

MINISTERIAL STATEMENT

TUESDAY, 27 MAY 2014

Madam Speaker,

In accordance with the *Integrity Commission Act 2009*, a report has been tabled in Parliament today.

The report relates to the finalised investigation into allegations of misconduct by senior public servants and is an extremely serious report into both leadership at the highest levels of the Tasmanian public health system, and the culture engendered by those leaders.

Given this, I considered it appropriate that I inform the House at this earliest opportunity of the actions taken by the Government in response to this report.

Confidentiality requirements

Madam Speaker

First, I believe it is necessary to explain why the Government, despite wishing to, has been prevented from publicly clarifying or commenting on increasing speculation about such matters in the media.

While the Premier received a draft copy of the Integrity Commission report last month, under Section 98 of the Integrity Commission Act, as a matter of law, neither the Government nor any other party is permitted to disclose either the fact that a report has been received, nor reveal any part of the content of any such report.

It is also important to note that until such time as the investigation had concluded, resulting in a final report, it was not appropriate for the Government to act upon any of the draft findings.

Late on the afternoon of Friday, May 23, the Integrity Commission provided a final Report and lifted its confidentiality requirements in relation to confirming the existence of a report. So while it is regrettable that the Government's lawful

obligation to maintain confidentiality fuelled claims of uncertainty and destabilisation for health services, the fact is that our hands have been tied.

Major findings of Integrity Commission report

Madam Speaker,

The Integrity Commission report makes a number of allegations of misconduct related to procurement and recruitment practices of two senior officers of the Tasmanian public health system.

Those officers are Ms Jane Holden and Mr Gavin Austin who, at the time the investigation was conducted, were the acting CEO of the THO-South and the CEO of THO-North-West, respectively.

The allegations relate to the period 2009 to 2013.

The investigations of the Integrity Commission have identified conduct by both officers in relation to the procurement of services from, and the employment of, direct family members and others with whom they had shared a professional and/or financial association in New Zealand.

The report notes that *“in every instance identified in the report, a family member or associate of the officers was a beneficiary of the non-compliant conduct”*.

The financial cost of the non-compliance identified during the investigation is estimated to exceed \$500,000, not including the salaries paid to family members of Ms Holden and Mr Austin.

The report found *“failure in governance is evident across the board in all the matters examined in this report”*.

It is in the Integrity Commission's view that family and associates of Ms Holden and Mr Austin were awarded consultancies, employment and contracts to their benefit, without the required proper processes and often without demonstrated benefit to the health system.

These are detailed in the report and allege that:

- Ms Holden offered a consultancy to her previous associate, Mr Austin, who was then residing in New Zealand. The eight days' work for Mr Austin included airfares and amounted to \$8,494. There was no documentation and no tangible product of the consultancy. A month later Mr Austin was

the successful applicant for an SES position where the selection panel was chaired by Ms Holden. No conflict of interest was declared. Mr Austin was offered “*very generous terms and conditions*” including an accommodation allowance for 12 months at \$285 per week. This allowance was extended ‘until further notice’ a year later with no authority located for either the initial approval or extension.

- In early 2010, Ms Holden's husband was engaged by the North-West Area Health Service as a contractor to perform building, carpentry and maintenance work on various sites. Over the period August 2010 to July 2012, Ms Holden's husband was paid a total of \$197,681 for this work, with Mr Austin approving the majority of invoices. Ms Holden's husband did not have the appropriate accreditation to perform much of this work. To remedy this, Mr Austin approved payment of over \$6,000 for Ms Holden's husband to return to New Zealand to obtain accreditation as a builder and also to become accredited in Tasmania. Mr Austin also approved the payment of Ms Holden's husband's public indemnity insurance and approved the payment of \$100 per night accommodation on King Island. This represented a total of \$9,100, even though accommodation was provided free of charge at the nurses' quarters.
- Ms Holden's husband removed significant quantities of asbestos on King Island, despite the fact he was not licensed to do so.
- In March 2012, Ms Holden's husband was appointed to a full-time position as a tradesperson at the THO North-West, with Mr Austin twice attempting to have his salary upgraded. In 2013, Ms Holden created a new permanent full-time position for a tradesperson at the THO South, and Ms Holden's husband was given the opportunity to review the interview questions and model answers in advance of his interview. He was subsequently offered the position.
- In 2010, Mr Austin's wife secured a series of jobs with the North-West Area Health Service, with salary ‘uplift’. Ms Holden signed off on the recruitment of Mr Austin's wife. Mr Austin's wife was subsequently recruited to two further fixed term positions without advertisement. A new position as created in December 2012 working 9.5 hours per

fortnight. It was the Commission's view this was created by Mr Austin to suit his wife's then circumstances.

- In 2011, Mr Austin's son was engaged through Skilled Group to undertake maintenance work for the North West Area Health Service. From August 2011 to October 2012, Skilled Group was paid a total of \$105,135 for the unskilled labouring services provided by Mr Austin's son. Mr Austin signed most invoices himself. In March 2012, a job of maintenance support officer was approved by Mr Austin for his son, with a starting salary at the top of the salary band, plus the inclusion of a 20% casual loading.
- In early March 2011, Mr Austin's colleague and friend travelled from New Zealand for a "recce" trip for which the hospital reimbursed the cost of airfares of \$871.20. This expense was approved by Mr Austin. This person was subsequently found to be the preferred candidate for the position of Human Resources Director, even though that person subsequently declined the position.
- In August 2012, Mr Austin engaged a former associate from New Zealand in a consultancy. Two reports were produced, one six pages and another four pages, at a cost of \$4,000. Accommodation, petrol, mobile phone, parking in New Zealand, and return flights to Tasmania were also reimbursed. No consultancy documentation was located. The same person was then appointed to the position of Finance Director. This offer included relocation expenses and fully self-contained accommodation for up to 12 months, with the first three months rental free of charge. There was no record of any interviews being conducted.
- In August 2012, Mr Austin paid for a clinician's travel to New Zealand to meet with associate consultants. The total cost for consultant services between October 2012 and November 2013 totalled over \$48,000 and \$52,000 when the clinician's travel was included. There was no evidence of approval by the Department of Health and Human Services.
- In August 2012, Mr Austin employed another New Zealand associate as an occupational physician. This person received an allowance in lieu of call-back and overtime and was reimbursed for travel to and from New

Zealand. He was paid \$42,313.08 for 134 hours work. The position was not advertised and no recruitment process was undertaken.

- In September 2012, Mr Austin engaged a friend who was director of a New Zealand-based consultancy group on a consultancy that did not comply with procurement and exceeded the \$10,000 threshold.
- In July 2013, Mr Austin engaged an associate from New Zealand for a consultancy who was paid \$9,555 including airfares and accommodation and car hire. There was no pre-consultancy documentation.
- In October 2013, Mr Austin approached a former associate regarding a vacant position in the North-West. A job offer was made to that person, including generous conditions not permitted under the State Service framework. The position was advertised only after the offer had already been made to the individual. The position was advertised at a base salary rate with no mention of the additional benefits already offered to Mr Austin's associate.

Madam Speaker,

Sadly, this is only a snapshot of the serious matters revealed in the Integrity Commission's report.

Appallingly, the report reveals allegations of nepotism, undeclared conflicts of interest with no attempt at management, numerous breaches of process, and failure to comply with procurement and employment policies and procedures, including relevant Treasurer's Instructions, Employment directions, Ministerial Directions and the requirements of legislation, including the *State Service Act*.

Jane Holden

Madam Speaker,

Ms Jane Holden was appointed as CEO of the North-West Area Health Service in November 2007.

She subsequently became Acting CEO of the Southern Tasmania Area Health Service in March 2011.

In November 2011, legislation passed both Houses of Parliament to establish the Tasmanian Health Organisations, and abolish the Area Health Services. It was implicit in the enabling legislation that each THO Governing Council was expected to take on responsibility for selecting its own chief executive or the say on whether it wanted to keep the existing chief executive from the abolished area health services.

However, in March 2012, the former Health Minister appointed Ms Holden as the CEO of the Southern Area Health Service on a five year contract.

Just over three months later, the THOs came into effect, effectively abolishing the former Area Health Services.

In August 2012, the Governing Council, in line with the provisions of the Tasmanian Health Organisation Act 2011, made recommendation to the then Minister for Health and former Premier that Ms Holden be appointed to the position of CEO.

It is notable that the former Minister for Health and former Premier did not act on that recommendation for 19 months, from the time it was made to the time of their defeat in the March 2014 election.

Madam Speaker,

Since the appointment of the new Government in March this year, the leadership of the THO-South has repeatedly been called into question on two major fronts, first in relation to the Royal Hobart Hospital redevelopment and secondly in relation to the financial management of the hospital.

On 28 April this year, the Chair of the THO-South Governing Council wrote to myself, the Treasurer and the Premier, to advise that the Governing Council had met to consider the Integrity Commission's draft report, and that "*taking into account other performance-related issues*" it unanimously resolved to rescind the recommendation to the Premier – never acted upon by the previous Premier - that Jane Holden should be substantially appointed as CEO.

The Governing Council was specific in its advice that this decision was not based on the findings of the draft Integrity Commission report, but that it was informed by concerns related to a number of issues – among them financial and clinical performance, cultural issues and leadership.

It is important to note, however, that the Governing Council did *not* at this time request that Ms Holden be actively removed from her position as Acting CEO. Ms Holden was given the opportunity by the Governing Council to “show cause” as to how she intended to rebuild the confidence of the Governing Council.

Ms Holden’s response did not satisfy the Governing Council and subsequently, on 23 May at around 4pm the Premier did receive a letter from the Governing Council recommending that Ms Holden’s appointment as Acting CEO of the THO-South be terminated.

The Government acted immediately on both recommendations – within the hour – and advised Ms Holden that the Government had accepted the advice of the Governing Council and that her role as Acting CEO would cease.

The Government also accepted the Governing Council’s recommendation that Mr Matthew Daly be appointed to the position of acting CEO. At this point I wish especially acknowledge the cooperation and assistance of Mr Daly for agreeing to act in this challenging role.

Mr Michael Pervan was appointed Acting Secretary of the Department of Health and Human Services.

In respect of Ms Holden’s substantive position as CEO of the Southern Tasmania Area Health Service, as I have explained publicly, it was the decision of the previous Government to appoint Ms Holden to a five year contract for a position as Chief Executive Officer of an organisation that was to be abolished three months later. This was not simply an entirely procedural matter.

This contract was called into question at the time by the then Liberal Opposition, and the actions of the former Government again come into play today, given Ms Holden now holds a substantive position in an organisation which is no longer required, with no duties attached to that position, for a further three years remaining on her contract.

In view of that, the Government will now work through the proper process in accordance with the State Service Act requirements.

Gavin Austin

Madam Speaker,

Mr Austin became Acting CEO of the North West Area Health Service in March 2011, and was appointed as CEO of THO North-West in November 2012.

On 8 May, the Chair of the Governing Council of THO North-West wrote to me advising it had unanimously resolved that, if the findings in the final report of the Integrity Commission and its recommendations were not substantially different from those in the draft report, the Governing Council would withdraw its support for the appointment of Gavin Austin as its CEO and his continued employment by THO North-West.

Mr Austin was alerted to this on 21 May.

As a matter of procedural fairness, he was given the opportunity to provide a response by 23 May. No response was received by the Governing Council.

Yesterday, the Governing Council of the THO-North-West wrote to the Premier advising the Premier suspend Gavin Austin from his appointment as CEO of the THO North-West and initiate an inquiry into possible breaches of the State Service Code of Conduct.

The Governing Council also recommended that Ms Karen Linegar be appointed Acting CEO.

After taking appropriate advice, late yesterday the Premier wrote to Mr Austin advising him he had 24 hours – that is, by close of business today – to show cause why he should not be suspended immediately from his position pending a Code of Conduct investigation.

GOVERNMENT RESPONSE TO REPORT

Madam Speaker,

This is the most serious report tabled in this Parliament for some time.

And I know Tasmanians will be appalled by the content of the Integrity Commission's report, because once again we see wasteful practices in health, and patient care taking a back seat to allegations of nepotism and special deals for special mates.

We should not forget all of this took place in an environment where patients were being told they had to wait for treatment because there was no money for frontline health services.

And as the Integrity Commission's report states, notwithstanding the financial cost of the allegations of nepotism misconduct, the unquantifiable costs include the effect of the ethical culture of the agencies, and the lost opportunities for jobs for Tasmanians.

What must not be forgotten here is that, while it is every individual Tasmanian public servant's obligation to uphold the principles of the State Service Act, the individuals I have referred to today have held Head of Agency roles and were key leaders of our health system.

These officers were charged with upholding the standards for those under their management, who set the leadership and cultural direction of their agencies.

Madam Speaker,

I am concerned that the Integrity Commission report follows closely on the heels of another independent report into systemic and cultural problems in the Tasmanian health system.

The Integrity Commission observes that the culture in health has become one of "spin and cover up".

The Commission's observations are not inconsistent with those made about the governance and culture in the health system generally by the independent Commission on the Delivery of Health Services in Tasmania, released by Federal Health Minister and myself earlier this last month.

That report, commissioned by the former Federal and State Labor Governments, also found a culture of poor leadership and bad behaviour in the health system that could be only overcome by determined leadership, better clinical and community engagement, and higher standards of governance and accountability.

Like the Integrity Commission report, the Bansemer Report contained several recommendations for effecting cultural change, including a recommendation that senior officials, in fulfilling their roles, be required to conform to the highest degrees of professionalism, honesty and integrity, and act in a manner consistent with the Code of Conduct under Section 9 of the *State Service Act*.

Both reports point more generally to the need for whole-of-system leadership, improved accountability and consistency, and a review of the structural and governance arrangements for the Tasmanian Health Organisations.

Madam Speaker,

These reports are reports that describe yesterday's health system.

It is up to all of us – the experience and committed people working in our hospital and community settings, the patients, clients and consumers in the Tasmanian community – to decide what the health system of tomorrow will look like.

We need a health system that is safe, efficient, effective and sustainable, and is structured and governed to meet the needs of the patients, not the needs of individual employees.

I am not prepared to accept that we keep doing what we've always done, and keep getting what we've always got.

As the new Minister, I have come to believe that our health system in many ways has lost sight of the reason it exists – to treat patients and meet the needs of the community, to do it well and to do it on time.

The health system cannot sustain the wasteful neglect and damaging abuse that the Integrity Commission report reveals.

It not only limits our capacity to use available resources for the greatest good for the greatest number, but it is also inherently disrespectful to those hard working dedicated staff across the system who are giving their all to provide for their patients.

It is clear we need fundamental change to deliver better outcomes for Tasmanians from their health system.

We need a health system that is in fact, healthy.

We need to rebuild our health system from the ground up – we can't just keep sweeping around the edges or making piecemeal policy changes at the margins.

While the Integrity Commission report details incidents that occurred under the watch or the blind eye of the previous government, as Health Minister I am

responsible for improving the governance, leadership and accountability of the system as a whole.

And I take that responsibility seriously.

The Government will be responding in detail to the Integrity Commission's recommendations, together with the recommendations of the Bansemer report, in due course.

I can say emphatically we are up to the challenge, and all options will be on the table to build a more efficient system with improved patient outcomes for the future.

If we are to move to a sustainable health system that will meet community need, that embraces innovative care delivery and builds and enhances a strong culture of professionalism, we need to be prepared to challenge the status quo.

The Liberal Government invites all those with an interest in the health system in this State to work with us on the scope and scale of reform needed to turn our health system into a safe, efficient, effective, sustainable and reliable health system – a health system that all Tasmanians can rightly be proud of.