

Memo

Review of Financial Management and Expenditure at Counties Manukau District Health Board

To: Dr Ashley Bloomfield, Director-General of Health

From: Phil Knipe, Chief Legal Advisor

Purpose

This briefing summarises the process and conclusions of the Beattie Varley Report into the Review of Financial Management and Expenditure at Counties Manukau District Health Board.

Background

In June 2017 the Chair of Counties Manukau District Health Board (the DHB), requested that the Ministry commission a review to investigate issues of financial management and expenditure at the DHB. The State Services Commission supported this approach.

The Review

The Terms of Reference for the review agreed that it have three potential stages:

- Review and report on **financial expenditure** including capital projects, by the DHB to be conducted by Beattie Varley, Forensic Accountants;
- Review and report on **financial management** by the DHB. Management Consultants Deloitte were appointed to carry out this aspect of the review, if it proceeded; and
- Review and report on the DHB's **management culture**. Investigate the culture and environment established by the DHB's senior leaders in which financial decision-making took place. Michael Heron QC was engaged to carry out this work if it proceeded.

The Report

The findings of the Beattie Varley Report were to determine whether the further two stages were to proceed. The final version of Beattie Varley report was provided to the Ministry on 23 July 2018.

Our recommendation is that phases 2 and 3 phases need not now occur. There have been no *prima facie* findings of fraud or other conduct which would support referral to any other authority. There have been significant changes to both the DHB Board and Executive Leadership Team (including the appointment of a new Chief Executive) since the matters considered in the report, and the principals involved in the transactions considered in the report are no longer with the DHB.

The matters raised in the report are now historic, and improvements to financial management and management culture can be picked up by new DHB leadership, informed by the contents of the report and further advice as necessary. The new Chair and Chief Executive have received a copy of the report and have advised they are committed to improvement. In addition, you intend writing to all DHBs regarding the report and the lessons to be learned, which means that those learnings will be applied across DHBs more generally.

The Report finds no issues of substance requiring referral to any other authority. The Report is the final document and concludes phase 1 of the proposed stages of the Review. The Report records that it is based on information from current staff, and names those interviewed and given opportunity to comment.

Having regard to all those circumstances, no purpose or benefit has been identified for further investigation. The Ministry will ensure that DHBs take and apply the learnings from the report, as well as working constructively with the new DHB Chair and Chief Executive to support enhancements to management of the DHB, including financial management and management culture.

It is therefore enough that you conclude the investigation at this point, draw attention to any unethical behaviour on the part of the DHB Board and notify the sector of the governance standards expected of public servants spending public funds. This course of action is supported by the State Services Commission.

Recommendations

You have already written to Counties Manukau DHB regarding the Report and met with both the new Chair and Chief Executive.

It is recommended that you:

1. Write to all DHB CEs
2. Formally advise the State Services Commissioner of the actions taken.
3. Release the Beattie Varley report on the Ministry's website with two minor redactions for privacy reasons, and to maintain legal professional privilege, along with an accompanying statement relating to the report.