangements around it has been described in an exchange of letters.[383]

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378 Public Transport Ombudsman Limited, *Charter as at October 2007*, Part A, clause 1.4

379 ibid., Part C, section 10

380 ibid., Part B, section 3

381 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.10

382 ibid., p.11

383 ibid.

A key responsibility of the PTO is to receive, investigate and to facilitate the resolution of complaints, including complaints against the conduct or behaviour of authorised officers, where under the memorandum of understanding the PTO is the appropriate body to receive, investigate and facilitate the resolution of the complaint.[384]

Since the establishment of the PTO Ltd in 2004, a total of 451 complaints against authorised officers have been received by the PTO.[385]

The Committee noted the title of this performance audit report – *Managing Complaints Against Ticket Inspectors*. The Auditor-General explained in his report that the term 'ticket inspectors' was used in the audit title to enhance broader public understanding of the audit topic. He further explained that this audit focused on 'authorised officers' exercising powers under Division 4AA of the *Transport Act 1983* for enforcement purposes. [386]

1.2 The Audit

1.2.1 Audit objective

The objective of the audit undertaken by the Auditor-General in 2008 was to assess the effectiveness and efficiency of the PTO's management of complaints against authorised officers during the period April 2004 to December 2007 (before changes to the PTO's jurisdiction).[387]

The audit sought to determine whether:

- governance and institutional arrangements facilitate the provision of effective and efficient complaints management for users of public transport who are affected by authorised officers; and
- complaint management processes are effective and efficient in dealing with complaints against authorised officers.

The Public Transport Ombudsman is committed to complying with the *National Benchmarks for Industry Based Customer Dispute Resolution Schemes* released by the Minister for Customs and Consumer Affairs (Commonwealth).[388] The Auditor-General applied these benchmarks to assess the effectiveness and efficiency of the PTO's management of complaints against authorised officers.

1.2.2 Overall audit findings

The audit found that the former Department of Infrastructure (DOI now the Department of Transport, DOT) carried out a thorough examination of potential models for a public transport complaints management scheme. The PTO scheme has a number of mechanisms to safeguard the independence of the PTO. The PTO has sufficient powers to carry out its functions relating to complaints against authorised officers.[389]

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384 Public Transport Ombudsman Limited, *Charter as at October 2007*, Part B, section 3

385 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.27

386 ibid., p.12

387 ibid., p.3

388 Public Transport Ombudsman, *Procedure For Dealing With Complaints About The Ombudsman And Ombudsman Officers*, August 2009

389 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.3

In relation to complaints management, the audit found that around 80 per cent of complaints received by the PTO against authorised officers had been referred to other agencies to manage because they were outside the PTO's jurisdiction.[390]

The audit found that the PTO's complaints handling guidelines were consistent with national benchmarks; however improvements could be made in the management of complaints, particularly in achieving established timelines, consistency in record keeping, and compliance with referral processes. The audit also found that more could be done to raise public awareness of the scheme.[391]

In regards to continuous improvement, the audit found that the PTO scheme is unlikely to have been a major driver of continuous improvement of standards of service. It is more likely that Victorian Government initiatives have been more influential.[392]

The audit found that PTO had a tool for monitoring complainant satisfaction with members, but was not achieving its aims and PTO did not perform systematic post-complaint monitoring of action taken by members.[393]

The audit report contained 17 recommendations for the Public Transport Ombudsman and the Departments of Premier and Cabinet, Treasury and Finance and Transport, which covered the following key areas:

- legal issues affecting the audit (2 recommendations);
- governance and institutional arrangements (2 recommendations);
- complaints management (11 recommendations); and
- continuous improvement (2 recommendations).

As part of this follow up review, the Committee sought written information from the Public Transport Ombudsman and the Departments of Premier and Cabinet, Treasury and Finance and Transport about the actions they have taken in response to the recommendations directed to them.

1.3 Legal issues affecting the audit

The Auditor-General noted in his report a number of legal issues encountered in conducting this audit.[394] In particular, the audit report indicated that it is not clear that the PTO Ltd is an 'authority' for the purposes of the *Audit Act 1994*, since it is not established under an Act, and is therefore unlikely to be a public body under the Act. It was also unclear that it is an entity of which the State has control, control being defined by reference to the relevant accounting standard, rather than for example, by reference to the number of government appointed directors.[395]

390 ibid., p.4

391 ibid.

392 ibid.

393 ibid.

394 ibid., p.2

395 ibid.

The Auditor-General was of the view that this audit could proceed on the basis that, notwithstanding doubts about being an 'authority' under the Act, PTO Ltd and its operations could be seen as part of the Victorian Public Sector and therefore within Section 15(1)(b) of the *Audit Act 1994*, which does not rely on the definition of 'authority'.[396] This view is supported by the fact that it is unlikely that PTO Ltd is a 'public entity' for the purposes of the *Public Administration Act 2004*.[397]

The audit report made two recommendations concerning the Auditor-General's mandate to carry out performance audits:[398]

> ***Recommendation 2.1 –*** *Where the government controls entities that may not fall within standard public sector accountability mechanisms, including entities where the government appoints the majority of a corporate board, the central agencies should ensure that the Auditor-General's mandate to carry out performance audits on such entities is clear.*
>
> ***Recommendation 2.2 –*** *The Minister for Finance should amend section 12 of the Audit Act 1994 to make it more consistent with the operation of section 15 of the Audit Act 1994.*

In addition to these recommendations, the Auditor-General further raised the legal issues in a submission to the Committee's current inquiry into the Victorian *Audit Act 1994*. The Auditor-General has proposed to the Committee that a suitable amendment be made to the Audit Act to ensure that situations similar to those experienced with PTO Ltd are clearly covered by the provisions of the Act.[399]

On this matter also, the Committee noted the response received from the Department of Treasury and Finance that the recent review of the public finance legislation has examined public sector accountability mechanisms, including the definition of what is deemed to be a public sector entity. The resultant Public Sector Finance and Accountability Bill is currently under consideration by Parliament.[400]

1.4 Governance and institutional arrangements for the PTO scheme

The Auditor-General examined whether the governance and institutional arrangements of the PTO scheme complied with the *National Benchmarks for Industry-Based Customer Dispute Resolution Schemes* and specifically, whether the scheme:[401]

- has a clearly established jurisdiction and whether changes to the PTO Ltd charter in 2007 are likely to improve governance relating to complaints against authorised officers;
- has sufficient power to carry out its functions;

396 ibid.

397 ibid.

398 ibid., p.13

399 Mr D Pearson, Auditor-General,Victorian Auditor-General's Office, correspondence to the Committee, received 28 August 2009

400 Mr G Hehir, Secretary, Department of Treasury and Finance, correspondence to the Committee, received 7 May 2010

401 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.20

- provides for an independent arbiter of disputes; and
- provides for the independence of PTO Ltd staff.

The Auditor-General concluded that:

- New arrangements since October 2007 widen and provide a clearer definition of the PTO's jurisdiction and comply with the national benchmarks. The Auditor-General stated that more information could be provided to users about the allocation of complaints between the PTO and the Victorian Ombudsman.[402]
- The PTO has sufficient powers to investigate and facilitate the resolution of complaints against authorised officers. However the PTO is not established under legislation and has no statutory enforcement powers.[403]
- There was no evidence to suggest that the PTO has acted other than independently in the exercise of the PTO's functions notwithstanding no determinations have been made and the independence of the PTO has not been tested.[404]
- There are numerous and sufficient mechanisms to ensure the PTO's independence and these are broadly compliant with the national benchmarks.[405]
- The relationship of PTO Ltd staff with scheme directors/board members requires clarification.[406]

The Auditor-General made two recommendations concerning the PTO scheme's governance and institutional arrangements. These recommendations are discussed below.

1.4.1 Recommendation – 3.1 Information on PTO website

In a response to a 2007 PTO survey of complainants, the audit found that 49 per cent of respondents stated that they were not satisfied with the PTO's resolution of their complaint and that comments by respondents reflected a frustration with the PTO's jurisdictional split and confusion surrounding the PTO's powers and mandate.[407]

The Auditor-General recommended that the PTO should revise its website to include more information about the process of determining which Ombudsman will deal with each complaint.[408]

The Committee sought information from the PTO on whether it had updated its website and noted actions taken by the PTO on this recommendation included:[409]

- providing information about authorised officer complaints under 'making a complaint to the PTO';

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402 ibid.

403 ibid., p.21

404 ibid., p.24

405 ibid.

406 ibid.

407 ibid., p.18

408 ibid., p.21

409 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09*, December 2009, p.138

- placing on the PTO website the exchange of letters between the PTO and Ombudsman Victoria, which sets out that the PTO will in the first instance receive all complaints about authorised officers, subject to Ombudsman Victoria's unfettered jurisdiction to conduct its own investigations; and

- publishing a position statement outlining how the PTO deals with authorised officer complaints.

The Committee reviewed the PTO website and noted that it had updated its website to include the above information.[410] The Committee noted that the above information was readily accessible on the PTO Website under the heading "*Making Complaints to…..*".[411]

The PTO advised the Committee that it had recently commissioned the development of a revised website, with the aim of making it more informative, accessible and comprehensive. The PTO further advised that the design brief specified requirements to make the website more user friendly, easier to navigate and more accessible for the vision impaired. The redevelopment project was expected to be completed during 2010.[412]

Given the results of recent surveys indicating confusion and frustration experienced by complainants in the complaints handling process, the Committee emphasises the need for PTO to provide clear and comprehensive guidance about its complaints handling procedures on the PTO website.

As the Auditor-General pointed out in his report, changes to the PTO's jurisdiction had the potential to create confusion as to what the PTO, as opposed to the Victorian Ombudsman is responsible for. Given this, the Committee is keen to emphasise that ongoing information that is available on the PTO website needs to be consistent with information that is available on the Victorian Ombudsman's website.

The Committee examined both Ombudsmen's websites and noted scope to provide greater clarity about the jurisdiction of each Ombudsman to handle complaints against authorised officers.

Recommendation 20: **Both the Public Transport Ombudsman and the Victorian Ombudsman collaborate to ensure that the information available on their respective websites regarding complaints handling procedures is consistent and that clear guidance is provided regarding the jurisdiction of the two Ombudsmen to handle complaints.**

1.4.2 Recommendation 3.2 – Protocols and independence

The Auditor-General's report stated that to ensure proper exercise of its powers, there is a need for the PTO to be independent of scheme members against whom the PTO may make a binding determination.[413] The audit found that PTO independence is not stated explicitly in the charter or

410 Public Transport Ombudsman, 'What is the Public Transport Ombudsman Scheme', <www.ptovic.com.au/content/whatispto.html>, accessed 20 July 2010

411 ibid.

412 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

413 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.22

the constitution. Independence is implied through a number of mechanisms, which are detailed further in the Auditor-General's report.[414]

PTO advised at the time of audit that there were no written procedures governing contact between PTO Ltd staff and board members.[415]

The Auditor-General noted that a lack of such procedures poses a risk in that staff may be unclear about whether they are subject to any form of direction from board members. In some circumstances, legitimate contact with board members may give rise to a perception of conflict or bias in dealing with particular complaints.[416]

The audit recommended that PTO should, in consultation with the board, finalise protocols for staff that address board contact with staff, clarify the role of board members and emphasise the PTO and his staff's independence from the board.[417]

In response to a request for information, the PTO provided the Committee with a copy of the PTO Board's Director's Manual. The Committee noted the manual is comprehensive and sets out, among other things relevant matters relating to:[418]

- the functions of the board;
- board protocol, incorporating a constitution and code of conduct;
- communication with PTO officers, including handling of individual complaints; and
- procedures for complaints about directors.

The Committee notes that the manual provides for the independence of the PTO in investigating and resolving individual complaints, indicating that it is generally not appropriate for a Director, in their capacity as a Director, to discuss individual complaints with PTO officers. The Manual further acknowledges that some Industry Directors may have direct involvement, from time to time, in the handling of complaints by scheme members and on occasion, these complaints may then come to the PTO. For these matters, it is preferable that Directors have no direct involvement in the further handling of these complaints.[419]

The Committee was advised that the manual is subject to regular review. The most recent review undertaken in late 2009, established that the manual was meeting the needs of PTO Ltd directors.[420]

The Committee reviewed the contents of the Director's Manual and considers that it provides sufficient detail and guidance to address the Auditor-General's recommendations regarding the PTO and PTO Officers independence from the PTO Ltd board.

414 ibid.

415 ibid., p.23

416 ibid.

417 ibid., p.24

418 PTO Ltd Directors' Manual, November 2009

419 ibid.

420 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

The Committee notes that the PTO will regularly review its manual and believes this is positive.

The PTO responded that all PTO polices are amended on an as-needs basis. It is also proposed that the PTO's General Policy Manual will be again reviewed in 2011.[421]

1.5 Managing complaints against authorised officers

The Auditor-General assessed whether the PTO scheme and its complaint management practices were accessible, efficient, accountable, fair and effective. The audit report detailed a number of key findings, including the following:[422]

- PTO's complaints handling guidelines were consistent with national benchmarks; however improvements could be made in the management of complaints, particularly in achieving established timelines, consistency in record keeping, and compliance with referral processes; and
- more could be done to raise public awareness of the scheme.

In regards to complaints management the Auditor General made 11 recommendations, including four he considered to be key recommendations.

1.5.1 Recommendation 4.1 – Initiatives to increase community awareness

The development of a communications and awareness campaign to inform the public about the PTO's scheme's role and functions was considered a priority when the PTO was established in 2004. The audit report detailed initiatives undertaken by the PTO to raise awareness of its services and functions among the general public, public transport users, the scheme's members and stakeholders.

The Auditor-General indicated that the *Benchmarks for Industry-Based Customer Dispute Resolution Schemes* specify that the scheme should provide appropriate facilities and assistance to disadvantaged complainants or those with special needs. The audit concluded that PTO had in place a variety of measures to assist complainants with special needs to access the PTO scheme, however, more could be done for special cohorts of public transport users to ensure they are aware of the PTO and they can access the scheme.[423]

The audit recommended that the PTO Ltd board should closely monitor the effectiveness of its recent initiatives to increase community awareness of the PTO and the services it provides and that the results of this monitoring should be disclosed via the PTO Ltd's annual report.[424]

PTO advised the Committee that this recommendation was being implemented.

The Committee was informed by the PTO it delivered more than 85 per cent of the proposed actions outlined in its 2008-09 communications plan and it had finalised a new communications plan for 2009-10.[425]

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421 ibid.

422 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July 2008, p.4

423 ibid., pp.31–2

424 ibid., p.32

425 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09*, December 2009, p. 139

PTO advised that it is provided with quarterly operations reports, which include information about how complainants became aware of the PTO, and data on traffic through the PTO website.[426]

The Committee also noted PTO's 2008-09 annual report which detailed planned actions by the PTO in 2009-10 to:[427]

- undertake audits of public transport operators to make sure they are informing commuters about the PTO; and
- providing publications planned to assist people in making complaints, and to provide comprehensive information about PTO procedures for public transport operators.

As indicated above, the PTO has established suitable reporting mechanisms to facilitate monitoring of the level of community awareness of the PTO and its services. The Committee emphasises the recommendation of the Auditor-General that the PTO detail the results of this monitoring in future annual reports.

Recommendation 21: The Public Transport Ombudsman should include in future annual reports, the results of initiatives for improving public awareness of the Public Transport Ombudsman and the services it provides against targets and objectives. This information should include details of how actual community awareness of the scheme has increased, including awareness of accessibility for complainants with special needs.

1.5.2 Recommendations 4.2, 4.3, 4.4, 4.5 – Efficiency of complaints management

The audit assessed the efficiency of PTO in managing its complaints handling procedures. The audit concluded that the PTO:

- Is currently closing the majority of complaints against authorised officers within time limits by referring them to other bodies for resolution. However for those complaints it directly managed (22 cases in the 3.5 years to the end of 2007), it exceeded time limits in more than 50 per cent of cases.[428]
- Complies with the national benchmarks in recording and keeping track of complaints received.[429]
- Was generally managing the referral of complaints efficiently. However, there were instances of non-compliance with the PTO complaints handling guidelines and the PTO did not comply with the 2005 arrangements for referral to the Victorian Ombudsman.[430]

426 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

427 Public Transport Ombudsman, *Annual Report 2009*, p.18

428 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.34

429 ibid., p.35

430 ibid., p.37

- Complies with the national benchmarks in ensuring all complaints are referred to the appropriate body, however, it did not comply with its own protocols and processes for referring complaints.[431]

The Auditor-General made four recommendations relating to the PTO's complaints management processes.

Recommendation 4.2

The audit recommended that the PTO should closely monitor implementation of its escalation policy to ensure consistent application by PTO staff and, consider including within the policy a requirement for conciliation staff to document reasons for escalating or not escalating a complaint.[432]

PTO advised the Committee that in regards to having conciliation staff document reasons for escalating complaints:

- The new case escalation procedure was implemented by the PTO in July 2008. The PTO conducted a review of the case escalation procedure in January 2010, after 18 months of operation. The review found that the procedure was working well, and that timely and relevant responses to the PTO requests for information are generally being received. The review did not recommend any change to the procedure. The review was considered by the PTO Ltd board in February 2010, and information about the review has been provided to PTO scheme members.[433]

- The PTO's policy on case records requires that a full record of any actions on a case be maintained. To support this policy, the PTO case management system includes automated workflows; case escalation is one of these workflows. Whenever a response from a public transport operator is delayed, the case is referred to the PTO conciliation manager for consideration. This review, including any escalation decision, is documented in the PTO case file. Each quarter, a quality review of PTO cases (including investigations) is undertaken, and a report prepared outlining the results and identifying areas for improvement.[434]

The Committee notes the positive steps taken by the PTO to implement a new case escalation procedure in July 2008 and to review its case escalation procedure in January 2010. The Committee also noted that the PTO's policy on case records requires that a full record of any actions on a case be maintained. The Committee considers that these actions satisfactorily address the recommendations contained in the Auditor-General's report.

Recommendation 4.3

A key recommendation of the Auditor-General was that the PTO should establish complaints management timelines for the information of complainants and monitoring of its own performance.[435]

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431 ibid.

432 ibid.

433 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

434 ibid.

435 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.37

In regards to complaints management guidelines, the PTO advised the Committee that one of the actions outlined in its *PTO Action Plan 2008-09* is to meet complaint handling performance indicators for timeliness and complainant satisfaction. The PTO indicated that it will continue to report against these indicators both in their regular internal operations and reports and Annual Report. The PTO further advised that in 2009-10, it had refined key performance indicators to distinguish between referred and investigated cases, and included qualitative measures for older cases.[436]

The Committee noted the current key performance indicators for timeliness and complaints handling are:[437]

- at least 95 per cent of referred complaints to be finalised within 7 days;
- at least 40 per cent of investigated complaints to be finalised within 7 days; and
- quarterly review of all complaints older than 31 days demonstrates timely investigation process.

The committee was interested to know that the PTO case management system collects data about received and closed dates for all cases. PTO advised that reports are prepared on a quarterly basis, and provided to the PTO Ltd board. In addition, all cases open at the end of each quarter are reviewed; the board report includes information about the progress of these open cases. The board also includes, in each annual report, information about the timeliness of case handling procedures.[438]The board noted that information on the timeliness of cases handling was included in the PTO Ltd Annual Report 2008-09.

The Committee considers that the PTO has developed performance indicators for timeliness and complainant satisfaction and has implemented procedures to monitor the performance against key indicators.

Recommendation 4.4

The audit report recommended that the PTO should review how it assesses its performance in managing complaints against authorised officers. Specific performance targets should be established for specific categories of complaints so that its performance can be meaningfully assessed.[439]

In regards to assessing performance in managing complaints against authorised officers, the PTO advised the Committee that in addition to measuring timeliness of PTO investigations, it actively monitors satisfaction with the PTO's services.[440] During 2009-10 PTO surveying focussed on satisfaction with referral services, including those matters which are referred to senior managers within public transport operators for a further opportunity to resolve the complaint, with the PTO monitoring the response. The PTO indicated a benchmark of at least 75 per cent of complainants who provide survey responses express satisfaction with PTO standard of promptness, courtesy,

436 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09, December 2009, p.140

437 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

438 ibid.

439 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.37

440 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

knowledge, advice, professionalism and communication. The PTO further advised that during 2010-11, it proposes to target surveys at cases that are investigated by the PTO.[441]

The Committee considers that the PTO is undertaking action to assess its performance in managing complaints against authorised officers, in accordance with the recommendation of the Auditor-General.

Recommendation 4.5

The audit report recommended that PTO and the PTO Ltd board should ensure all staff are aware of the procedures, guidelines and protocols for referring complaints to agencies.[442]

With regards to ensuring staff are aware of procedures, guidelines and protocols for referring complaints, the Committee noted that formal arrangements to refer complaints to the Victorian Ombudsman are facilitated through an exchange of letters between the PTO and the Victorian Ombudsman.

The PTO advised that a new exchange of letters was settled in September 2009 and was incorporated into the PTO Case Handling Guidelines. The Committee was advised that the guidelines are available to all case officers through a link on each computer desktop. In addition, the exchange of letters was discussed with all PTO case officers at a case officer meeting.[443]

The Committee noted the positive action taken by the PTO to ensure that all staff are aware of the procedures, guidelines and protocols for referring complaints.

1.5.3 Recommendations 4.6, 4.7 – Quality assurance and monitoring

The Auditor-General examined whether the PTO scheme is accountable in terms of demonstrating consistency in decision making, publishing key performance data and indicators of its operations and whether it is itself subject to oversight.[444]

The audit found that the PTO's quality and consistency assurance regime appeared adequate given the low number of complaints against unauthorised officers currently received by it and the small number of its conciliation staff. The Auditor-General pointed out that with the likely increase in both the number of complaints against authorised officers being resolved by the PTO and staff to manage the complaints, a more targeted quality assurance program should be developed. The audit recommended that the PTO should review its quality assurance mechanisms with a view to establishing a more targeted program (recommendation 4.6).[445]

The PTO advised the Committee that it had established and continues to refine a rigorous review program and that further targeted reviews had been identified in the PTO action plan.[446]

441 ibid.

442 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.37

443 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

444 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.38

445 ibid., p.39

446 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

The Committee was interested to learn that the PTO had implemented an enhanced data base for recording complaints to the PTO, which will provide a platform for automated case management. The data base may be used to identify specific complaint type.[447]

In relation to the PTO making use of the data base, the Committee enquired as to whether the PTO examines information in its data base by complaint types, complaint handling areas etc, and whether it used more targeted information to investigate complaints. The PTO provided a response that its mechanisms are focused on significant issues, and include:[448]

- weekly case reviews focussed on serious matters and those that are unresolved after some time; and
- case and data quality reviews with an emphasis on investigation matters, targeting those areas relied on for reporting purposes.

The PTO advised that it produces weekly and monthly internal reports that include trend information about new cases and quarterly reports that include issues types, outcomes and results.[449]

The Committee acknowledges the work of the PTO to collect and analyse complaints handling data and emphasises that the PTO continue its efforts in using this data to establish targeted programs as part of its ongoing quality assurance program.

The audit also recommended that the PTO should continue to monitor the number of complaints following the changes to the PTO's jurisdiction and analyse resources requirements so that timely action can be taken (recommendation 4.7).[450]

The Committee enquired as to how often the PTO will be undertaking an analysis of its resource requirements. The response was that:[451]

- PTO undertake an annual review of resources during the budget process. For example, the next budget includes funding for an additional conciliator to ensure sufficient resources to deal with projected demand; and
- informally, and on an at least a monthly basis, the PTO executive discusses whether they have sufficient staff and other resources to properly undertake the functions of the PTO.

The Committee is satisfied that the PTO effectively monitors its ongoing resource needs and notes that, based on an independent review of projected demand, the PTO would be considering increasing its service potential in the long term.[452]

447 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09, December 2009, p.141

448 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

449 ibid.

450 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.39

451 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

452 ibid.

1.5.4 Recommendations 4.8, 4.10 – Amendments to the PTO charter

PTO Ltd operates under a charter and constitution. The Committee noted the key features of the charter that:[453]

- establishes the jurisdiction, functions and powers of the Ombudsman;
- requires the Ombudsman to prepare a business plan and to submit a proposed annual budget to PTO Ltd;
- establishes the role and responsibilities of the Board;
- describes the relationship between the Board and the Ombudsman; and
- provides a mechanism for amendments to the charter.

The audit recommended that the PTO should seek amendment to its charter and constitution to ensure regular reporting of determinations in summary form to members of the scheme (recommendation 4.8)[454] and that reasons are provided to a complainant when their complaint has been declined under clause 6.3 of the charter, which provides the Ombudsman discretionary power to decline to investigate a complaint (recommendation 4.10).[455]

In relation to recommendation 4.8, the Committee enquired as to whether the PTO had amended its charter and constitution to provide regular reporting to members and requested details on how it reports determinations to members of the scheme. In response, the PTO advised the Committee that it understood the purpose of the Auditor-General's recommendation was to meet the requirement in the *Benchmarks for Industry-based Customer Dispute Resolution Schemes*.[456] The response stated that:

> *The PTO has publicly committed to meeting the National Benchmarks. We consider that meeting these Benchmarks is critical to the PTO being seen as a leading Ombudsman's office.*[457]

The PTO indicated that it is committed to making sure both public transport operators and the community are aware of any binding determinations. Also, that it is already required to make determinations public (charter, clause 6.2). This occurs by placing determinations on the PTO website. The Committee noted clause 6.2 of the charter which states:[458]

> *The (Transport) Ombudsman shall provide complainants and members with written reasons in support of a decision under paragraph 6.1. The Ombudsman shall publish binding decisions, without identifying the complainant to the decision.*

The Committee was further advised that information about any determinations is included in the PTO's Annual Report and newsletter.[459]

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453 Public Transport Ombudsman Limited, *Charter as at October 2007*

454 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.41

455 ibid., p.45

456 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

457 ibid.

458 Public Transport Ombudsman Limited, *Charter as at October 2007*, Part A, clause 6.2

459 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

The PTO advised the Committee that it did not consider further amendment of the charter is required to achieve the national benchmark and was not proposing to seek amendment to the charter at this time.[460]

The Committee notes that the PTO is required to provide details of determinations on its website and also in annual reports. The Committee considers that these requirements are sufficient to ensure regular reporting of determinations to the PTO scheme members.

In relation to recommendation 4.10, the PTO agreed with the principle that persons should be provided with reasons for its decisions. However, the PTO did not agree with the Auditor-General that it is necessary or appropriate to provide reasons not to investigate a case, in the charter, indicating that such a such a requirement is much better to be included in the PTO's Case Handling Guidelines, which aim to provide comprehensive and relevant advice to PTO case officers.[461]

The Committee noted that clause 6.3 of the charter provides the PTO the discretionary power to decline to investigate a complaint if in the opinion of the Ombudsman:[462]

- the complaint is frivolous or vexatious or was not made in good faith;
- the complainant does not have a sufficient interest in the subject matter of the complaint;
- an investigation, or further investigation, is not warranted; or
- the complaint is more appropriately or effectively dealt with by any other body.

The Committee considers that, on this issue, the purpose of the charter is to establish the discretionary powers of the PTO to decide not to investigate a case, and to prescribe the circumstances under which this discretionary power may be used. The Committee agrees with the PTO that the more specific reasons not to investigate a case is more appropriately included in the PTO's Case Handling Guidelines for the guidance of PTO case officers.

1.5.5 Recommendations 4.9 – Independent oversight of the scheme

The Auditor-General recommended that the PTO, PTO board and DOT should monitor the effectiveness of the complaints procedures relating to the PTO and the PTO Ltd board. If those procedures prove ineffective, the PTO, PTO board and the Department of Transport should consider the need for independent, third party oversight of the scheme.[463]

In relation to this recommendation, the Committee examined the Public Transport Ombudsman *Procedure for Dealing with Complaints about the Public Transport Ombudsman and his Officers*. This documentation was provided to the Committee on request. The Committee noted the formally documented procedures were comprehensive, setting out:[464]

- principles of complaint procedure;

460 ibid.

461 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

462 Public Transport Ombudsman Limited, *Charter as at October 2007*, Part B, clause 6.3

463 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.43

464 Public Transport Ombudsman, *Procedure For Dealing With Complaints About The Ombudsman And Ombudsman Officers*, August 2009

- defining a complaint and establishing who can make a complaint;
- explaining how a complaint is made;
- investigation and resolution procedures;
- complaints against the Ombudsman;
- recording and reporting complaints; and
- periodic review of complaints procedures.

The Committee was interested to learn that following the audit, PTO has implemented a range of actions to assess and improve the PTO's complaints procedures, including the following:[465]

- reports on complaints received and outcomes are included in quarterly operations reports to the PTO Ltd board, the overseeing entity for the PTO;
- information on complaints about the PTO was also publicly reported in the *Annual Report 2008-09*;
- the April 2009 Independent Review examined the complaints register and relevant records and found the procedure to be effective; and
- a review by the Ombudsman in June 2009 found the complaints procedure to be functioning effectively, including that the procedure was contributing to improvements in PTO procedures. A recommendation was made to improve the procedure by emphasising the confidentiality of complaints – this recommendation has been implemented.

The Committee enquired into the adequacy of current oversight requirements and whether the PTO and PTO Ltd had considered the necessity of independent third party oversight.

The PTO responded stating that it considered closely the need for further oversight of the PTO scheme. The PTO highlighted to the Committee - Benchmark 2 of the National Benchmarks, which deals with independence and sets out the requirement for and functions of an overseeing entity. PTO indicated that it substantially meets the requirements of Benchmark 2 and this is reflected in the findings of the Auditor-General's report and the Independent Review.[466]

The PTO indicated that a number of reviews of the PTO's complaints processes have shown that they are effective. Given this and the PTO's compliance with relevant national benchmarks, PTO can see no case for considering yet another level of oversight.[467]

The Committee also sought the views of the Department of Transport as to whether the Department has given consideration to the engagement of an independent advisor to oversight the scheme and reasons as to why or why not this had occurred.

The Department responded, indicating that it was broadly satisfied with the effectiveness of the reporting scheme conducted by the PTO and concluded that there seems little evidence to support a further level of review.[468]

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465 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

466 ibid.

467 ibid.

468 Mr J Betts, Secretary, Department of Transport, correspondence to the Committee, received 28 May 2010

The Committee notes that both the PTO and the Department do not see a need for independent oversight at this time. However, the Committee considers that in future, independent oversight might be an appropriate course of action should the PTO's compliance with the relevant national benchmarks not be met.

Recommendations 4.11 – Feedback from stakeholders

The Auditor-General recommended that PTO should consider obtaining feedback from the various specific users of the PTO scheme, for example, authorised officer complaints, to assist in monitoring the effectiveness of its service provision and to drive improvements.[469]

The PTO advised the Committee that it surveys all people who make complaints for satisfaction for both quality of service and outcomes achieved in order to identify opportunities to improve services. Surveys were conducted in 2008-09. As part of the review of satisfaction with PTO services, a detailed analysis was undertaken where complainants had expressed dissatisfaction with the PTO. The review indicated survey respondents were most likely to be dissatisfied when the PTO has been unable to deal with their complaint. For example, the complaint may not have been within the PTO's jurisdiction.[470]

The Committee was interested to learn the results of more recent surveys undertaken by the PTO in 2009-10. The Committee was informed that these surveys focussed on satisfaction with referral services indicated that at least 75 per cent of those complainants who responded to the survey expressed satisfaction with the PTO's standard of promptness, courtesy, knowledge, advice, professionalism and communication.[471]

The Committee notes the positive results of the PTO surveys as reported by the PTO about customer satisfaction and encourages the PTO to continue to seek feedback from stakeholders as part of its continuous improvement program.

1.5.6 Recommendation 5.1 – Analysing outcomes of the transport taskforce

The audit report noted the establishment of a transport taskforce to specifically deal with increasing the awareness of the PTO scheme through promotion by members. The taskforce has been given specific actions to perform, with responsibility clearly allocated to individual stakeholders.

The audit report recommended that DOT should document and analyse taskforce outcomes to gauge their effectiveness in driving continuous improvement across the transport industry, including in relation to transport operators.[472]

The Committee sought information from the DOT as to what action the Department has taken in relation to this audit recommendation.

469 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.46

470 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09, December 2009, p.144

471 Mr S Cohen, Public Transport Ombudsman, correspondence to the Committee, received 24 May 2010

472 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.53

The Department responded, advising that it would work with the PTO on ways to continually improve service in the transport industry and that in the interim, it has taken part in workshops conducted by the PTO as part of the taskforce and has made ongoing contact with the PTO in relation to the continuous improvement across the transport industry.[473]

The Committee notes the efforts of the PTO and DOT to drive continuous improvement across the Transport Industry and encourages further cooperation between the two entities to optimise continuous improvement into the future.

1.5.7 Recommendation 5.2 – Post-complaint monitoring process

The audit examined the PTO's post-complaint monitoring arrangements and how it captures this information and assessed it against the national benchmark, which requires a scheme to have the capacity to advise members about their internal complaint mechanisms.[474]

The audit found that the PTO does not monitor in any systemic way what happens to a complaint once it leaves the PTO.[475]

The audit recommended that the PTO should consider implementing a post-complaint monitoring process to ensure members follow through with proposed actions.[476]

The Committee sought specific information from the PTO as to what processes it had put in place to examine post-complaint monitoring processes.

The PTO advised that it follows up on a number of matters after finalisation:[477]

- For matters referred to operators for internal escalation to a senior manager, a copy of the response provided to the complainant must also be provided to the PTO. The PTO monitor receipt of these responses and follow up where one is not received.
- As a result of improvements to the PTO's case management systems, the PTO is now able to log actions for resolved cases where further information is required from public transport operators in implementing the outcomes of complaints. The PTO's Case Handling Guidelines have been refined to include that where appropriate; the PTO may monitor the outcome of agreed resolutions for the purpose of verifying actions have been implemented.
- The PTO also advise every complainant, where a matter has been resolved, that they can contact the PTO if they have any questions. This would include questions about compliance by a member with agreed outcomes.

The Committee notes the positive action taken by the PTO to monitor and follow up complaints and consider that this recommendation has been effectively implemented by the PTO.

473 Mr J Betts, Department of Transport, correspondence to the Committee, received 28 May 2010

474 Victorian Auditor-General's Office, *Managing Complaints Against Ticket Inspectors*, July, 2008, p.54

475 ibid.

476 ibid., p.55

477 Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09, December 2009, p.145

CHAPTER 2: ENFORCEMENT OF PLANNING PERMITS

2.1 Introduction

A planning permit is a legal document issued under the *Planning and Environment Act 1987*. It is a statement that a particular use or development (subdivision, buildings and works) may proceed on a specific piece of land. A permit may be specific to a person or operator. It is always subject to a time limit and expires under specified circumstances. The responsible authority may impose conditions when granting a permit.[1]

Some of the most common reasons people require a planning permit are for:[2]

- starting a business;
- constructing, altering, demolishing or painting a building;
- displaying a sign;
- applying for a licence (e.g. liquor licence; second-hand dealer; etc.);
- subdividing land;
- clearing native vegetation from land; and
- changing the use of a property.

In 2006-07, nearly 50 000 planning applications were lodged in Victoria.[3] Most of these were lodged in metropolitan Melbourne (63 per cent); and about a third were lodged in rural and regional areas (37 per cent).[4]

Under the *Planning and Environment Act 1987,* a council is designated as a 'responsible authority' and is required by law to efficiently administer and enforce the relevant planning scheme.[5]

Councils have enforcement officers to administer enforcement of planning permits. The role of an enforcement officer is largely an investigative one that involves auditing and monitoring compliance and responding to complaints. The Planning Enforcement Officer's Association has issued *A Guide to Planning Enforcement in Victoria (2007)* to support enforcement officers in undertaking their role.[6]

The Auditor-General has noted there are several key components of the planning enforcement function that are applicable to all councils when undertaking their legislative duty to enforce and administer the planning scheme and permit requirements. These are:

- an enforcement framework;
- a risk-based approach to prioritisation;

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1 Department of Sustainability and Environment, <www.dse.vic.gov.au>, accessed 23 July 2010

2 ibid.

3 Department of Planning and Community development, *Planning Permit Activity in Victoria 2006-07*, 2008, p.8

4 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.7

5 ibid.

6 ibid., p.8

- sufficient and appropriately trained resources;
- enforcement tools;
- performance monitoring and reporting; and
- continuous improvement.

The Department of Planning and Community Development's *Using Victoria's Planning System* states that the main emphasis of enforcement should be obtaining compliance, rather than prosecuting offenders through the courts.[7]

2.2 The audit and its findings

2.2.1 Audit objective and scope

The objective of the audit undertaken by the Auditor-General in 2008 was to assess how effectively local councils are managing the enforcement function regarding compliance with the requirements of planning permits. This involved assessing the:[8]

- adequacy of policies, procedures, processes and practices, as well as staffing arrangements;
- level of adherence to enforcement procedures and processes by staff;
- clarity, consistency and comprehensiveness of council officer documentation;
- timeliness of actions taken; and
- adequacy of the management review and oversight of enforcement activities.

The Committee noted the scope of this audit included a detailed examination of two councils, namely:

- Hume City Council (Hume) – a major metropolitan council identified as an important growth corridor in the *Melbourne 2030 strategy*.[9]

  Hume has an estimated population of 157 000 and has a combination of rapidly growing urban centres, rural areas and townships and numerous environmentally significant assets. Hume has a strong industrial base, with car manufacturing and heavy engineering being prominent industries. The municipality is extremely diverse, with residents from many different cultural and socioeconomic backgrounds.[10]

7 ibid.

8 ibid., p.13

9 Department of Sustainability and Environment, 'Managing Melbourne's Growth', <www.dse.vic.gov.au/melbourne2030>, accessed 20 July 2010

10 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.12

- City of Ballarat (Ballarat) – a major regional council.

  Ballarat is a significant regional service provider. It covers an area of 740 square kilometres and has an estimated population of close to 90 000. Manufacturing, tourism, health and community services, education and retailing are key industries. Information technology is emerging as a significant industry within the region.[11]

The Auditor-General indicated in his report that, while the focus of the audit was examining two councils, the audit also sought to highlight improvements that would increase the effectiveness of the enforcement function across all councils.[12]

2.2.2 Overall audit findings

The audit found that neither Hume nor Ballarat have a documented planning enforcement framework, that details the rationale, objectives or intended outcomes of these activities and that both these councils need to develop an across-the-board risk assessment approach as a basis for determining priorities when allocating resources to enforcement activities.[13]

In relation to enforcement operations, the audit found that:

- Hume is adequately resourced to conduct its enforcement activities and officers are trained to discharge their roles. Hume has well developed guidelines, processes and systems that assist management and staff to efficiently undertake enforcement activities, in terms of complaint handling and proactive enforcement.[14]

- Ballarat has not determined the resources it needs to deliver the enforcement function. The level of resourcing should be based on achieving the proposed enforcement framework. Its officer training is neither adequately structured nor documented. Ballarat has limited planning enforcement guidelines, processes and systems.

- Both Hume and Ballarat would benefit from introducing quality assurance processes to provide assurance that adequate levels of performance are being met.

In regards to performance monitoring and continuous improvement, the audit found that:

- No statewide, uniform or better practice standards exist for the planning enforcement function.

- Hume has performance reporting arrangements that monitor enforcement activities against comprehensive customer services standards and predetermined benchmarks. Ballarat has limited performance reporting standards in place and there are no standards specific to planning enforcement.

- Hume's attention to continuous improvement has led to a range of good practice improvements.

11 ibid.

12 ibid., p.14

13 ibid., p.2

14 ibid.

The audit report contained 10 recommendations for Hume and Ballarat, covering the areas of enforcement rationale, objectives and priority setting; enforcement operations; and performance monitoring and continuous improvement.

As part of this follow up review, the Committee sought written information from both Hume and Ballarat about the actions they have taken in response to the recommendations directed to them. The Auditor-General noted in his report that the audit findings and recommendations are relevant across all councils.[15] Consequently, the Committee sought comments from the Department of Planning and Community Development, which has the responsibility for administering the *Local Government Act 1989*.

2.2.3 Response to the Committee's request for information from Hume City Council

In correspondence to Hume City Council dated 20 April 2010, the Council was advised that the purpose of this review was to identify and assess the actions that have been taken by Hume City Council in response to the recommendations made in the Auditor-General's report by completing the Committee's questionnaire.

Included in the correspondence, was a questionnaire to Hume City Council to obtain updated information on the findings and recommendations of the audit. Council was requested to complete the questionnaire and forward it to the Committee by Friday 21 May 2010.

On 21 May 2010, the Committee received a response from Hume City Council (dated 9 May 2010). Council indicated that it was pleased to participate in the review and advised that the document was formally referred to the Hume City Council Audit Committee on 22 May 2010. Council further advised that Hume City Council would forward a copy of its response to the Committee, once the Council's response had been presented to the Audit Committee, anticipated by the Council to be after June 2010. The Committee noted in this correspondence the comments of the Council that Hume City Council would be happy to provide these responses, which included the development of an enforcement framework incorporating benchmarking standards, key performance indicators, quality assurance and feedback mechanisms, once the review is complete.[16]

On 21 July 2010 and again on 27 July 2010, the Committee contacted the Council via e-mail, to enquire about the status of the response to the above-mentioned questionnaire. The Committee was advised by e-mail on 28 July 2010 that Council officers have been preparing a report to go to the next Hume Council Audit Committee meeting scheduled for 20 August 2010 and that Hume City Council would respond to the Committee once the report has been endorsed by the Audit Committee.[17]

Further enquiries were made by the Committee and on 25 August 2010, the Committee was provided a response by the Hume Council. The Committee is disappointed with the late response received from Hume Council. Such delays impact on the Committee's ability to provide timely reports to Parliament. Hume should make a more concerted effort to provide information in a timely manner.

15 ibid., p.V

16 Mr D Keegan, Director City Sustainability, Hume City Council, correspondence to the Committee, received 21 May 2010

17 ibid.

Recommendation 22: All Councils should respond to requests from the Victorian Parliament in a timely manner.

2.3 Enforcement rationale, objectives and priority setting

The audit report indicated that there should be a clear focus and rationale for enforcement programs and these should support council's strategic objectives, noting that councils need an enforcement framework that includes a mix of proactive and reactive work and objectives that support the broader strategic directions of council.[18]

The Auditor-General made two recommendations concerning the need for councils to develop an enforcement framework and to undertake an across-the-board risk assessment of their enforcement planning. These recommendations are discussed below.

2.3.1 Recommendation 3.1 – Developing an enforcement framework

The audit report stated that the enforcement framework needs to include:[19]

- clearly defined planning enforcement objectives consistent with *the Planning and Environment Act 1987* and the council's broader strategic direction;
- an enforcement rationale based on the above objectives that has an appropriate mix of targeted auditing, educative programs and responding to community complaints;
- a clearly defined role for planning enforcement officers, consistent with the enforcement rationale that acknowledges that for the role to be effective, there needs to be consistent communication with statutory planners; and
- consolidated enforcement powers outlining the relevant legislation, local laws, instruments of delegation and authorisations under which officers operate.

The audit found that while Hume and Ballarat both have a mix of proactive and reactive enforcement activities, neither have a documented planning enforcement framework that details the rationale, objectives or intended outcomes of these activities.[20]

The audit recommended that Hume and Ballarat should develop a documented framework for enforcement action that sets out the enforcement rationale, objectives, priorities and intended outcomes. This framework should indicate how it contributes to achieving the councils' strategic objectives.[21]

The Committee sought information from both councils as to whether they had developed frameworks and also to explain what strategies have been, or will be put in place for assessing the impact of the framework on how the council carries out its planning enforcement responsibilities. In addition, the Committee requested both councils to demonstrate how the framework contributes to achieving the council's strategic objectives.

18 Victorian Auditor-General's Office, Enforcement Of Planning Permits, November 2008, p 16

19 ibid. p.9

20 ibid., p.15

21 ibid., p.19

Response by City of Ballarat

Ballarat advised that it had developed and formally adopted the '*Ballarat Planning Scheme Compliance and Enforcement Policy*' on 10 March 2010.[22] The Committee was provided with a copy of the policy document and concluded that the document adequately sets out the policy objective, procedures and guidance notes, and compliance responsibilities for enforcement action.

The Council advised that to complement the adopted policy, preparation of an in-house draft planning enforcement and investigations procedures manual is currently underway and is due to be completed by August 2010. In the interim, Council follows the guidance of the industry standard *Planning Enforcement Officers Guide to Enforcement*.[23]

The Council further advised that the impact of the framework will be assessed in conjunction with the peer review of compliance and complaints. This peer review panel due to be constituted mid-late 2010 will review the outcomes from planning enforcement actions, proactive audits & complaints. It will base its assessments upon the directions and guidelines identified in the planning enforcement policy and procedures manual. It is hoped that one panel reviewing the complete spectrum of planning enforcement activities will provide centralised consistent recommendations for improvement and further development of enforcement operations.[24]

Council advised the Committee that it has incorporated planning enforcement into the Council Plan 2009-2013 — *Ballarat: Today, Tomorrow, Together*, and in 2010-11 will monitor the results of proactive enforcement and review the risk matrix once 12 months of use have passed.[25]

The Committee notes the positive action taken by Ballarat in response to the Auditor-General's recommendation in developing a policy for the compliance and enforcement of planning permits and its inclusion in the Council Plan 2009-13.

Response by Hume City Council

The Committee was provided with a copy of the Hume City Council's *Planning Enforcement Framework 2010*. The Committee examined the Framework and found it provided little information on the Council's enforcement rationale, objectives, priorities and intended outcomes as well as how the Framework meets the Council's strategic objectives, in line with the Auditor-General's report.[26]

While Hume has developed a framework, it needs further work to ensure it meets the requirements set out by the Auditor-General in his recommendation. The Committee found the information contained in Hume's Framework was largely taken from other documents of the Council, and had few links to planning enforcement. The Committee is of the view that Hume has an obligation to its rate payers to ensure it has an appropriate, relevant and robust framework in place.

22 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

23 ibid.

24 ibid.

25 ibid.

26 Hume City Council, *Planning Enforcement Framework 2010*, 2010, pp.1–2

Recommendation 23: **The Hume City Council amend its *Planning Enforcement Framework* so it provides information on the Council's enforcement rationale, objectives, priorities, intended outcomes and specifies how the Framework meets the Council's strategic objectives.**

2.3.2 Recommendation 3.2 – Risk assessment of permit categories

In his report, the Auditor-General noted that all councils receive community complaints that relate to alleged breaches of the planning scheme or permits that they must respond to. Council's workload will therefore, almost always exceed its available resources in this area.[27] In this context, the Auditor-General indicated that to assure planning enforcement resources are allocated to the areas of greatest need councils should develop a risk-based approach that involves:[28]

- prioritising community complaints based on risk factors, such as the capacity of the non-compliance to escalate; and
- assessing the risk profile of all permits categories and conditions to determine where to target proactive enforcement.

The audit report indicated that both councils should use a risk-based approach to allocate resources to planning enforcement to allow for high-risk areas to receive the necessary attention and to fulfil their legislative responsibility to administer and enforce the planning scheme.[29]

The audit recommended that Hume and Ballarat should conduct an across-the-board risk assessment of all permit categories to set enforcement priorities and resource allocation and to better address their legal obligations to administer and enforce the planning scheme under the *Planning and Environment Act 1987*.[30]

Response by City of Ballarat

The Committee was advised that:[31]

- Ballarat has an incorporated risk assessment matrix to be used in conjunction with the *Planning Scheme Compliance and Enforcement Policy*. The risk assessment matrix identifies common planning complaints and response standards. Matrix ratings are currently being applied to all new customer complaints and any outstanding enforcement issues as they are revisited.
- Ballarat's information technology management system has been redesigned to incorporate the risk assessment matrix ratings as reporting categories, allowing the Manager Statutory Planning & Building and the Planning Enforcement Officer to continually monitor response times to customer complaints. The new categories for reporting at full functionality will provide the opportunity to track trends of non-compliance within the local government area.

27 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p 9

28 ibid. p.10

29 ibid., p.19

30 ibid.

31 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

- Additional resources have been allocated to carry out enforcement investigations with planners reviewing works after completion. As new processes in planning enforcement and permit audits have been established and implemented, these will form the measures for the risk matrix. This matrix will then provide recommendations from which required resources can be allocated.

  Following the creation of this policy, Council has recognised and made appropriate accommodations for 'high' and 'very high' risk complaints. The planning enforcement officer immediately responds to assessed 'high' and 'very high' issues/situations. In the event of the Planning Enforcement Officer being unavailable either the Statutory Planning Team Leaders or Manager Statutory Planning & Building will respond to the situation urgently. For 'low' and 'medium' assessed complaints the matter is delegated to a statutory planner for investigation within the required time frames.

- Ballarat informed the Committee that the risk assessment has enabled Council to prioritise compliance investigations or delegate a response to an urgent compliance issue to a senior officer if the Planning Enforcement Officer is not available.

The Committee noted the significant work undertaken by Ballarat in developing its enforcement planning framework and in undertaking a detailed across-the-board risk assessment, since the release of the Auditor-General's report.

Response by Hume City Council

The Committee received a copy of Hume's *Planning Investigations Action Analysis Matrix*. It reviewed the document and found that the Council had in place a workflow for dealing with complaints. When a complaint is received, it is entered into the system, and sent to an enforcement officer. The Matrix then provided the enforcement officer with a number of risk factors to determine the enforcement response necessary.[32]

The Committee notes that Hume has developed an investigations matrix to assist it in investigating complaints relating to planning permits. The Committee considers this is a positive development and suggests that in future Hume examine its matrix for improvements, based on the results of its enforcement activities.

2.4 Enforcement Operations

The audit covered the adequacy of the resourcing of the enforcement function and supporting tools, as well as how effectively enforcement action is undertaken.[33]

The Auditor-General made five recommendations designed to improve the enforcement operations at Hume and Ballarat. Of these, three were specifically directed to Ballarat.

2.4.1 Recommendation 4.1 – Sufficient and trained staff to meet enforcement objectives

The audit report stated that councils should have adequate and well trained staff to meet their legal obligation of enforcing compliance with planning permits and implementing programs that form part of the council's enforcement framework.[34]

32 Hume City Council, *Planning Investigations Action Analysis Matrix*, 2010, pp.2–6

33 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.22

34 ibid.

The report found that over the past four years, Hume has adequately allocated resources to the planning enforcement function to meet its legislative requirements and its own strategic objectives. The audit noted that Hume employs three full time planning enforcement officers and that over the past year these three officers have undertaken diverse training in areas such as negotiation and crisis intervention, and understanding the native vegetation framework. The report also stated that Hume has a comprehensive range of enforcement-related training available to planning enforcement officers.[35]

In contrast to Hume, the report indicated that Ballarat has one planning enforcement officer, who also undertakes duties such as checking permit conditions before statements of compliance for sub-divisions are issued. The report pointed out that this is not normally part of a planning enforcement officer's role. Further the report indicated there is no evidence that Ballarat assesses the training needs of its enforcement officers.[36]

The Auditor-General recommended that Ballarat should review whether all the work currently undertaken by the enforcement officer is appropriate for this role and secondly, that there are sufficient resources to achieve the objectives of its planning enforcement framework.[37]

The Committee enquired whether Ballarat had reviewed the appropriateness of the work undertaken by its enforcement officer and also whether there had been any change in the resource allocated to enforcing the planning system. The Committee was advised by Ballarat that:[38]

- Since the audit, Council has increased staff levels in the planning department by 3.8 equivalent full-time (EFT), eliminating the need for the enforcement officer to attend to general planning matters.
- The Planning Enforcement Officer's tasks and workload have been redistributed so that issues now being dealt with are within the delegations and description of the officer's role.
- Complaint handling and investigations have been streamlined and prioritised as a result of the risk matrix and its subsequent integration into Council's information technology infrastructure. Ballarat reports that this will minimise unnecessary time lost on organisation and administrative tasks.
- Since the Auditor General's report there has been no net increase in staff in the Planning Enforcement Unit. Statutory Planners are conducting some of the complaint investigations and audits of past planning permits which Ballarat reports has had a direct and positive impact upon work flow and response times.

The Committee notes the positive and decisive action taken by Ballarat to implement the audit recommendation.

35 ibid.

36 ibid., p.23

37 ibid., p.30

38 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

2.4.2 Recommendation – 4.2 Enforcement tools to promote a consistent and comprehensive approach

The audit asserted that councils should have enforcement tools, including guidelines, systems and processes that assist management and staff to effectively and efficiently undertake enforcement activities, in terms of complaint handling and proactive enforcement.[39]

The audit found that:

Hume had:

- developed guidelines that are consistent with the *Planning Enforcement Officer's Association Guide to Enforcement*;[40]
- developed and implemented a number of processes and systems to assist its officers achieve a consistent approach in their compliance and enforcement activities;[41] and
- a comprehensive system in place to record, monitor and track complaints about planning permits.[42]

Ballarat:

- had limited guidelines for planning enforcement;
- did not have systems and processes in place to outline the required actions to be followed when taking enforcement action or provide management with information to monitor operations and make decisions or improvements or corrective action;
- did not have clear guidelines, protocols or processes in place to assess the validity and significance of a community complaint or report of non-compliance or the appropriate course of action to address a complaint; and
- had no systems and processes in place to adequately record and monitor complaints, track the status of a complaint or track the length of time that a complaint remains unresolved.

The audit concluded that Hume had devoted considerable resources to developing guidelines that assist them in determining the appropriate actions for various types of enforcement activity.[43]

In relation to Ballarat, the audit recommended that Ballarat should establish planning enforcement guidelines, processes and systems, including complaint handling, to facilitate:[44]

- a consistent approach across the municipality; and
- the provision of information to management so they can monitor operations and make decisions on improvements and corrective action.

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39 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p 23

40 ibid., p.24

41 ibid.

42 ibid., p.25

43 ibid., p.30

44 ibid.

In relation to this recommendation, the Committee sought a response from Ballarat as to whether it had formalised a comprehensive set of guidelines, including for complaint handling and what processes and systems have been put in place to more comprehensively document enforcement activities.

In response, Ballarat advised that it currently has under development, a comprehensive in-house procedures manual covering complaint handling, investigation, negotiation and formal enforcement procedures. Ballarat indicated that the procedure manual is due to be completed by August 2010 and that in the interim, the complaint handling workflow has been informally adopted and integrated into Council's existing *Pathways customer tracking module* to ensure a consistent approach to complaint handling.[45]

In relation to the implementation of processes and systems to document enforcement activity, Ballarat advised the Committee that since July 2009, Council has put in place processes for managing complaints and investigations, including a greater emphasis on the electronic storage of correspondence and data related to complaints.[46]

The Committee notes the positive action taken by Ballarat on the audit recommendation and encourages Ballarat to finalise its in-house procedures manual.

2.4.3 Recommendations 4.3 and 4.5 – Quality assurance

The Auditor-General observed that planning permits can contain qualitative conditions. The audit report cited the following example of a qualitative condition:[47]

> *The subject land must be maintained in an orderly and neat manner at all times and its appearance must not, in the opinion of the Responsible Authority, adversely affect the amenity of the locality.*

The report noted that enforcement of such conditions can be highly subjective and may result in inconsistent enforcement activity, especially if different officers are involved in assessing similar qualitative conditions.[48]

The Auditor-General concluded that both Hume and Ballarat would benefit from introducing a qualitative assurance process to confirm that a consistent interpretation is being applied to enforce these conditions and to demonstrate that standards are being met. The Auditor-General also concluded that, in the case of Ballarat, the lack of documentation about the extent of enforcement activity is a serious impediment to introducing an effective quality assurance regime.[49]

The audit recommended that both Hume and Ballarat should develop a system of quality assurance reviews for their planning enforcement functions **(recommendation 4.3)** and also that Ballarat should review its planning permit conditions for clarity and enforceability **(recommendation 4.5)**.

45 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

46 ibid.

47 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.28

48 ibid., p.29

49 ibid., p.30

Response by City of Ballarat

In relation to recommendation 4.3, the Committee was interested to know what systems both councils had put in place to monitor the quality of their planning enforcement functions and how these systems address the issues identified by the Auditor-General.

Ballarat advised the Committee that:[50]

- Council currently monitors response times in relation to complaints through reporting generated by the customer tracking module and that this information can then be measured against Statutory Planning's business plan for adherence.
- Enforcement functions and actions are currently being reviewed at fortnightly planning enforcement group meetings.
- Council has utilised the full functionality of its 'Pathways' information technology reporting system by redesigning its internal processes and workflows. Any of these processes can be extracted upon request and will be available for review by the Planning Enforcement Review Panel. The panel may then measure these outcomes against the procedures manual and policy.
- Templates and checklists are consistently used as these documents are integrated into the work flows and processes of the Planning Investigations Officer. The Draft Planning Enforcement manual addresses actions to be followed and the system is set to provide management information on planning enforcement issues.

The Committee noted, in relation to recommendation 4.5, that Ballarat had commenced a review of its planning conditions. The Committee was interested to learn of any changes to the planning conditions and whether they have been effective.

Ballarat advised that its Planning Enforcement Officer provides continuing feedback to statutory planners, team leaders and the manager in relation to *'ultra vires'* or 'unenforceable' conditions where they have been identified in current or past permits. It further advised that as part of Ballarat's Planning Enforcement Action Plan, a review of the conditions had previously commenced in October 2009. However, completion has been postponed pending changes to the *Planning & Environment Act 1987* due to occur mid 2010, which may negate the need for greater changes to the current conditions. Ballarat further advised that periodic and ongoing training and professional development of statutory planners will also address these issues.[51]

In relation to the effectiveness of changes, Ballarat indicated that statutory planners are demonstrating an increased awareness regarding the importance of placing ambiguous or *ultra-vires* conditions in their permits and the subsequent 'unenforceability'. Coupled with this, planners are now conducting proactive permit audits to gain a greater appreciation of how their conditions are being applied post application phase.[52]

The Committee acknowledges the positive action taken by Ballarat to implement the recommendations made in the Auditor-General's report. However, in relation to recommendation 4.3, the Committee considers that further action is required by Ballarat to address the

50 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

51 ibid.

52 ibid.

Auditor-General's recommendation. The Committee considers that Ballarat should establish a formal quality assurance regime for its planning enforcement functions that is independent of the Council's Planning Enforcement staff.

Response by Hume City Council

In response to this recommendation, Hume have stated in its guidelines that it will ensure quality assurance reviews are undertaken in accordance with appropriate standards and guidelines. Hume also has procedures, including training, team meetings, self monitoring, templates and performance reviews which assist it to ensure there is a consistent approach applied in the enforcement of permits. At team meetings, planning officers discuss improvements to processes, including redrafting of standard conditions.[53]

The Committee was not provided with information to show that Hume has put in place a formal quality assurance program for its planning enforcement functions. While the actions listed above assist to ensure that enforcement is consistent and there are informal quality assurance processes in place, the Committee considers there is scope for Hume to establish a formal quality assurance process.

Recommendation 24: **The City of Ballarat and the City of Hume should establish a formal quality assurance regime for its planning enforcement functions that is independent of the Council's Planning Enforcement staff.**

2.4.4 Recommendation 4.4 – Feedback from complainants

The audit found that neither Hume nor Ballarat had a system to capture feedback on the level of complainants' satisfaction with the enforcement process.[54] The audit indicated that feedback on complaint handling, particularly identifying if there are low levels of satisfaction, would be an important input to continuous improvement activities.[55]

The audit recommended that Hume and Ballarat should measure feedback from complainants regarding their level of satisfaction about key aspects of the enforcement process, including reasons for any perceived low levels of performance.[56]

The Committee enquired as to how each council measures feedback from complainants and whether this information is used to improve the enforcement process.

Response by City of Ballarat

Ballarat advised the Committee that there is currently no formal feedback system in place.[57] It indicated that complaints are registered and actioned in the Council's Customer request management system and that informal feedback is received through officer interactions, during

53 Hume City Council, *Planning Enforcement Framework 2010*, 2010, p.5

54 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.25

55 ibid.

56 ibid., p.31

57 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

planning enforcement group meetings. Ballarat advised that it is currently investigating other forms of measuring feedback about complaints.[58]

Notwithstanding the lack of a formal complaints mechanism, Ballarat advised the Committee that a large volume of complainant feedback relates to the lack of proactive initiatives and education campaigns currently undertaken by the City of Ballarat in relation to heritage, native vegetation and the planning scheme in general. Ballarat indicated that while this has been of concern, it now has a clear direction in which to head for the future. Ballarat advised that the Planning Enforcement Group has recently been exploring ways in which to best address this concern and that once it has decided upon an appropriate medium/message to tackle the concerns of the community and enhance existing enforcement operations, it will examine the allocation of resources and proceed.[59]

Response by Hume City Council

The Committee received information from Hume stating that it responds to individual complaints on an "as required" basis, in line with its customer service charter. The Council states that the nature of enforcement activities often means that at least one party will be dissatisfied.

Hume informed the Committee that in 2005 it undertook a survey of residents on Planning Investigation to determine what issues residents may have. However, the survey had only a response rate of 5.5 per cent, or 11 surveys returned.[60]

The Committee considers that while Hume attempted to undertake a survey in 2005, the survey did not provide any valuable information given the low response rate. In addition, any information gained from this survey would now be outdated, given it was undertaken five years ago.

The Committee agrees with the Auditor-General that feedback from complainants would be an important input to continuous improvement activities and considers that the Auditor-General's recommendation should apply to other councils. The Committee reiterates the Auditor-General's recommendation.

Recommendation 25: **Councils should measure feedback from complainants regarding their level of satisfaction about key aspects of the planning enforcement process, including reasons for any perceived low levels of performance.**

2.5 Performance monitoring and continuous improvement

The Auditor-General stated that councils should have robust performance reporting arrangements in place to monitor the delivery of enforcement activities against appropriate standards and benchmarks.[61]

The audit report indicated that standards for enforcement activities need to clearly identify the expected levels of performance to be attained. Standards can include expected levels of customer service, such as timeliness of response to complaints or professional conduct of officers when

58 ibid.

59 ibid.

60 Hume City Council, *Planning Enforcement Framework 2010*, 2010, p.6

61 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p 33

accessing properties. The Auditor-General indicated that no statewide, uniform or better practice standards exist for the planning enforcement function.[62]

The Committee notes the initiative of Hume to develop its own customer service standards for its planning enforcement function and also, the Auditor-General's assessment that Hume's standards are well-developed, clear and comprehensive, and are based around responding to customers and meeting benchmarks.[63]

The report indicated that Ballarat has council-wide customer service standards for dealing with the community. However, these are very broad and do not contain standards specific to planning enforcement.[64]

The Committee notes that currently, there are no industry-wide standards for planning enforcement activities upon which councils can monitor and assess performance in the area of planning enforcement. Given this, the Committee considers there is scope for the Department of Planning and Community Development to collaborate with councils and develop a set of best practice standards for planning enforcement activities, to be agreed and adopted by all councils.

Recommendation 26: **The Department of Planning and Community Development should, in conjunction with local councils, develop a set of best practice customer service standards for planning enforcement activities, to be agreed and adopted by all councils.**

2.5.1 Recommendation 5.1 – Re-examining existing benchmarks

The Committee noted the finding of the Auditor-General that both Hume and Ballarat had predetermined quantitative benchmarks which needed to be re-evaluated in terms of rationale, resourcing and staff performance.[65]

On this issue, the Auditor-General recommended that Hume and Ballarat should re-examine their existing benchmarks and develop a rationale for any new benchmarks, linked to current staffing levels and relevant performance standards.[66]

The Committee requested, from both councils, details of the benchmarks they had established for their planning enforcement operations, including whether these benchmarks were being met and how they are being used to manage staff performance.

Response by City of Ballarat

Ballarat advised that the Council's Statutory Planning and Building Business Plan currently identifies that 70 per cent of customer complaints must receive initial investigation within 7 days and that the Planning Enforcement Officer is exceeding this target, currently investigating 89.9 per cent of complaints within time. The Council further advised that with training of Statutory Planners in investigation techniques, the allocation of additional resources, and the

62 ibid., p.34

63 ibid.

64 ibid.

65 ibid, p.33

66 ibid., p.37

restructuring of roles, it is anticipated 100 per cent of complaints receiving an initial investigation is achievable.[67]

Ballarat further indicated that benchmarks are used to monitor the Planning Enforcement Officer's performance. Into the future with the dissemination of duties, these and similar statistics shall continue to be utilised to monitor Council's response to complaints, timely enforcement of breaches and individual staff performance.[68]

The Committee noted that Ballarat has included the planning enforcement benchmarks into the key performance indicators of the enforcement officer's work plan.

Response by Hume City Council

In relation to benchmarks, the Committee was informed that Hume will be reviewing its performance benchmarks annually. As part of this review, it will examine the rationale for new benchmarks, resourcing levels and staff performance. Hume stated that this process would be linked to its budget preparation process and will assist in making decisions regarding increased staffing, if required. The Committee was further informed that a review of the requests entered into its system will assist the Council in determining a benchmark service delivery model, which Hume believes will assist it to identify any possible deficiencies in its service delivery.[69]

The Committee considers that while Hume has the right sentiment in regards to reviewing performance benchmarks, the Committee was not provided with any information on whether such a review has been undertaken or whether it will be undertaken in future. Therefore the Committee reiterates the Auditor-General's recommendation, that Hume should re-examine its benchmarks.

Recommendation 27: **The Hume City Council should re-examine its benchmarks and develop a rationale for new benchmarks, linked to staffing levels and relevant performance standards.**

2.5.2 Recommendation 5.2 – Performance measures to assess the effectiveness of strategies

The audit report noted that both councils prepare monthly performance reports for management. However, the audit report stated that additional performance reporting on the level of non-compliance with conditions after the initial inspection should be monitored and reported and this should include examining the extent to which escalation of enforcement action has resulted in greater compliance over time.[70]

The audit recommended that Hume and Ballarat should establish performance measures to assess the effectiveness of their various strategies (which range from community education, to imposing penalties) in achieving compliance with planning permit conditions.[71]

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67 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

68 ibid.

69 Hume City Council, *Planning Enforcement Framework 2010*, 2010, p.8

70 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.35

71 ibid.

In relation to performance measures to assess the effectiveness of enforcement strategies, the Committee was interested to know what performance measures Hume and Ballarat had put in place to assess the effectiveness of their performance strategies and what changes had each council made to the performance strategies in response to information obtained from the performance measures.

Response by City of Ballarat

Ballarat advised the Committee that currently planning enforcement is measured against the Statutory Planning and Building Department's Business Management Plan and that the strategies are reviewed annually as part of Council's audit action plan.

Response by Hume City Council

The Committee was informed by Hume that the current Enforcement Framework and risk matrix establishes the level of enforcement required for matters, which range from education to legal action.[72] The Committee was not provided evidence of performance measures established or any information regarding whether Hume undertakes any assessment of these strategies.

The Committee notes that Ballarat has established planning enforcement measures which are assessed against Council's Business Management Plan. The Committee regards rigorous assessment of performance as critical to the planning enforcement function and should be applied in all councils. Consequently, the Committee recommends that, for all councils where such performance measures are lacking, those councils establish performance measures to facilitate assessment of the effectiveness of planning enforcement strategies.

Recommendation 28: **Where relevant, councils should develop suitable performance measures to facilitate assessment of the effectiveness of planning enforcement strategies.**

2.5.3 Recommendation 5.3 – Continuous improvement initiatives

The Auditor-General concluded that Hume has a proven record in continuous improvement initiatives, and Ballarat has provided some evidence of implementing continuous improvement initiatives. However, the Auditor-General indicated that both councils need to clearly link these initiatives to their enforcement objectives and priorities, to provide a clearer rationale for allocating resources to these particular initiatives.[73]

The audit recommended that both Hume and Ballarat should link their continuous improvement initiatives to the objectives in their enforcement frameworks.[74]

The Committee enquired whether Hume and Ballarat had developed or are proposing to develop a continuous improvement program for their enforcement function and what improvements to the enforcement function have been introduced since the Auditor-General's report was tabled in November 2008.

72 Hume City Council, *Planning Enforcement Framework 2010*, 2010, p.9

73 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.37

74 ibid.

Response by City of Ballarat

Ballarat advised the Committee of a number of initiatives it has undertaken to improve its enforcement function, including:[75]

- implementation of an enhanced customer service tracking system for planning enforcement;
- development and implementation of an enhanced investigation and enforcement recording system;
- integrated priority assessment for tasks as a result of risk matrix;
- greater peer support and review through planning enforcement group meetings.

Ballarat advised that it had adopted *the Ballarat Planning Scheme Compliance and enforcement policy* which had allowed greater consistency in managing its planning enforcement function.[76]

The Committee notes these initiatives will contribute to continuous improvement in Ballarat's planning enforcement function.

Response by Hume City Council

The Committee was informed by Hume that it will be undertaking a review of legal enforcement for the 2010-11 financial year, to ensure it is achieving cost effectiveness in pursuing legal compliance issues. Hume anticipates using this information when developing its budget and business case for future years.[77]

The Committee considers that while a worthwhile exercise, this will partly contribute to providing continuous improvement information. The Committee however considers that Hume has other information, including results of quality assurance activities which should also be incorporated into its enforcement framework. The Committee considers at this time, Hume does not have an appropriate enforcement framework in place and its current enforcement framework does not appropriately document its objectives.

Once Hume has established a robust enforcement framework, the Committee considers it will be able to link continuous improvement activities to its enforcement framework objectives.

2.6 Department of Planning and Community Development response to issues contained in the audit report

The Committee appreciates that all of the recommendations contained in the audit report are specifically directed to the Hume City Council and the City of Ballarat, and not to the Department of Planning and Community Development (DPCD). The Auditor-General nevertheless commented that:[78]

75 Mr Anthony Schink, Chief Executive officer, City of Ballarat, correspondence to the Committee, received 2 July 2010

76 ibid.

77 Hume City Council, *Planning Enforcement Framework 2010*, 2010, p.9

78 Victorian Auditor-General's Office, *Enforcement Of Planning Permits*, November 2008, p.V

> *While the audit has concentrated on Hume and Ballarat, enforcement is a critical responsibility of all councils in their role as responsible authorities. The findings and recommendations of this report are relevant across all councils even though in some cases they face different planning challenges.*

The Committee notes that in the Response by the Minister for Finance to the Auditor-General's reports issued during 2008-2009, DPCD advised that:[79]

> *Local Government Victoria (LGV) has encouraged councils to read the Auditor-General's Report and review their practices regarding the enforcement of planning permits.*

In light of these comments and considering the role of LGV (a group within DPCD) to support best practice and continuous development in local governance and local government service delivery to all Victorian communities,[80] the Committee sought comment on the issues raised in the Auditor-General's report from the Secretary, Department of Planning and Community Development.

The Committee was particularly interested to learn what action DPCD had taken to encourage councils to take note of the Auditor-General's report and to review their planning enforcement practices.

DPCD advised the Committee that through LGV, it had written to all councils in September 2009 encouraging them to read this report and review their practices regarding the enforcement of planning permits and that this was consistent with LGV normal practice to draw attention to tabled reports for the benefit of the sector.[81]

DPCD further advised that it would prepare a Planning Practice Note on planning enforcement. This practice note will outline best practice approaches to:[82]

- enforcement options available;
- monitoring compliance or conventions;
- administering compliance and planning infringement notices; and
- monitoring and reviewing enforcement practices.

The Committee also enquired of DPCD if it had followed up with the councils to ascertain whether they had reviewed their planning enforcement practices, and what changes they had made. DPCD indicated that it is the responsibility of each council, as a responsible authority, to ensure that it has appropriate planning enforcement practices and monitoring systems in place. DPCD advised the Committee that the Planning Practice Note on planning enforcement practice will assist councils in this regard.[83] To ensure consistency of planning enforcement practices

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79 Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09, December 2009, p.85

80 Department of Planning and Community Development, 'Local Government Victoria', <www.localgovernment.vic.gov.au>, accessed 22 July 2010

81 Mr Y Blacher, Secretary, Department of Planning and Community Development, correspondence to the Committee, received 21 May 2010

82 ibid.

83 ibid.

across councils, the Committee considers that DPCD via LGV should undertake a comparison of planning enforcement practices by councils to ensure consistency of practices. LGV should consider undertaking a co-ordinating role to develop best practice across all councils.

Recommendation 29: **The Department of Planning and Community Development, via Local Government Victoria, should undertake a comparison of planning enforcement practices by councils to ensure consistency of practices. Local Government Victoria should consider undertaking a co-ordinating role to facilitate the development of best practice across all councils.**

In considering DPCD's role in encouraging and supporting best practice in local councils, the Committee was interested to learn whether the DPCD Planning Department have a strategy for performance monitoring, so that the planning enforcement function is well-managed and adequately resourced by all councils.

DPCD advised that new *Planning and Environment Act 1987* reforms propose a new reporting framework for the planning system. DPCD stated that subject to the changes in the Act, the planning enforcement monitoring function of the responsible authorities will be included in annual reporting to the Minister for Planning.[84]

The Committee was particularly interested in DPCD's comments on the extent to which all councils have adopted the Auditor-General's views on the following matters.

1. **The importance of having a documented framework for enforcement action that sets out the enforcement rationale, objectives, priorities and intended outcomes.**

   DPCD indicated that the proposed new Planning Practice Note will build upon the Auditor-General's views on the importance of having a documented framework for enforcement action that sets out the enforcement rationale, objectives, priorities and intended outcomes.[85]

2. **The desirability of developing an across-the-board risk assessment approach as the basis for determining priorities when allocating resources to enforcement functions.**

   DPCD advised that subject to changes to the *Planning and Environment Act 1987* being passed in Parliament, enforcement will be included as part of the monitoring system and will help local government to identify high risk permit categories to target resourcing for enforcement actions in the future.[86]

3. **The need for enforcement tools, such as guidelines, systems and processes to assist management and staff to effectively undertake complaint handling and proactive enforcement.**

   DPCD stated that it will publicise and encourage enforcement officers to attend the Department's PLANET (Planning Network) course on Planning Law Enforcement and the

84 ibid.

85 ibid.

86 ibid.

practice note will provide effective guidelines for local government.[87]

4. **The desirability of having robust performance reporting arrangements in place to monitor the delivery of enforcement activities against appropriate standards and benchmarks.**

   DPCD indicated that subject to the *Planning and Environment Act 1987* changes being passed in Parliament, a new enforcement monitoring system will promote the need for individual council standards and benchmarks.

   DPCD advised the Committee that the Essential Services Commission (ESC) is currently working with Local Government to establish an enhanced performance reporting regime. DPCD, local council representatives and the wider community are participating in establishing related benchmarks as part of the Essential Services Commission performance benchmarks program.[88]

The Committee notes the positive actions by both DPCD and the ESC concerning planning enforcement operations within local councils.

Given that the Auditor-General's recommendations were made in November 2008, the Committee considers that as a matter of priority, DPCD needs to finalise its planning practice note for the 'best practice' guidance of councils.

Recommendation 30: **The Department of Planning and Community Development should, as a matter of priority, finalise its planning practice note for the guidance of councils in managing their enforcement planning operations.**

87 ibid.

88 ibid.

CHAPTER 3: PRIVATE PRACTICE ARRANGEMENTS IN HEALTH SERVICES

3.1 Introduction

Public hospital-based outpatient services are a core part of the acute health care system in Australia. They act as a major pathway for people to access inpatient care and can perform an important preventative role through early diagnosis and management of medical conditions which can reduce the demand for inpatient services.[1]

Outpatient services are those services provided to patients not admitted to a hospital bed and cover a wide range of medical specialities including cardiology, neurology, oncology, allied health and diagnostic services. Health services provide access to these specialists through private consulting rooms, and specialists are also supported through Medicare Benefits Schedule (MBS) rebates for non-admitted services to patients in a public hospital setting.

There are 17 health services in Victoria providing public patients' access to free outpatient services. The Department of Health distributes funds from both the Commonwealth government and the State government for health services, including outpatient services.

For 2010-11 the total acute health non-admitted budget in hospitals funded through the Victorian Ambulatory Classification System is $675.9 million. This represents around 10.6 per cent of the total acute health expenditure budget for 2010-11.[2]

In 2007-08, in excess of 1.8 million public encounters were provided by 14 metropolitan health services and three rural public hospitals in Victoria. Of these, 48 per cent related to surgery, 27 per cent to medical and 25 per cent to maternity.[3]

Health services in Victoria provide health care within well established accountability and compliance frameworks. Two of these frameworks are the National Healthcare Agreement and the *Health Insurance Act 1973* which provide medical specialists certain private practice rights.[4]

Full-time and visiting medical specialists (VMO's) working in Victorian public health services may be allowed the right to service their private patients using the hospitals' facilities. The right of private practice may be granted to specialists as part of their employment contract.[5] According to the Department of Health, there are a number of advantages in the establishment of MBS-billed specialist clinics in, or near, public hospitals. These include:[6]

- The rights of private practice are an important tool in recruiting and retaining a skilled specialist medical workforce for public hospitals.

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1 Victorian Auditor-General's Office, *Private Practice Arrangements in Health Services,* October 2008, p.10

2 Department of Health, 'Victorian health services policy and funding guidelines 2010-11 – Budgets', <www.health.vic.gov.au/pfg/downloads/all_budget_tables.pdf>, accessed 19 August 2010

3 Department of Human Services, *Victorian Public Hospital Specialist Clinics Strategic Framework*, February 2009, p.7

4 Victorian Auditor-General's Office, *Private Practice Arrangements in Health Services,* October 2008, Foreword, p.v

5 ibid., p.18

6 Department of Human Services, *Specialist Clinics in public hospitals: A resource kit for MBS-billed services*, June 2008, p.8

- The co-location of MBS-billed specialist clinics with public hospitals ensures a critical mass of specialist medical services and can help promote more cost-effective use of high-cost technology or support services.

- Locating MBS-billed specialist clinics at, or near public hospitals can assist public hospitals in having available medical specialists who are able to provide inpatient and outpatient services to public patients.

- MBS-billed specialist clinics provide patients with a choice in the services they can access.

Decisions concerning the specific remuneration models adopted for medical practitioners involved in private practice (MBS-billed specialist clinics) are made by individual health services. Private practice arrangements in Victorian health services are arrayed along a spectrum but generally align with one of three remuneration models. These are:[7]

- The 100 per cent retention model – Under this model the medical specialist retains all of the income derived from private outpatients through his/her MBS-billing and pays the health service some facility fee (generally a flat fee per session) for the use of staff, equipment and facilities.

- The 100 per cent donation model – This model is more common with specialists employed on a full-time basis by the health service and involves all income generated through MBS-billing of private patients being "donated" to the health service and set aside in a special purpose "craft account" to be used at the discretion of management (although there may be some consultation with the specialist on its use). In exchange the health service provides free access to staff, equipment and facilities as well as a negotiated additional salary (or sessional rate) to compensate for the foregone MBS income.

- The shared model – This model is the most common whereby the health service provides staff, equipment and facilities in exchange for a percentage of the Medicare benefit assigned by the patient. Usually, the health service is authorised to act as agent in claiming the Medicare benefit and these funds are held in a special purpose fund known as a "Dillon account" (a separate account for each specialist). Fund income is regularly disbursed to the specialist with the residual available to the health service.

3.1.1 Audit objective and scope

The objective of the audit was to determine whether the payment arrangements for medical specialists employed by the health service and involved in private practice arrangements were compliant with the relevant legislative and government policy requirements.[8]

The scope of the audit covered the private practice arrangements at one Victorian public health service (hospital) which was considered to be representative of, and relevant to, other large metropolitan health services.

7 Victorian Auditor-General's Office, *Private Practice Arrangements in Health Services,* October 2008, pp.18–22

8 ibid., p.15

3.1.2 Audit findings and recommendations

The Auditor-General found that while private practice arrangements offer improved value for health services, there was a significant lack of transparency with regard to:[9]

- the value of public resources being used to support the treatment of private patients in the outpatient clinics of the health services; and
- the benefits derived by the health services from these arrangements.

This lack of detail about the specific costs and benefits of private practice arrangements for public health services mean that the health service lacks sufficient information to enter arrangements on an appropriately commercial basis. In addition, the public is unable to determine whether all private practice arrangements in public health service providers are cost effective.[10]

The Auditor-General recommended a more rigorous methodology to determine the total value of resources used and benefits obtained in supporting private outpatient sessions together with the application of this information to determine an appropriate fee structure for use in these arrangements. In addition, the Auditor-General recommended that preferably, the health service should act as the MBS-billing agent in private practice arrangements to improve the transparency of the financial transactions taking place.[11]

Further, the Auditor-General noted a lack of clarity and guidance about whether MBS-billing for private patients treated during the time a specialist was contracted to work under his/her terms and conditions of employment, was consistent with Section 19(2) of the *Health Insurance Act 1973*. While there are provisions in the Act for private practice arrangements to be made, legal advice received to date has been based on specialists undertaking this work during time outside their usual hours of employment. The Auditor-General recommended that the Department seek clarification on this issue.[12]

This chapter seeks to provide an update on the extent to which the recommendations made by the Auditor-General in his report have been actioned by the Department of Health which were the responsibility of the former Department of Human Services. In undertaking this follow-up review, the Committee sought written advice from the Department in relation to the implementation of the Auditor-General's recommendations. In addition, the Committee requested comment from the Auditor-General regarding the responses provided by the Department to the recommendations made. These comments and advice have been included in the following sections where appropriate.

3.1.3 Response provided by the Department of Health

In the report, the Department rejected the Auditor-General's recommendation relating to the need for clarification of the requirements of the *Health Insurance Act 1973* in regard to private practice arrangements but accepted the recommendation referring to the need for improved quantification of the costs and benefits of private practice arrangements. The Department referred the

9 ibid., p.2

10 ibid.

11 ibid., p.3

12 ibid., pp.3–4

Auditor-General's third recommendation, relating to billing arrangements, to the individual health services themselves.[13]

The Department's response as provided in the *Response by the Minister for Finance to the Auditor-General's reports issued during 2008-09* was similar to that included in the Auditor-General's report when it was tabled.

3.2 Value-for-money of private practice arrangements in public hospitals

The Auditor-General notes that within the context of increasing demand for public hospital services and constraints in terms of funding and attracting and retaining appropriate staff, health services have had to become more innovative about delivering their services in the most efficient and effective manner.[14]

The negotiation of private practice arrangements has become an integral part of the overall employment package for specialist medical staff assisting in the recruitment and retention of medical specialists into the public health system. The financial benefits which accrue to the health service from private practice arrangements depend upon the remuneration model adopted and the specific arrangements negotiated with the specialist (i.e. any additional income paid to the specialist, the agreed sharing arrangements and the fee charged for hospital facilities, etc.).[15]

The hospital audited by the Auditor-General, employed 120 medical specialists with private practice rights. The Auditor-General reported that almost 50 per cent of the private practice arrangements in place conformed to the 100 per cent retention model; approximately 25 per cent used the 100 per cent donation model recommended by the Department; and the remainder used the shared model.[16]

3.2.1 Transparency of the costs and benefits of private practice arrangements

At the health service reviewed by the Auditor-General, he found that in his opinion:[17]

- there was no framework in place for assessing which remuneration model was best suited to each specialist's arrangements;
- there was no evidence that the fee paid by the medical specialists under the retention model for use of the facilities, staff and equipment adequately represented the value of the public resources being used; and
- there was no allocation methodology used under the shared model to determine an appropriate percentage share between the health service and the specialist, with all specialists receiving the same proportional allocation irrespective of individual circumstances.

13 ibid., pp.4–5

14 ibid., p.22

15 ibid., p.23

16 ibid., p.22

17 ibid., p.23

The Auditor-General found that, while the Department has an expectation that the health service has commercial arrangements in place to ensure that the fee charged for the use of facilities reflects the commercial value of the resources used, there was no guidance for health services in regard to this matter or monitoring of the arrangements by the Department. The health service was unable to provide any evidence that the fee structure adequately reflected economic value to the State.[18]

While the health service was able to identify the total revenue it had earned through facility fees and from its share of MBS benefits as a result of private practice arrangements, it did not have a methodology in place for calculating the value of the resources provided in support of these arrangements. In addition, while there were systems in place to record the time that specialists spent in private practice, there was no method for identifying whether this practice occurred whilst they were engaged in their employment with the health service (i.e. during "paid public time") or during hours outside of their paid employment with the health service.[19]

As a result, the Auditor-General concluded that there was a lack of transparency in both the value of public resources being used to support the treatment of private patients in outpatient clinics and the value of benefits to the health service derived from these arrangements.[20] The Auditor-General stated that:[21]

> *The lack of transparency means that, while there are benefits from supporting private practice arrangements, health services are not able to enter the arrangements on an appropriately commercial basis. Assurance cannot be provided that all private practice arrangements are cost effective for the people of Victoria.*

The Auditor-General recommended that a more rigorous methodology was needed to determine the net benefit each private practice arrangement was likely to offer the health service. Specifically, the Auditor-General recommended that the Department of Health should revise its MBS-billing resource kit to provide hospitals with:[22]

- a framework to determine the total costs and benefits involved in supporting private outpatient sessions; and
- guidelines for formulating fee structures which can be used under the 100 per cent retention remuneration model to more accurately reflect the value of the resources used.

3.2.2 Response by the Department of Health

The Department's response as detailed in the Minister for Finance's report accepted the Auditor-General's recommendation and agreed that private practice arrangements should be cost effective. It stated in its response that an interdepartmental working group had been convened to update the *'Specialist Clinics in Public Hospitals'* resource kit to help health services describe the value or benefits derived from these arrangements consistently and transparently.[23]

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18 ibid., p.24

19 ibid., p.25

20 ibid., p.28

21 ibid., p.2

22 ibid., p.29

23 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's reports issued during 2008-09,* December 2009, p.27

The Committee noted that there was no response provided by the Department in respect of the Auditor-General's recommendation that guidelines be provided to hospitals for determining an appropriate and valid fee structure which accurately takes account of the resources used.

3.2.3 Subsequent information obtained by the Committee

Comments received from the Auditor-General in May 2010 in respect of the Department's response to this recommendation stated that it was unclear whether the resource kit had been updated and if so how the updates addressed the recommendations in respect of health services identifying the costs and benefits of private practice arrangements.

In April 2010, the Committee requested further information from the Department about whether it had updated the *'Specialist Clinics in Public Hospitals'* resource kit to assist health services to build a framework which enables identification of the resources used and benefits obtained in supporting private outpatient sessions.

The Department advised that it was in the process of finalising a revised MBS resource kit to include advice on the costs and benefits of establishing an MBS-billed specialist clinic. The revised MBS resource kit will be based on quantitative and qualitative information gathered through consultation with a number of health services currently operating MBS clinics. [24]

The Department stated that the new resource kit will provide information to assist hospitals in making a decision about establishing an MBS-billed specialist clinic and implementing best practice arrangements for operating these clinics. The kit will contain additional information about the costs and benefits of operating such clinics in public hospitals, including those associated with the two main remuneration models (i.e. the 100 per cent donation model and the 100 per cent retention model). This information will be based on the experience of health services in the State. Specifically, the Department advised that the resource kit will contain information in relation to:[25]

- Specialist clinic services in Victoria;
- Victorian Ambulatory Classification and Funding Scheme (VACS);
- Medicare Benefits Schedule;
- *Health Insurance Act 1973*;
- National Healthcare Agreement;
- Medical remuneration models;
- Medical indemnity; and
- Allied health services.

The resource kit will stipulate that the information provided may not be entirely relevant to all specialist clinics as the types of clinics and methods of providing these services differs between hospitals. [26]

24 Ms F Thorn, Secretary, Department of Health, letter to the Committee, received 15 June 2010, p.3

25 ibid.

26 ibid.

The Department advised on 15 June 2010 that the revised version of the resources kit for MBS-billed services was expected to be completed late June or early July 2010.[27]

3.2.4 Review and conclusion

The Committee noted that the Department has developed three distinct strategies:

- Specialist Clinics Improvement and Innovation Strategy;
- Outpatient Improvement and Innovation Strategy; and
- Victorian Public Hospital Specialist Strategic Framework.

Following an Auditor-General's report in June 2006 entitled, *Access to specialist medical outpatient care*, which recommended the need for the Department to improve strategic planning and performance in relation to outpatient services, the Government released the *Outpatient Improvement and Innovation Strategy* (now referred to as the *Specialist Clinics Improvement and Innovation Strategy*). The Department is responsible for the implementation of this strategy and development of the associated policy framework.

In June 2008, the Department issued a progress report on the Strategy together with the current version of the MBS-billed services resources kit. The progress report noted a range of outpatient improvement projects which trial and evaluate strategies and concepts at individual health services that could later be adopted by other health services. One of the projects was a pilot of the outpatient minimum dataset in four health services.[28]

The development of a state-wide minimum dataset followed a report by the Auditor-General in 2006 entitled, *'Access to specialist medical outpatient care'* which made a range of recommendations in relation to the reporting of outpatient information. The *Outpatient Improvement and Innovation Strategy* acknowledged that the Department's data collection for outpatient services was limited and that the *'availability of timely, high quality outpatient data is a key enabler to supporting outpatient reform'*, state-wide planning and monitoring activity and performance of outpatient services delivered across Victoria's public hospitals. The development of a minimum dataset is being conducted in partnership with the Commonwealth Department of Health and Ageing which has contributed project funding.[29]

In addition to this work, the Committee noted that in February 2009, the Department issued the *Victorian Public Hospital Specialist Strategic Framework* which sets out the Department's expectations in relation to the delivery of services in specialist clinics and to assist health services with the planning, organisation and provision of services. The Framework also seeks to identify key objectives for specialist clinics with regard to patient focus, timely access and sustainable services.[30]

The Framework notes the review of VACS completed in 2007-08 which was aimed at developing a more refined funding system for specialist clinic services. The recommendations of the review and the Department's response were received by the Outpatient Improvement and Innovation Strategy Advisory Committee in April 2008 and the Department states in the Framework that it

27 ibid.

28 Department of Human Services, *Outpatient Improvement and Innovation Strategy, Progress report,* June 2008, p.15

29 ibid., p.24

30 Department of Human Services, *Victorian Public Hospital Specialist Clinics Strategic Framework*, February 2009, Executive Summary

intends to start implementing selected recommendations with some recommendations requiring further modelling.[31] There was no indication over what time period the recommendations would be implemented.

A review of the Department's website indicates that 'a Specialists Clinics Improvement and Innovation Advisory Committee has been established to provide high-level advice regarding outpatient services reform, to provide specific recommendations to support strategy development and to inform the development of a work plan.'[32]

The Committee acknowledges the extent of review and activity which has occurred over the past three to four years in respect of the management of outpatient services.

The Committee noted that there have been no other progress reports produced on the *Specialist Clinics Improvement and Innovation Strategy* projects since June 2008 and as such the Committee was unable to review the progress of projects related to improvements in data collection and reporting for specialist clinics in public health services which may have been recommended or made in recent times and which may have addressed the concerns raised by the Auditor-General with respect to the identification of the costs/benefits of these clinics.

A review of material available on the Department's website indicated that as at 19 August 2010 the most recent version of the resource kit for MBS-billed services was June 2008 with the revised kit as yet to be issued.

Recommendation 31: **The Committee recommends that the Department of Health issue the revised resource kit for Medicare Benefits Schedule-billed specialist clinics in public hospitals as soon as possible to assist public health services in the more comprehensive identification of the resources used and benefits derived from the provision of Medicare Benefits Schedule-billed specialist clinics for private outpatients.**

Recommendation 32: **In implementing the Government's *Specialist Clinics Improvement and Innovation Strategy*, the Committee recommends that the Department and the Specialists Clinics Improvement and Innovation Advisory Committee should actively and in a timely manner, encourage public health services to develop appropriate systems to accurately identify the costs and benefits associated with the provision of Specialist Clinics in public hospitals to improve transparency and accountability in this area.**

3.3 Compliance

Victorian health services must comply with the Medicare principles and other obligations under the Australian Health Care Agreement (now the National Healthcare Agreement), the *Health Services Act 1988*, funding agreements with the Department of Health, the Statement of Priorities

31 ibid., p.15

32 Department of Health, 'Specialist Clinics Improvement and Innovation Strategy', 31 May 2010, <www.health.vic.gov.au/outpatients/dac.htm>, accessed 12 August 2010

agreed with the Minister for Health, and other directions and guidelines issued by the Minister and the Secretary of the Department.

3.3.1 Compliance with the former Australian Health Care Agreement

At the time of the audit, the Australian Health Care Agreement (AHCA) was the formal agreement in place between the Commonwealth and the states and territories for the funding of public health services. Under the terms of the AHCA, Victoria was required to satisfy a range of requirements including the provision of data and information to the Commonwealth. Victoria must certify to the Commonwealth that the funding received under the Agreement is expended on the provision of public health services as defined in the Agreement.[33] On 1 July 2009, the AHCA was replaced by the National Healthcare Agreement.

The Auditor-General found that the health service audited had implemented a range of processes to comply with the AHCA obligations. In those instances where the health service had acted as MBS-billing agent for the medical specialist, compliance with the AHCA obligations had been appropriately checked by the hospital prior to lodging the claim and disbursing any income to the specialist. The Auditor-General noted that the hospital had relied on guidance provided in the Department's MBS-Billing Resource Kit in establishing these compliance measures. The sample of MBS billing reviewed by the Auditor-General was found to satisfactorily comply with requirements.[34]

The Auditor-General recommended that health services should act as the MBS-billing agent as the preferred option for all future private practice arrangements to improve the transparency of the associated financial transactions and better demonstrate accountability and probity surrounding the use of public resources.[35]

3.3.2 Response by the Department of Health

In the *Response by the Minister for Finance to the Auditor-General's report issued during 2008-09*, the Department responded that this recommendation is addressed to health services and that the Department encourages the practice of health services acting as billing agents for salaried medical specialists.[36]

3.3.3 Subsequent developments noted by the Committee

The Committee wrote to the Department in April 2010 requesting further details about what action/s the Department has taken to encourage health services to act as the billing agent for private outpatient services provided by hospital salaried medical specialists. In addition, the Committee requested details about whether the Department monitors the practices of health services in this area and also how many health services have adopted the Department's preferred position to act as MBS-billing agent.[37]

33 Victorian Auditor-General's Office, *Private Practice Arrangements in Health Services,* October 2008, pp.7–8

34 ibid., pp.25–6

35 ibid., p.29

36 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's reports issued during 2008-09,* December 2009, p.28

37 Mr B Stensholt, Chair, Public Accounts and Estimates Committee, letter to the Department of Health, 20 April 2010

The Department advised that the management of billing is linked to the remuneration arrangements agreed between the medical specialist and the hospital and these vary between health services. The 100 per cent retention model, where medical specialists are responsible for their own billing, exists in a small proportion of clinics. The Department advised that a large proportion of new MBS-billed specialist clinics are being established under the 100 per cent donation model where the health service acts as the billing agent for salaried medical specialists.[38]

The Department also advised that whilst it recommends the adoption of the 100 per cent donation model by health services it is not a mandated model. The Department's view is that health services should have some flexibility in the recruitment and remuneration of doctors. This is considered particularly important for outer suburban and rural settings and where there is a high demand for particular types of specialists. As such, there are some situations where the 100 per cent retention model continues to exist or may be preferred. Where this model does exist, it is a fully private arrangement between the medical specialist and the health service and, it is possible to recommend but, difficult to enforce the health service acting as the MBS-billing agent.[39]

The Department states that whilst its 2008 resource kit for MBS-billed services provides an overview of the various Commonwealth obligations, the onus is on individual health services and medical specialists to ensure compliance with the National Healthcare Agreement, the *Health Insurance Act 1973* and the MBS. The Department also consistently advises health services to seek legal guidance before entering into private practice arrangements.[40]

3.3.4 Conclusion

While, the Committee was advised that a large proportion of new MBS-billed specialist clinics are being established under the 100 per cent donation model, the Department was not specific as to either the number of clinics or the use of specialists in Victorian public hospital system currently covered by these arrangements.

The Committee notes that the Department has recommended but not mandated that health services adopt the 100 per cent donation remuneration model for private practice arrangements whereby the health service acts as the MBS billing agent on behalf of the specialist. As such, the Department is reliant on its 2008 resource kit for MBS-billed services to encourage greater transparency surrounding private practice financial arrangements and accountability and probity over the use of public resources in specialist clinics. As noted above, the Committee recommends the issuance as soon as possible of a revised resource kit.

3.3.5 Compliance with the Health Insurance Act 1973

The *Health Insurance Act 1973* (Commonwealth) covers the operation of Medicare in Australia. The Auditor-General notes in his report that Section 19(2) of the *Health Insurance Act 1973* states that a Medicare benefit is not payable where the service has been provided by, on behalf of, or under an arrangement with, the Commonwealth, a state, a local governing body or an authority established by a Commonwealth, state or territory law. The Auditor-General notes that the medical specialist is responsible for complying with the provisions of the Act however, where the health service is both the employer and the billing agent for the specialist, the health service is in a position to identify any instances where claims are not in compliance with the Act.[41]

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38 Ms F Thorn, Secretary, Department of Health, letter to the Committee, received 12 August 2010, p.4

39 ibid.

40 ibid., p.5

41 Victorian Auditor-General's Office, *Private Practice Arrangements in Health Services,* October 2008, p.26

The Auditor-General expressed the view that where a specialist attends a private patient during the time they are required to be working for the health service under their employment contract, these services could be in breach of Section 19(2) of the *Health Insurance Act 1973*. He also stated that written advice from Medicare Australia (formerly the Health Insurance Commission) and guidance provided by the Department of Health did not explicitly address the issue of MBS-billing during "paid public time".[42]

The Auditor-General recommended that the Department obtain definitive legal advice in relation to private practice arrangements during "paid public time" and the provisions of Section 19(2) of the *Health Insurance Act 1973* and advise health services accordingly.[43]

3.3.6 Response by the Department of Health

The Department responded in the Auditor-General's report[44] and in the *Response by the Minister of Finance to the Auditor-General's reports issued during 2008-09* that it does not accept the Auditor-General's conclusion in the report or the recommendation that it seek legal advice to determine whether there exists a breach of the *Health Insurance Act 1973*.

The Department stated that its response is based on long standing and definitive advice from the Commonwealth Department of Health and Ageing which states:[45]

> *...professional services rendered by a practitioner pursuant to his or her right of private practice would be rendered under a contract between the practitioner and the patient and not by, for, on behalf of, or under an agreement with, the government or statutory authority that has conferred or agreed the right of private practice.*

3.3.7 Subsequent information obtained by the Committee

In response to a request by the Committee for comment from the Auditor-General on the Department's response to this recommendation, the Auditor-General states:[46]

> *The Departmental response does not address the recommendation.*
>
> *The response refers to the right of practitioners to provide services to private patients in the hospital setting. The audit recommendation however, refers to the payment arrangements in place where practitioners may receive a sessional payment from a hospital but also bill the MBS for services to private patients.*
>
> *Because of the possibility of significant cost transfer to the State, relying on a "widely accepted interpretation" rather than on clear definitive legal advice that has been agreed with the Commonwealth is consistent with principles of sound public administration.*

42 ibid., p.27

43 ibid., p.29

44 ibid., p.4

45 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's reports issued during 2008-09,* December 2009, p.27

46 Mr D Pearson, Auditor-General, Victorian Auditor-General's Office, letter to the Committee, received 24 May 2010, pp.1–2

In April 2010, the Committee sought further comment on this matter from the Department. The Department reiterated its position on the matter believing it has sufficient advice from both Medicare Australia and the Commonwealth Department of Health and Ageing that practices recommended in its MBS-billed resource kit do not breach Section 19(2) of the *Health Insurance Act 1973*.[47]

The Department further advised that it had emailed *Hospital Circular 12/2010* to the Chief Executive Officers of all Victorian public hospitals on 30 April 2010 referring health services to the Department's 2008 MBS-billed services resource kit and to advice from the Commonwealth that *'the provision of private practice service is not caught by subsection 19(2) of the Health Insurance Act 1973.'* [48]

A review of *Hospital Circular 12/2010* by the Committee revealed that the Department had issued the Circular in response to a number of queries received from health services about compliance of MBS-billed specialist clinics with national obligations following comments in the media.[49]

In the Circular, the Department states that it has not received any contrary advice from Medicare Australia or the Commonwealth Department of Health and Ageing which would question the current long-standing arrangements. The Circular also re-quotes the advice received from the Department of Health and Ageing (noted above) in respect to subsection 19(2) of the *Health Insurance Act 1973*. The Department also mentions that it is available to assist health services in resolving any compliance issues raised with a health service or individual clinician if required.[50]

The final point made in the Circular states that the Department has an ongoing commitment to continuing the expansion of public funded specialist outpatient clinics as demonstrated in recent State budgets.[51]

3.3.8 Review and conclusion

The Committee notes the comments received from the Auditor-General and the Department, and their continuing divergent views. It believes the issue is worthy of further investigation by way of legal opinion as to the specific requirements of Section 19(2) of the *Health Insurance Act 1973* and whether the section affects "when" medical specialists employed by the health service can engage in MBS-billed private practice.

Recommendation 33: **The Committee recommends that the Department of Health seek a formal legal opinion in conjunction with Medicare Australia and the Commonwealth Department of Health and Ageing on the issue of medical specialists engaging in Medicare Benefits Schedule-billed private practice arrangements during time when they are in receipt of sessional or salaried pay from the public health service in order to satisfy the concerns raised by the Auditor-General on this matter.**

47 Ms F Thorn, Secretary, Department of Health, letter to the Committee, received 15 June 2010, p.2

48 ibid.

49 Department of Health, *Hospital Circular 12/2010, Compliance with obligations for MBS-billed specialist clinics,* 30 April 2010

50 ibid.

51 ibid.

CHAPTER 4: SCHOOL BUILDINGS: PLANNING, MAINTENANCE AND RENEWAL

4.1. Introduction

The provision of adequate facilities to support learning and modern methods to deliver courses is required if the Victorian Government is to achieve one of its highest priorities to provide a high quality education for the 540,000 students attending government schools.[1] Current research and experience demonstrates that the spaces and environment created by school buildings impact directly on student learning outcomes, whereby students are likely to perform better in a secure, comfortable building that creates a stimulating and attractive environment.[2]

Older classroom configurations are often not suited to individual learning and small group work that are central to many modern courses.[3] Modern courses usually require individualised and small group teaching with an increased dependence on computer-based learning.[4]

The Auditor-General reported in November 2008 that:[5]

- in response to a period of rapid population growth, the majority of today's school buildings were constructed quickly between the 1950s and the 1970s using lesser quality materials;
- as these buildings were designed to last for 40 years if properly maintained, most were well beyond this design life and in need of frequent and expensive works to maintain them at an acceptable standard; and
- past levels of expenditure had not been sufficient to avoid the build up of arrears of essential maintenance works.

The Committee noted the view expressed by the Auditor-General that, as Victoria was experiencing significant population changes with regard to growth areas, the Department of Education and Early Childhood Development (the Department) needed to forecast change and provide buildings to accommodate additional students. This would mean building new schools or expanding existing facilities.[6]

The Government's commitment in 2006 to the Victorian Schools Plan acknowledged the need for greater investment. It committed to upgrade or modernise every State school in Victoria over 15 years. The first $1.8 billion in funding doubled the annual level of investment compared with the period between 2000 and 2007.[7] The State goal of rebuilding, renovating or modernising 500 schools was exceeded in the 2010-11 Budget with an allocation of $271.3 million bringing the total to 553 schools.[8]

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1 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.1

2 ibid., p.9

3 ibid., p.10

4 ibid., p.8

5 ibid., p.11

6 ibid.

7 ibid., p.13

8 Department of Premier and Cabinet, 'Brumby drives school building program beyond 500', <www.premier.vic.gov.au/newsroom/10258.html>, accessed 25 August 2010

As indicated by the Auditor-General, the Department was faced with the challenge of effectively deploying this funding to deliver high quality learning environments for all Victorian school children.[9]

4.1.1 Audit findings

The Victorian Auditor-General's Office conducted an audit in 2008 with an overall focus on examining how well school buildings and the permanent fixtures they support were managed in Victoria's government schools.[10]

While the audit found that the Department had made improvements to the processes it used to plan, implement and evaluate asset management programs, the audit made seven recommendations that centred on the following issues:[11]

- improving the way schools were selected for inclusion within the Government's building programs;
- upgrading management information systems;
- improving building maintenance through longer-term maintenance planning; and
- strengthening the processes for evaluating asset management programs.

The Committee noted that, while the audit included visiting six of the nine regional offices and a selection of 20 of the 1,600 government schools which were named in the report,[12] the Auditor-General did not identify individual schools or regional offices when commenting on specific issues in the report. The Committee believes that when the approach for conducting the audit is described in the audit specification and final report, the rationale for not identifying individual organisations implicated in issues reported should form part of the audit specification, when consultation takes place with the Committee and audited agencies, and the final report.

Recommendation 34: **When a performance audit encompasses a selection of organisations, for the benefit of Parliament and other stakeholders, the Auditor-General should disclose in the audit specification and report to Parliament the rationale for electing not to associate individual organisations to the reporting of audit findings in the final report.**

4.1.2 Committee follow-up

As part of the Committee's follow-up review of this audit, written information was sought from the Auditor-General and Department of Education and Early Childhood Development on the implementation of the recommendations made in the report. These responses have been drawn upon for inclusion in the report where considered appropriate.

9 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.13

10 ibid., p.7

11 ibid., p.2

12 ibid., p.18 and pp.59–60, Appendix A.

4.2. Review findings

4.2.1 Maintenance planning

Business case of options

The Auditor-General disclosed in his report that the Department had let a contract to assess the adequacy of the current maintenance model and to recommend options for improving the planning and delivery of programs to maintain school buildings.[13] The assessment recommended:[14]

- the use of regional panels of approved contractors to complete school maintenance works; and
- the transition to a life cycle approach to maintenance as schools were upgraded under the *Victorian Schools Plan*. This longer-term approach would involve undertaking preventative maintenance and renewal over time.

To verify the likely impacts of these recommendations and assess the costs and benefits of options for future maintenance and renewal of all school buildings, the Committee noted that the Department has implemented a number of pilot studies. A description of these pilots and their status are set out in Table 4.1.

Table 4.1: Status of maintenance and renewal pilots, May 2010

Description of pilots	Status of pilots
1. Facility management model – use of facility maintenance managers to work with schools to manage, organise and monitor maintenance activities at schools.	The pilot commenced in March 2009 and will run for two years. With 63 schools operating under this model, four facility managers have been engaged across the State and are based in Portland, Ararat, Southern Metropolitan Melbourne and Bairnsdale.
2. Trade Panels pilot – this pilot will work to create state-wide and local parcels of suppliers and installers for roofing, painting, vinyl, carpet and asphalt.	Eighty schools are soon to be operating under the trade panel model.
3. Full life cycle maintenance model.	Five schools, soon to be 11, are operating under a Public Private Partnership arrangement.

Source: Department of Education and Early Childhood Development, May 2010

Given that continuation of historic levels of maintenance funding and expenditure would not be adequate to maintain renewed assets under the *Victorian Schools Plan* and the widespread adoption of life cycle costing was likely to have significant funding implications, the Auditor-General recommended the Department formulate a comprehensive business case of the costs and benefits of options for the future maintenance and renewal of all school buildings.[15]

13 ibid., p.33

14 ibid.

15 ibid., p.34

The Department advised the Committee that information generated from a number of the active pilots would be used to assess the costs and benefits of options for the future maintenance and renewal of all school buildings.[16] The Committee was also informed by the Department in May 2010 that its Asset Strategy was under review to ensure that its asset base is managed in a way which supports the achievement of the Department's service delivery goals.[17]

The Committee believes that, given the future maintenance and renewal of all school buildings has wide-reaching implications across the State, it is important that information regarding developments in the future implementation of this program be accessible to interested stakeholders such as parents and the Parliament.

In relation to the future maintenance and renewal of all school buildings, the Department of Education and Early Childhood Development publish on its website a description of the adopted strategy, when finalised, for the cost-effective provision of maintenance.

Longer-term approach to planning

The Auditor-General found that schools adopted a short-term approach to maintenance planning. Some adopted a reactive approach that involved attending to problems as they occurred, while others conducted regular inspections to address emerging, minor issues and condition problems where these materialised. In relation to the schools visited by audit, none had developed long-term maintenance plans to efficiently manage school buildings and permanent fixtures across the assets' life cycles.[18]

According to the Department, a rolling five year condition audit of schools has been introduced, which enables maintenance needs to be identified every five years and prioritised across the state in a systematic way. This process enables schools to prioritise and plan for rectifying maintenance requirements.[19]

The Committee will be interested in monitoring the effectiveness of the maintenance pilots and the rolling condition audit process in facilitating a longer-term approach to forecasting maintenance needs of schools.

Recommendation 35: **To enhance accountability and transparency, the Department of Education and Early Childhood Development publish on its website or in its annual report, maintenance works that have been funded as a result of the rolling condition audit program.**

4.2.2 Assessing and prioritising the building needs of schools

The audit revealed that, while significant maintenance shortfalls measured by a condition audit undertaken in 2005 drove the selection of building projects, there was a lack of information on why:[20]

16 Department of Education and Early Childhood Development, email to the Committee, received 21 May 2010

17 ibid.

18 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.30

19 Department of Education and Early Childhood Development, email to the Committee, received 21 May 2010

20 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.36

- some schools had been included in the program, notwithstanding that they had few outstanding maintenance works and had previously received maintenance funding that had more than covered these needs; and

- some schools had not been selected even though significant maintenance works were outstanding and maintenance funding was insufficient relative to these needs.

There was also a lack of evidence to support the Department's contention that a more strategic 'top down' approach for selecting schools to undergo capital works had been implemented to replace the former 'bottom up' approach where schools lobbied for funding.[21]

The Auditor-General acknowledged that, while there may well have been plausible reasons for the anomalies detected by audit, greater assurance would have been provided had the Department documented the selection criteria and how this criteria had been applied to select and prioritise schools for inclusion within the Victorian Schools Plan.[22]

In accepting the recommendation that robust processes to assess the building needs of schools should be documented and this information should be used to select schools for inclusion within building programs, the Department advised that school improvement plans are linked to the project identification stage of *Building Futures* and outcomes emanating from Post-Occupancy reviews inform improvements in school design.[23]

The Committee believes that the process for selecting schools for undergoing capital works should be made more transparent with public disclosure identifying a clear trail of the rationale applied to justify the inclusion of individual schools in building programs.

Recommendation 36: The Department of Education and Early Childhood Development publicly report how individual schools have been selected to be included within building programs.

4.2.3 Inclusion of forecast maintenance costs as part of project appraisal

The Auditor-General found that in terms of project appraisal, the value of a project was assessed by its capital cost and expected educational outcomes. The audit expressed the view that in addition, the appraisal should include an estimate of the recurrent maintenance and renewal expenditure for the project and for the situation if the project did not proceed. As such, the Auditor-General recommended the Department strengthen the *Building Futures* process by requiring the inclusion of longer-term maintenance plans and associated costs for the project proposal and for the base case, assuming the project did not go ahead.[24]

In accepting this recommendation, the Department indicated that every six months, lessons learnt from the maintenance pilots would inform improvements to the *Building Futures* processes and broader maintenance approaches.[25]

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21 ibid.

22 ibid.

23 Ms K McKay, Manager, Department of Education and Early Childhood Development, email to the Committee, received 21 May 2010

24 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.37

25 Department of Education and Early Childhood Development, email to the Committee, received 21 May 2010

The Committee supports the measures to be taken to expand the financial considerations being included in appraisals of projects within the *Building Futures* framework. However, the Committee is of the view that the Department has not specifically addressed the need, as expressed by the Auditor-General, to include in the project proposal and base case, longer-term maintenance plans and associated costs if the project did not proceed.

Recommendation 37: **In the event of the project not proceeding, the Department of Education and Early Childhood Development forecast maintenance costs and associated costs as part of each project appraisal.**

4.2.4 Upgrade asset management information systems to track maintenance

The Auditor-General disclosed that the last condition audit, undertaken over a three month period in 2005, revealed that around half the school plans held on the Schools Maintenance System database were out of date.[26] Almost half of the schools visited by the Auditor-General's Office also found that all outstanding works completed and all of the new maintenance needs that had arisen were not recorded on the maintenance database. These schools indicated that that they found the use of the database difficult and time consuming.[27]

While acknowledging that the Department had recognised the need to update its database systems, the Auditor-General supported the upgrade of asset management information systems to improve the way school buildings are maintained and renewed.[28]

The Department advised the Committee that improvements have been made to the School Maintenance System in preparation for the introduction of rolling maintenance audits. On a wider scale, the Committee noted that the Department is undertaking an assessment of all management information systems in order to improve the integrated platform for the management of school assets.[29]

Given the importance of managing school assets efficiently and effectively in order to obtain value for money in the achievement of educational outcomes, the Committee believes the Department should publicly disclose changes to be introduced to the asset management information systems once determined.

Recommendation 38: **The Department of Education and Early Childhood Development publicly disclose changes made to asset management information systems together with the expected benefits to be derived from these enhancements.**

26 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.51

27 ibid., p.50

28 ibid., p.51

29 Department of Education and Early Childhood Development, email to the Committee, received 21 May 2010

4.2.5 Validation of information collected from condition audits

The audit suggested that as the Department was in the process of moving to a new approach for monitoring the condition of assets, processes used to validate the comprehensiveness and accuracy of the information collected through condition audits should be strengthened.[30]

In accepting this recommendation, the Department advised that:

- it would continuously review the processes used to collect and report on the maintenance requirements of schools;[31] and
- the move to a rolling audit program has resulted in the establishment of processes to validate information collected on the condition of assets.[32]

In addition, the Committee learnt that validating the schedule of rates for all costs associated with maintenance works on an annual basis would enhance the accuracy of maintenance budgeting and ensure that schools had cost benchmarks that better reflected project costs.[33]

4.2.6 Post occupancy reviews

The audit found examples of differences between issues raised by schools during the school visits and information reported from post occupancy reviews. As a result, the Auditor-General recommended that building evaluation processes need to be strengthened to capture performance issues and ensure that post occupancy reviews detect and report on significant performance issues.[34]

In accepting this recommendation, the Department indicated that post occupancy review processes would be reviewed and improved to ensure that any significant building performance issues would be identified and rectified.[35]

As a number of key developments are underway in relation to matters raised by this audit in 2008, the funding involved in the maintenance and renewal of school buildings is material and the program has a significant impact on the achievement of educational outcomes, the Committee encourages the Auditor-General to give serious consideration to including the areas examined as a prospective topic for audit activity in two to three years time.

Recommendation 39: **The Auditor-General consider incorporating in the Annual Plan a topic that includes revisiting the matters raised in the 2008 performance audit titled *School Buildings: Planning, Maintenance and Renewal*.**

30 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.51

31 ibid., p.5

32 Ms K McKay, Manager, Department of Education and Early Childhood Development, email to the Committee, received 21 May 2010

33 ibid.

34 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.55

35 ibid., p.5

APPENDIX 1: LIST OF WITNESSES AT PUBLIC HEARINGS

Date and time	Witnesses	Audit
Wednesday 28 April 2010		
9.30am to 11.30am	**Victorian Auditor-General's Office** Mr D Pearson, Auditor-General Mr A Greaves, Assistant Auditor-General Mr C Sheard, Acting Director	• *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases* • *Managing Acute Patient Flows*
1.00pm to 3.00pm	**Department of Primary Industries** Mr Richard Bolt, Secretary Dr Hugh Millar, Executive Director Dr Malcolm Ramsay, Principal Vet Officer Ms Donna Kennedy, Senior Business Analyst	• *Biosecurity Incidents: Planning and Risk Management for Livestock Diseases*
3.00pm to 5.00pm	**Department of Health** Ms Fran Thorn, Secretary Mr Lance Wallace, Executive Director Ms Frances Diver, Director	• *Managing Acute Patient Flows*

APPENDIX 2: ACRONYMS AND ABBREVIATIONS

ADMIS	Animal Disease Management Information System
AHA	Animal Health Australia
AHCA	Australian Health Care Agreement
AIAC	Agricultural Industry Advisory Committee
AIHW	Australian Institute of Health and Welfare
AQIS	Australian Quarantine and Inspection Service
ASB	Animal Standards Branch
AusBIOSEC	Australian Biosecurity System for Primary Production and the Environment
Ballarat	City of Ballarat
BV	Biosecurity Victoria
COAG	Council of Australian Governments
CCAG	Cattle Compensation Advisory Committee
CVO	Chief Veterinary Officer
DAFF	Department of Agriculture, Fisheries and Forestry
DEECD	Department of Education and Early Childhood Development
DHS	Department of Human Services
DOH	Department of Health
DPCD	Department of Planning and Community Development
DPI	Department of Primary Industries
EAD	Emergency Animal Disease
EADP	Emergency Animal Disease Preparedness
ED	Emergency Department
ESIS	Elective Surgery Information System
FMD	Foot and Mouth Disease
HARP	Hospital Admissions Risk Program
HITH	Hospital in the Home
Hume	Hume City Council

IGA	Intergovernmental Agreement for Emergency Response to Nationally Significant Biosecurity Incidences
IGAB	Intergovernmental Agreement on Biosecurity
IT	Information Technology
ITEADR	Information Technology for Emergency Animal Disease Response
LGV	Local Government Victoria
LTAT	Livestock Tag and Trace
MAX	Maximum Disease and Pest Management
MBS	Medicare Benefits Schedule
MOU	Memorandum of Understanding
NEBRA	National Environmental Biosecurity Response Agreement
NLIS	National Livestock Identification Scheme
NSW	New South Wales
PIMC	Primary Industries Ministerial Council
PTO	Public Transport Ombudsman
PTO Ltd	Public Transport Ombudsman Limited
PITR	Property Identification Tailtag Register
SGCAC	Sheep and Goat Compensation Advisory Committee
SIPAC	Swine Industry Project Advisory Committee
SSU	Short Stay Unit
The Institute	NHS Institute for Innovation and Improvement
VACS	Victorian Ambulatory Classification and Funding Scheme
VAED	Victorian Admitted Episode Dataset
VAGO	Victorian Auditor-General's Office
VEMD	Victorian Emergency Minimum Dataset
VMO	Visiting Medical Officer