

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

EXAMINATION OF THE AUDITOR GENERAL'S PERFORMANCE
AUDIT REPORTS JUNE - DECEMBER 2020

At Room 814-815, Parliament House, Sydney on Monday, 6 June 2022

The Committee met at 10:00 am

PRESENT

Mr Greg Piper (Chair)
Mr Dave Layzell (Deputy Chair)
Mrs Nichole Overall
Mr Ryan Park

PRESENT VIA VIDEOCONFERENCE

Ms Melanie Gibbons
Mr Ray Williams

The CHAIR: I commence this public hearing of the New South Wales Public Accounts Committee. Good morning and thank you all for attending this public hearing being held as part of the Public Accounts Committee's follow-up of the Auditor-General's performance audits. Today we will be taking evidence relating to selected performance audits from June to December 2020. Before I commence I acknowledge the Gadigal people, who are the traditional custodians of the land on which we meet at Parliament House. I also pay my respects to Elders past and present of the Eora nation and extend that respect to other Aboriginal and Torres Strait Islander people present or who are viewing the proceedings on the internet via the webcast.

Mr IAN GOODWIN, Relieving Auditor-General, Audit Office of New South Wales, sworn and examined

Ms CLAUDIA MIGOTTO, Relieving Deputy Auditor-General, Audit Office of New South Wales, affirmed and examined

Mr MICHAEL THISTLETHWAITE, Relieving Assistant Auditor-General, Performance Audit, Audit Office of New South Wales, affirmed and examined

Mr PETER FITZGERALD, General Manager, Cumberland City Council, sworn and examined

Mr CHARLIE AYOUB, Executive Manager General Manager's Unit, Cumberland City Council, sworn and examined

Mr RICHARD SHERIDAN, Interim Director, Finance and Governance, Waverley Council, sworn and examined

Mr VINCE TARI, Executive Manager, Procurement, Waverley Council, sworn and examined

Ms SUE WEATHERLEY, Director of Business and Corporate Services, Georges River Council, before the Committee via videoconference, sworn and examined

Ms ALISON DENCH, Executive Director, Local Government, Office of Local Government, NSW Department of Planning and Environment, before the Committee via videoconference, sworn and examined

The CHAIR: I welcome from the Audit Office Mr Ian Goodwin, who is the Relieving Auditor-General; Ms Claudia Migotto, the Relieving Deputy Auditor-General; and Mr Michael Thistlethwaite, the Relieving Assistant Auditor-General, Performance Audit, from the Audit Office of New South Wales. They will be with us for the entire hearing to provide additional information as required by the Committee. I also welcome our first witnesses, from Cumberland City Council, Waverley Council and Georges River Council, who are on Webex. The Office of Local Government is also appearing via Webex. I thank each of you for appearing before the Committee today.

We will move on to questions. First of all, I look to our witnesses from Cumberland City Council. The Committee notes that the council's response to recommendations from the Audit Office did not address recommendation 2, which was a recommendation directed at all councils, seeking them to consider opportunities to improve procurement management in line with those matters in chapter 3. Mr Ayoub understands exactly what I am talking about, obviously. Can you provide an outline of any steps that the council has taken to respond to that general recommendation?

CHARLIE AYOUB: Chair, so, the council, obviously, we welcomed and appreciated the audit from the Audit Office. We were quite a young council when the audit was on foot, given Cumberland was an amalgamated, merged council. Certainly, it was a valuable process and that is something that I really want to thank the Audit Office for. Council has, since the audit was finalised, implemented a whole host of improvements to its procurement framework, particularly around the contract management space, which was one of the key recommendations of the audit. So we certainly do appreciate the feedback provided as part of the audit process. It was a valuable performance audit. Council, certainly, was working closely with its audit committee, Chair, in implementing the recommendations. I would just like to say that I thank the Audit Office for the audit and that council found the process quite invaluable in improving what was a really young council's procurement framework.

The CHAIR: But, very specifically, to the issue of that recommendation, what has the council done in relation to recommendation 2? Are there specific steps that can be addressed as to how the council has dealt with that, Mr Fitzgerald?

PETER FITZGERALD: Chair, as the general manager, I oversee these recommendations. Council has improved its personnel in this area. It has increased a number of staff within that area. Also, too, we now have contract registers that are afoot, they are publicly available on our website, and we have improved our processes and procedures to match those recommendations contained in the report.

The CHAIR: In relation to recommendation 3—that Cumberland City Council should immediately "ensure contract values are consistent between the contract register and annual report" and "introduce procedures to ensure supplier performance reviews are conducted as per the council's policy"—the council's response to the audit's recommendation for consistent contract values indicated that it performs ongoing regular audits which crosscheck contract information between documents. Was this procedure in place before the audit or was it implemented as a result of the audit?

PETER FITZGERALD: Chair, it was implemented as a result of the audit. The system that was used prior to the audit was very immature. It was not a very good system and it has now been improved.

Mr DAVID LAYZELL: My question relates to recommendation 3, regarding the contract values and the contract register. In response to the audit's recommendation for procedures to ensure supplier performance reviews, the council reported that it would be adopting a new contract operational procedure to address this recommendation. Can you update the Committee on the current status of this procedure, particularly whether it has been finalised and its presentation to the executive team?

CHARLIE AYOUB: Yes, Deputy Chair. Through you, Chair, council has finalised its contract management framework. It has been endorsed by council's executive team. It also has been to council's audit risk and improvement committee. We are now in the process of implementing that on a periodic and ongoing basis. So the framework is adopted. Council is now implementing that in all its contracts that are expiring.

Mr DAVID LAYZELL: So the procedures around the supplier performance reviews have been implemented?

CHARLIE AYOUB: Deputy Chair, that is correct. It also has been digitised. We have put together a system so that managers of contracts are able to undertake these processes in a very efficient manner through a systemised approach.

Mrs NICHOLE OVERALL: The council's submission also indicated that it is going to commence using management dashboards and digital forms to enable supplier performance reviews. Can you provide an update, please, on the progress in rolling out these tools and if council is now conducting supplier performance reviews in line with the policy requirements?

CHARLIE AYOUB: I can confirm that council's management dashboards are live. They are managed through a platform which is council's corporate system, which is TechnologyOne, but also we have management dashboards outside the system in a product called Smartsheet. I can confirm that supplier performance reviews have commenced. We are working through that as contracts currently expire or hit key milestones, so that's the—

Mrs NICHOLE OVERALL: And that is in line with the policy requirements?

CHARLIE AYOUB: Correct.

Mr RYAN PARK: As a leader of the council, when the audit was done, was there anything that you found you were surprised at with the findings or a bit, "Geez, we didn't expect that to come out", or "We weren't doing that"? What are you doing to address that, particularly given that you are a fairly new council?

PETER FITZGERALD: We weren't surprised by some of the findings in the audit, and I can say as the general manager of the council, we certainly weren't surprised. The recommendations, though, are consistent with a council which is quite young and quite youthful. Cumberland is a very complex area, the way it was merged and it was amalgamated. We merged upwards of 60 or 70 different systems now into one system and we've done that in the past five years, so we've been quite successful there. As far as recommendations go, we're satisfied with the recommendations and we don't feel as if they were untoward towards the organisation. We feel as if it was a very good audit and we're quite pleased that the audit has been done, and we look forward to the next one.

The CHAIR: Normally, I do look to the Audit Office for any kind of assistance there. I think the question has been quite clearly answered, but that does not mean that we understand all the nuances that were embedded in that response. So I'll look to the Relieving Auditor-General, Mr Goodwin, if you'd like to say anything?

IAN GOODWIN: No, I don't really have anything to add, other than to welcome the frank responses and just getting on with making the improvements, so I acknowledge that.

The CHAIR: In that case, we will move on and I will look to our witnesses from Waverley Council and welcome you both here. If I can just come back to recommendation 2 of the audit. The council's response to recommendation 2 indicated that it accepted all the areas for improvement identified in the audit. Council reported it has now implemented a "centre-led procurement function, wherein procurement staff are actively involved in procurement activities and facilitate the end-to-end process". How does this centre-led procurement function maintain segregation of duties?

VINCE TARI: Prior to 2020, Waverley Council did have a relatively decentralised procurement system, where there were pockets of procurements happening in divisional areas. So that was brought into a centre-led function which exists now. And, basically, the procurement team, led by myself and Richard Sheridan, we are involved in all of the major projects—procurement and major ICT procurements—high-value, high-risk complex projects, and we facilitate the process to ensure integrity, fairness and transparency in that process. Obviously, the segregation component is that we run that in conjunction with the individual departments, who are subject matter

experts and are on evaluation panels. But, ultimately, we facilitate that process to make sure that all suppliers are treated fairly and equitably for the best outcome for council.

The CHAIR: The council indicated that procurement would work with council project managers who work closely with suppliers to obtain and record feedback on supplier performance. What actions have been undertaken as part of this work to improve the assessment of supplier performance?

VINCE TARI: Thank you, Chair. Basically, we've had some time with again our major projects team, who are responsible for the bulk of the procurement at council. A number of big suppliers are involved in large projects and we make sure that we have follow-up meetings with them at the end of the projects to make sure that the outcomes of the suppliers' performance is managed. We generally take on negative views as opposed to positive views, and that's the news that's usually followed up with the supplier and their respective project manager to work out what's gone wrong: Has there been a budget overrun? Has there been a time frame missed or an SLA or a KPI missed by the supplier, and why?

The CHAIR: Okay. I will look to the Audit Office for some comments on some of those issues later on but just bear that in mind, thank you. I will just look to my colleagues for some comments.

Mr DAVID LAYZELL: Again, this is in relation to recommendation 2 regarding the council's response anticipating completing work to implement improvements to the assessment of supplier performance and evaluation of community outcomes and value for money in the latter half of 2022. Given this recommendation was due by December 2021, can you explain why these reported actions have not been completed to date?

VINCE TARI: Sure. Unfortunately, COVID has set us back on a number of projects in council, not just with this but with the others, so from an operational perspective the focus was on getting construction projects done as much as possible and, unfortunately, this particular recommendation has fallen behind track. But we're still very conscious of its importance. As things have been starting to get back on track, we now have got the opportunity to spend more time with the project managers to make sure that they give us a better feel for what the suppliers' performances are like.

Mr DAVID LAYZELL: Thank you. I take it from that that the council is still firmly committed to implement those improvements in supplier performance and evaluation.

VINCE TARI: That's correct, yes.

Mr DAVID LAYZELL: Thank you.

The CHAIR: Mrs Overall, do you have a question?

Mrs NICHOLE OVERALL: Certainly. The Committee notes that the council's response didn't address recommendation 6 of the audit that:

Waverley Council should immediately ensure contracts are disclosed in the annual report as per Section 217(1)(a2) of the Regulation.

Firstly, do you accept this recommendation? Secondly, if so, what actions has the council taken to ensure contracts are disclosed in the annual report in accordance with the regulation?

RICHARD SHERIDAN: First of all, yes, we do accept the recommendation. It is definitely an oversight in terms of the governance framework we had running at the time. It was addressed in the last annual report, so we've actually caught up on that. We've marked that item here as completed. It was something we could comply with in the subsequent annual report after that occurred.

Mrs NICHOLE OVERALL: What actions has the council taken to ensure that they're disclosed?

RICHARD SHERIDAN: It's really just making sure we reconciled the two registers and making sure it's included in the annual report, which is part of our governance and IPR Framework—to make sure that they're talking together and ticking off the checklist.

The CHAIR: Okay. Thank you for that. I will just quickly look to my colleagues who are on Webex. Mr Park?

Mr RYAN PARK: I'm fine on this one, Chair.

The CHAIR: Thank you. Mr Williams?

Mr RAY WILLIAMS: Yes. All good.

The CHAIR: Thank you for that. I will look to Mr Goodwin. Is there anything you would like to comment on?

IAN GOODWIN: Yes, thank you, Chair. I'll just acknowledge the comment on the annual reports and I also thank you for that. I will just ask Ms Migotto if there is anything she wanted to add.

CLAUDIA MIGOTTO: Chair, were you looking for some clarification or assistance earlier on supplier performance? Can I just clarify, did you want me to refer back to that?

The CHAIR: I just want to make sure that the understanding was in line with what the recommendation was, that's all.

CLAUDIA MIGOTTO: Absolutely, and I think I would just come back to the New South Wales Government *Procurement Policy Framework*, which we used to assess councils against, given the absence of a local government specific framework. That envisages, I think, life cycle assessments of supplier performance, so throughout the contract management period you're assessing whether the contract is meeting deliverables—not necessarily always, just at the end. So I would just note that, Chair, if that's helpful.

The CHAIR: Mr Goodwin? All good, okay. Thank you for that. I would hazard a guess we won't have any further questions for you immediately. We'll just come to that in a moment. However, I wish to move on to our witness from Georges River, Ms Sue Weatherley. Ms Weatherley, you can hear us clearly, I understand.

SUE WEATHERLEY: I can, yes. Sorry—I was trying to do it off the computer, but that didn't work with the headphones on.

The CHAIR: That's okay. We can certainly hear you very clearly now. I thank you for that. Once again, we are dealing with performance audit 345, procurement management in local government, and recommendation 2 of the audit, which was generally directed to all councils. In relation to your council's response to the report, they have accepted the implementation of those identified areas around procurement, planning, supplier performance and outcomes evaluation. But can you detail what actions have been taken to implement documented justification of procurement needs?

SUE WEATHERLEY: Yes. The processes here require, depending on the scale of the project, a conversation with the senior procurement officer to understand the procurement needs of the business unit as well as the availability of different options. Then that is documented and is maintained as part of the history of that contract. So we do a needs analysis and then we document the procurement needs for the particular project and that is retained on file.

The CHAIR: Okay. Thank you for that. I should have said to everybody that some of our questions will perhaps seem that they are being doubled up on, depending on how you actually answered the previous question, but for the purpose of our record, we still wish to ask the questions. The Committee notes—sorry, Ms Weatherley—that the council implemented the *Contract Management Policy* framework in June 2021. How does this framework facilitate the council's monitoring and assessment of supplier performance?

SUE WEATHERLEY: The *Contract Management Policy* is a detailed policy which is implemented through two business units with support from our procurement office within the organisation. This also requires project plans to include an assessment of supplier performance, and that is then documented. And as with some of the evidence already heard by the Committee, this requires from time to time a conversation with the supplier, but it's not just focused on failure to deliver; it's also about where it's a positive experience as well. It becomes important for future procurement processes and decisions.

The CHAIR: Thank you. The council reported that the benefits realisation framework commenced in June 2021. What is set out by this framework? Does it include a requirement for the council to evaluate the outcomes and value for money of procurement outcomes?

SUE WEATHERLEY: Yes, projects are required to do so. We are required to document and assess the benefits of a particular contract and a supplier as well as the benefits of the procurement process used. Again, that's documented as part of the project plan.

The CHAIR: Okay. Thank you for that. I'm just going to ask Mr Layzell if he has questions.

Mr DAVID LAYZELL: Okay. No problems. I've got a question in relation to recommendation 4, that: Georges River Council should immediately:

- (a) ensure contract values are consistent between the contract register and the annual report
- (b) introduce procedures to ensure all the steps up to the awarding of a contract are documented as per the council's policy
- (c) introduce procedures to ensure outcome evaluations are conducted as per the council's policy.

That council noted in its response that it implemented processes for business units to validate contract information prior to publication. Can you provide further details of these processes, particularly how they ensure contract values are consistent between the internal contract register and the publicly available annual report?

SUE WEATHERLEY: The process that we use to validate the data within the annual report is a requirement for the business units to review the information that is available and likely to be published in the annual report, for them to check their records and then confirm that the information going to be provided in the annual report is correct. It has to be validated by the officer managing that project.

Mr DAVID LAYZELL: Does that mean that the business unit managers are responsible for signing off those contracts?

SUE WEATHERLEY: Absolutely. They have to be able to confirm that the data we are going to publish in the annual report is accurate and correct.

Mr DAVID LAYZELL: Thank you. I will move onto the next question. Can you explain how the *Contract Management Policy* and framework ensures all steps up to the awarding of a contract are documented?

SUE WEATHERLEY: The policy in itself requires that to occur. It would be true to say that it still requires officers to follow the required steps in the *Contract Management Policy*—to be aware of it—and it is also an ongoing program of ensuring staff are aware of what the *Contract Management Policy* says and adhere to that. We also have a number of internal committees to ensure that staff are well aware of the *Contract Management Policy* and what their requirements are. It is the adherence to the policy that is the issue. The policy in itself makes it clear that you need to follow the steps, but it is adherence—and we do that through training, education and some internal committees that we currently run.

Mr DAVID LAYZELL: The question was about whether it is documented. How would you document those procurement processes?

SUE WEATHERLEY: The procurement processes are required to be documented in a number of registers.

Mrs NICHOLE OVERALL: Can you please provide us with an overview of the new project management governance framework and let us know if there's a time line for its introduction and the review of the benefits realisation framework to align the two policies?

SUE WEATHERLEY: My understanding is that the two policies have been implemented—have been rolled out. Work has been completed, and it is an ongoing program and requires still some work to test its outcomes. The policies themselves and the governance framework have been created, but we are still ensuring compliance, because it takes some time for those things to be completely embedded in the organisation.¹

Mrs NICHOLE OVERALL: So you don't really have a time frame for that, going forward, ensuring the compliance—

SUE WEATHERLEY: Well, let me answer the question—

Mrs NICHOLE OVERALL: Are you working towards anything?

SUE WEATHERLEY: They have been implemented. But it requires vigilance and ongoing work to ensure ongoing compliance.

The CHAIR: Thank you for that. I look to the Relieving Auditor-General.

IAN GOODWIN: Thank you, Chair. I don't have anything to add, other than to acknowledge what was presented. I don't have any issues with it.

The CHAIR: We will move on to the witness from the Office of Local Government, Ms Alison Dench. Alison, are you there?

ALISON DENCH: Yes. Thank you, Chair, I am. I'm having some connectivity issues, so I may stop my video if I get a warning of broadband width—if that's okay with you, Mr Chair.

The CHAIR: Yes, that's fine. I was just making sure that we can still communicate. Ms Dench, the Auditor-General made a recommendation to the then Department of Planning, Industry and Environment with

¹ The Committee received correspondence from Ms Weatherley providing clarification on these statements which is published on the Committee's [webpage](#).

two components, which was recommendation 1. The department accepted that recommendation in its response to the Auditor-General and subsequently to this Committee. The recommendation was:

1. By June 2022, the Department of Planning, Industry and Environment should:

a) publish comprehensive and updated guidance on effective procurement practices—including electronic tender submissions and procurements below the tender threshold

The response to recommendation 1 (a) noted that you had commenced development of new, updated guidance on effective procurement practices, and had not completed that work as at the date of the response. Can you update the Committee on the status of that work and when that updated guidance will be rolled out?

ALISON DENCH: Yes. OLG has undertaken a review of the current tendering provisions of the regulation and has also issued a consultation paper on the proposed amendments. The proposed amendments were supported by the respondents, and the Minister has given approval for them to be made. The work on the guidance recommended by the Audit Office necessarily couldn't be finalised or completed until the regulations were made, because the guidance will need to reflect the amended regulations as drafted.

The preparation of comprehensive guidance on the type recommended by the Audit Office is a significant project. As such, guidance like this does not currently exist and it will need to be developed in consultation with the local government sector, and also with the expert input of procurement practitioners to ensure that it appropriately reflects and supports the unique and diverse needs of councils. We are undertaking consultation on the guidelines and it needs to be timed so we can get the maximum response back from the councils possible. We expect to undertake the consultation on the guidelines with councils in the next few months. There is, as I said, quite a volume of work involved in the development. It is likely the guidelines will not be finished until mid 2023.

The CHAIR: The audit identified a number of common gaps being experienced in that particular area. Has the department identified other improvement areas as part of the review process?

ALISON DENCH: Yes, definitely. OLG has identified other opportunities for efficiencies to enhance transparency. Other proposed amendments that we are looking at include the option for the opening of paper tenders to be webcast, requiring tenders to be published online on councils' websites and also allowing councils to delegate decisions—to reject all tenders unless a decision is also made to enter into direct negotiations with the prospective contractors. Under the proposed amendments, decisions to enter into direct negotiations actually must be made by resolution of council to ensure proper oversight and accountability. Like I said, we are proposing that the review of the provisions of the regulations will be completed by the end of June and the guidance documents will be completed by 2023.

Mr DAVID LAYZELL: Again, my question relates to recommendation 1:

b) review and update the Local Government (General) Regulation 2005 to reflect the increasing use of electronic tender submissions rather than paper copies

The response noted that it completed its review of the tendering provisions of the local government regulation 2021, which replaced the 2005 regulation, and anticipated finalising amendments to the regulation in the first half of 2022. Could we get an update on the time line for this finalisation and the commencement of amendments to the tendering provisions in the regulation?

ALISON DENCH: As I said, the amendments to the regulation have occurred. As part of the review, the actual regulations have been drafted. The work in relation to them will see them finalised by the end of June 2022.

Mrs NICHOLE OVERALL: The Committee notes that the regulation was amended in February to permit electronic tender submissions alongside the paper submissions but still required councils to make provision for tender submissions in all formats. Will you permit councils to determine their preferred method of submission for tenders when the amendments are finalised?

ALISON DENCH: Yes, we will.

Mrs NICHOLE OVERALL: Good.

The CHAIR: That was—

Mrs NICHOLE OVERALL: Easy.

The CHAIR: —a nice, easy, quick answer there. If we can then perhaps look to Mr Goodwin for any comment.

IAN GOODWIN: Thank you, Chair. I probably have an overarching comment when we get to the end, if I may make it, about the audit. Just in respect to the response from OLG, I would note that we made

recommendations to the councils to improve their systems, which they all accepted, and they have got on with improving the systems. But the systems need to be coupled with guidance because if the systems and the guidance lag, then they might have to do things retrospectively. I will just note that there's still a risk now and that the audit report was tabled by the Auditor-General in mid-December 2020, so it's 18 months since then, and we would encourage OLG to get on with getting the guidance out so that councils have something to work with.

The CHAIR: Thank you for that. Ms Weatherley, I'm sure you heard that additional wish from the Audit Office. But I do wish to thank you for your evidence. Just before we wrap this up, Ian, you were going to say something.

IAN GOODWIN: Yes, just to clarify, my comment was made to OLG rather than Ms Weatherley. The other thing I was going to say is this was a fairly ambitious audit to look at six councils, around an important part of that council life around procurement, and I acknowledge that all the councils that participated in the audit participated in a very constructive manner, and I welcome hearing the responses to the recommendations as well.

The CHAIR: I will note the reflection on the nature of the audit, and the interactions with the Audit Office and your auditors from each of the councils, being Cumberland, Waverley and Georges River, are very positive. That is very pleasing because this process should be about improving processes for residents and ratepayers of our area. So I wish to thank you for that. With that, we will be concluding this period of evidence taking. I thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply under those circumstances, within 14 days, to any further questions?

IAN GOODWIN: Yes, Chair.

The CHAIR: Thank you. Ms Weatherley, that's acknowledged there.

SUE WEATHERLEY: Yes.

ALISON DENCH: Yes.

The CHAIR: Thank you, Alison. Sorry, I couldn't quite see you on the screen there. Thank you for that. That concludes this part of the evidence taking, so thank you for appearing today. You are free to leave.

(Peter Fitzgerald, Charlie Ayoub, Richard Sheridan, Vince Tari, Sue Weatherley and Alison Dench withdrew.)

Mr DAVID FARMER, Chief Executive Officer, Central Coast Council, before the Committee via videoconference, affirmed and examined

Dr ALICE HOWE, Director Environment and Planning, Central Coast Council, before the Committee via videoconference, affirmed and examined

The CHAIR: I welcome our witnesses from Central Coast Council. Dr Howe is currently off screen. I declare that Alice Howe and I have been colleagues. I've known Alice for some years. We've worked on many projects, particularly during the time I was Mayor of Lake Macquarie and Dr Howe was the Manager of Environment and Sustainability in that area. I understand, Mr Farmer, you've been very lucky to poach Alice from Bega council in the recent past. I welcome you both here today. I also thank you both for appearing before the Public Accounts Committee today. I would ask that you please confirm that you have been issued with information about the standing orders that relate to the examination of witnesses. Mr Farmer, if you could confirm that you've been provided with that information?

DAVID FARMER: Yes, I have.

The CHAIR: Do you have any questions about this information?

DAVID FARMER: No. I've got the opening statement and I'm happy to make my opening statement.

The CHAIR: Mr Farmer, if you would be prepared, if you could proceed with making your opening statement, please.

DAVID FARMER: Thank you for the opportunity to appear before you today to talk about the progress we've made in implementing the Audit Office's recommendations for Central Coast Council. Central Coast Council is one of the largest local government areas in Australia with a population of about 344,000 and providing both general purpose local government services as well as water and sewerage. We are projected to grow by about 25 per cent over the next 15 years, and planning for that growth and maintaining the lifestyle that our community enjoys is a key focus of the council. For context, the audit covered a period that was not long after we were amalgamated, during a time when we were working through the complexities of bringing together two sets of systems and processes. The audit report was released not long before our well-documented financial crisis in 2020.

The Audit Office made 13 recommendations for us to address, all of which we have accepted. I am pleased to report that despite the significant and well-publicised challenges we faced as an organisation, we have made substantial progress with implementing these recommendations. As reported to you last year, 11 of these recommendations have been implemented in full. The remaining two are in progress. Recommendation 13 relates to updating our *Voluntary Planning Agreement Policy* to include a mechanism to address cost escalations. This work has been delayed due to resource constraints and is scheduled for completion in the current financial year. Recommendation 5 relates to the consolidation of our contribution plans. We've reduced the 54 plans we had at amalgamation to 19, and we are in the process of reducing these further to around five or six—one section 7.12 plan for the entire local government area and a small number of section 7.11 plans for our growth areas. The progress of this work has been affected by uncertainty around the New South Wales Government's current contribution reform program.

We are currently in the process of developing important systems and processes to improve our capacity to deliver infrastructure identified in our contribution plans, and we currently hold \$189 million of developer contributions in reserve. That should be considered in the context of our size, however. We turn over approximately \$700 million per year, and the replacement value of our asset base is \$9 billion. We're committed to continuing to work hard to draw down these reserves to deliver much-needed infrastructure for the Central Coast community. In closing, I'd like to thank the Audit Office for its work. The process has been extremely useful in assisting our efforts and lifting our performance. I welcome your questions.

The CHAIR: Thank you, Mr Farmer. Your introductory comments covered many issues of interest to the Public Accounts Committee and, more directly, the Audit Office.

ALICE HOWE: Can you hear me?

The CHAIR: We can hear you. Thank you very much, Dr Howe. It's very hard for me to say that because I normally refer to you as Alice, as you would know. If you didn't hear before, I was congratulating Mr Farmer on your recruitment, and I welcome you back into the region from the South Coast. Mr Farmer, I imagine the first question will be directed to you, but it is obviously up to you to direct us to who should answer this question. Recommendation 1 in relation to this was that by July 2020 Central Coast Council should obtain independent validation of the adjustment made to the restricted asset accounts and general fund to repay Local Infrastructure Contributions misspent on administration costs and adjustments made to each infrastructure category within the

contributions plan. In response to recommendation 1, the council reported it obtained independent advice from Fortunity Accountants over council's repayment of the \$13 million in Local Infrastructure Contributions it had misspent on administration costs between 2001 and 2019. Can you outline the terms of their engagement and the scope of services provided by Fortunity Accountants?

DAVID FARMER: Ms Howe might be able to go into further detail. My understanding is that this was done before my time. They were engaged to provide independent advice, and the administration fees have been adjusted. I think it has been well documented that those funds were repaid.

ALICE HOWE: That's correct. Just to add to that, Fortunity was specifically asked to look at whether a simple interest or a compounding interest approach was appropriate, and compounding interest has been applied in this case. The total sum, as you've mentioned, is \$13.2 million repaid.²

The CHAIR: Following this audit highlighting the council's misuse of restricted funds on 17 August 2020, what actions did the council take to improve the internal controls and governance in order to prevent it again misusing externally restricted funds in future financial periods?

DAVID FARMER: The council has significantly focused on its use of restricted funds. This is a precursor to a larger issue that the council discovered, where it had been using restricted funds to finance its general operations. The council now reports very clearly on a monthly basis the level of restrictions—to the council, it is reported and, obviously, publicly, together with its investments. We have taken serious action to improve our liquidity, such that we are running positive working funds at the moment.

The CHAIR: From the council's 2020-21 annual report, the Committee noted the council has again misused externally restricted asset funds, further noting the council at 30 June 2021 had a negative unrestricted funds balance of \$9.7 million. Are these misused restricted funds related to Local Infrastructure Contributions? How did the council identify its further misuse of restricted funds?

DAVID FARMER: Those funds were not to do with developer contributions. That was in fact negative equity, effectively, that the council was in as at the end of the last financial year and during the last financial year. Those funds have been repaid and we are, as I said, in a positive working funds balance now. We are negative in some areas of our operation—in our water fund and our drainage fund—but we are currently carrying significant excess working capital in our general fund to balance that out and have an excess. Those issues have now been addressed. They were not to do with developer contributions at that point in time.

The CHAIR: Thank you for that explanation.

Mr DAVID LAYZELL: My question relates to recommendation 11, that by 30 December 2020 Central Coast Council should implement security measures to ensure the integrity of key spreadsheets used to manage Local Infrastructure Contributions. In response to the audit's recommendation 11, the council's response stated that different processes between south and north will be removed once it moves to a single property and rating system. My question is what is the current status of the council's move to that single property and rating system? How has this move to a single system eliminated the council's reliance on spreadsheets to manage its Local Infrastructure Contributions?

DAVID FARMER: Dr Howe, you might be able to answer that very specifically.

ALICE HOWE: Thank you. We have fully integrated now a pathways system, so the spreadsheets are no longer in use at all. The pathways system has an approval process, which means that only certain members of staff have authority to change the data that is held within that pathways software program.

Mr DAVID LAYZELL: My next question relates to recommendation 12, that by 30 December 2020 Central Coast Council should align policies and procedures relating to Local Infrastructure Contributions across the amalgamated council, including developing policies and procedures for the management of section 64 Local Infrastructure Contributions. Regarding recommendation 12, please provide an update on the status of the council's review of Local Infrastructure Contributions policies and procedures, including whether the council is still using separate south and north procedures, or has it now implemented a single procedure?

ALICE HOWE: So, at present we have four development servicing plans. We still have a north and a south servicing plan that covers the two separate former council areas. We have now developed consistent works-in-kind policies and procedures—one for Environmental Planning and Assessment Act matters and one

² The Committee received correspondence from Ms Howe providing clarification on these statements which is published on the Committee's [webpage](#).

relating to Water Management Act matters. Recommendation 13 relates to consolidation of our policy on voluntary planning agreements, which is still in progress.

Mr DAVID LAYZELL: I think she probably answered question 8 as well.

The CHAIR: If not, we will deal with that later. Thank you. I look to the Relieving Auditor-General, Mr Ian Goodwin?

IAN GOODWIN: Thank you, Chair. I acknowledge the comments made by Central Coast Council. This has certainly been an area that's had a lot of focus from both the performance audit and the financial audit, and our office has been working very closely with the council on this. I welcome the comments that have been made and acknowledge that the improved liquidity position will certainly ensure that restricted funds aren't spent for administrative expenses purposes. The only thing I would just acknowledge also is, as part of the financial audit, we have a management letter with the council, not so much around the liquidity position but around how council tracks each of the restricted funds, so that they know where those monies have been spent. That will be followed up as part of the fiscal 2022 audit, financial audit.

The CHAIR: Thank you for that. For my concluding comments, Mr Farmer and Dr Howe, I just note, and it is no secret, that the Central Coast Council, of all the councils that were amalgamated, probably had some of the more significant issues stemming from the constituent parts—a very complex council, water and sewer authority as well, a huge asset base, huge liabilities and depreciation schedules. You've just had a lot of rain as well. I imagine that has impacted your infrastructure, particularly road and drainage infrastructure. So the enormity of the task is not lost on members of Parliament and those that sit on the Public Accounts Committee. But we are very appreciative that there seems to be good work happening to address those issues that have dogged the council for some time, so I thank you for that. Thank you for appearing before the Committee today. The Committee may wish to send you additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply within 14 days to any further questions?

DAVID FARMER: Yes.

The CHAIR: I thank you for that and I thank you for appearing before the Public Accounts Committee today. Thank you, Mr Farmer and thank you, Dr Howe.

(David Farmer and Alice Howe withdrew.)

(Short adjournment)

Dr NIGEL LYONS, Deputy Secretary, Health System Strategy and Planning, NSW Health, sworn and examined

Ms REBECCA WARK, Chief Executive, Health Infrastructure, NSW Health, affirmed and examined

The CHAIR: Being 11:15, I now reconvene the Public Accounts Committee public hearing. I would like to welcome representatives from NSW Health, being Dr Nigel Lyons and Ms Rebecca Wark. I thank you for appearing before the Public Accounts Committee today. Can you please confirm that you have been issued with information about the standing orders that relate to the examination of witnesses?

NIGEL LYONS: We have, yes.

The CHAIR: Do you have any questions about this information?

NIGEL LYONS: No, thank you.

The CHAIR: Thank you for that. Would either of you like to make a brief opening statement?

NIGEL LYONS: Yes, thanks Chair, I will. I would like to thank the Committee for the opportunity to appear and discuss the NSW Health response to the Auditor-General's performance audit report in relation to Health capital works. Can I start off by acknowledging the traditional custodians of the land we meet on today and I would like to pay my respects to Elders past, present and emerging. Excellence in planning and investment in capital infrastructure integrates health and social services. It also creates local jobs and attracts health staff to our health system. Evidence of this important role is the New South Wales Government's commitment of a \$10.8 billion capital program over the next four years on health infrastructure to meet the challenges of a changing health system and to provide major system improvements. We have undertaken significant work to progress the recommendations addressed in the Auditor-General's 2020 report relating to NSW Health's capital planning and prioritisation processes.

In July 2020, NSW Health released the *20-Year Health Infrastructure Strategy*, as well as the NSW Health *Statewide Investment and Prioritisation Framework* and the NSW Health *Facility Planning Process* guidelines, which addressed a number of the recommendations in the report. These key documents provide the long-term statewide direction for Health's future capital program, as well as setting out more transparent prioritisation and delivery processes. Our new approach to capital investment planning commenced in 2021 and includes a rigorous assessment and prioritisation of capital investment proposals submitted by individual health entities. As a result, the health capital investment strategic plan underwent a significant revision to align with the long-term statewide directions. Our progress against the Auditor-General's recommendations has been assigned to a dedicated Capital Strategy Group, which I chair, and includes many of the senior executives from NSW Health.

Following the completion of the 2020 performance audit, Health Infrastructure has also been progressively developing and implementing a broad program of strategic initiatives aligned with addressing the recommendations in a realistic and pragmatic manner. For the development and implementation of these measures, and enhancing the way Health plans and delivers capital projects for the New South Wales health system and our communities in this contemporary environment, there is ongoing and iterative work. I would like to take the opportunity to thank the Committee for their interest in this work, and we're very happy to answer any questions you might have.

The CHAIR: Thank you, Dr Lyons. I would imagine that in your brief opening statement you've actually covered many of the areas that will be examined, so please understand that, as we proceed, if you appear to have answered those questions, the purpose of this is for our sequential record. I appreciate yourself and Ms Wark appearing before us. I should just note that we do have a number of members of the Committee who are on Webex, who I think you can see on the screen behind me. We have Mr Williams, the member for Castle Hill, Ms Melanie Gibbons, the member for Holsworthy, and I'm appreciative of Mr Park actually being with us in person now. He also was remote in the earlier part of the session. I believe you have had the opportunity to meet the Deputy Chair, Mr Layzell, and the member for Monaro, Mrs Overall. I believe that is the full contingent of our Committee. Now, if we are all ready, I will move on to questions.

In relation to recommendation 1 of the Auditor General's recommendations, NSW Health had indicated that the Ministry of Health would inform the Government for the 2022-23 budget process through a re-profiled 10-year capital investment strategic plan, including priority investment from 2021. Noting the upcoming State Government election in March 2023, has the Ministry provided that advice to the Government? If not, will that be completed ahead of the 2023 election?

NIGEL LYONS: I will take that one, thanks, Chair. We go through a regular process of reviewing the information that all of the Health entities provide around their priorities for investment and their plans for capital,

and that's based on their own processes of looking at their clinical services, what is the state of their assets, their ability to deliver those services with the assets that they have, and then prioritising those that they believe need to have upgrades or investment in them. We have, as a result of the audit report, undertaken a process to establish a prioritisation framework for assessing all of those, and that was one of the recommendations that came from the Audit Office report—having much more rigorous processes to look at those across the State.

In the 2021 process, that was undertaken, so all of the Health entities reported through to our capital team about their priorities. Then a panel was assembled to look at those and assess them against the prioritisation framework they established. As a result of that, there were some revisions and changes to the relative ordering of the priorities. Those were provided and continue to be provided to Government on a regular basis to ensure that any announcements that are being made are in line with the prioritisation process and are fed into our 10-year capital investment plan.

The CHAIR: From that I can take it that that advice will inform the annual ongoing Government priorities.

NIGEL LYONS: Absolutely. It's one of the key inputs.

The CHAIR: Okay. Thank you. Recommendation 2, which was:

... the Ministry of Health should ... work with Health Infrastructure and stakeholders to strengthen the Process of Facility Planning by ...

strengthening economic appraisals within business cases including assessments of the risks and benefits of all feasible options ...

assuring that demand and capacity forecasts of Clinical Services Plans are accurately described in business cases supporting proposed capital solutions.

I am sure you're very au fait with the recommendation.

NIGEL LYONS: Yes.

The CHAIR: On recommendation 2, NSW Health's response noted the Ministry and Health Infrastructure are working together to develop an undated procedure to strengthen economic appraisals within business cases, which will also form part of the Health Infrastructure planning and delivery framework developed last year. Can you update the Committee on the expected time frame for the completion and rollout of both the updated procedure and the framework?

NIGEL LYONS: I might start off and provide some advice around the planning process and then I will hand over to my colleague to talk a bit more around that economic appraisal part for the business cases. One of the Audit Office recommendations was that we needed to strengthen up our process of assessment of the options for delivery in the planning process, which included looking at a range of options prior to decisions around needing to invest in capital—looking at some of the options in the process of consideration of how those services might best be delivered, including non-capital options, essentially. What we've done is revised our capital planning process to ensure we've strengthened up those first phases and looked at a whole-of-life-cycle approach to our assets.

What we have included now is a stage nought, a stage zero, which actually is that pre-decision that there's capital required and the development of business cases for the capital to make that assessment around, within the clinical service plans that the district might have, how is the best way to deliver those services, to explore the options available to them and to deliver care in different ways. That's reinforced by our *20-year Health Infrastructure Strategy* but it's also reinforced by our recently released future health strategy, which indicates that we need to be thinking about how we provide care in different ways, and in particular looking at ways that we provide care, with care delivered in the community settings rather than in hospital settings. That needs further investment in those out-of-hospital type of care models and to support that technology that will support care being delivered in settings outside of hospitals.

As a result of the pandemic, you might be aware of a big shift in care using virtual care and the technologies that are available to deliver care outside of our usual care settings, and that is one that will be strengthened and maintained. But there needs to be investment in the technology to support that, and that's a component we'll be assessing as part of our options in relation to the capital that's required: things like, you know, that digital investment in the support for the technology that's available now to provide monitoring at home—things that can be checked at home, blood pressure, pulse oximeters to check breathing and respiratory. Those can be delivered but they need to be connected up with IT that supports that being collected in a way which is delivered to the clinicians to assess. Those are the sorts of things, as I think about the different ways that care will be provided.

The other big example that's being implemented statewide is the Telestroke service, which is where a stroke program is now being delivered in a way supported by virtual care so that wherever you have a stroke, including our rural and regional environments where we're investing in technology to enable the scans to be undertaken locally—those to be assessed by clinicians remotely—they can assess the patient remotely as well and they can make decisions that support the care team on the ground to provide the best possible care for that patient and decide whether or not clot-busting treatment is appropriate or whether or not transfer to a centre that clot retrievals is an appropriate course of action.

These are the examples of where we need to assess. The investment might be in those technologies rather than in actual physical infrastructure, and that is an assessment process that's being undertaken now and now is built into the process we use for further clinical service planning. I think that's an important development, as a result of the Audit Office report highlighting the need to strengthen our clinical service planning process and our capital planning process. In relation to the business cases, I might ask my colleague to make some comments about those.

Mrs NICHOLE OVERALL: The Telestroke has just been successfully implemented in Cooma, which I think is one of the four centres. I was just there the other day about that. It's a great initiative.

NIGEL LYONS: Thank you.

REBECCA WARK: Thanks. I think in relation to our business cases we have strengthened the processes that are in place. Some of the process of facility planning that Dr Lyons refers to and those very early stages help inform that, so what we refer to as the part zero work, which then informs the districts' submissions of the clinical services plan around the models of care and how those services will be delivered, then inform each of the economic solution options that we look at in the business case. We are then, through that process, looking at non-capital solutions and some of the solutions that are provided through ongoing care management from recurrent costings and not capital, but we're also making sure that, in those capital solutions, we are futureproofing for how those virtual care models might be rolled out in the future and really enhancing and embracing the digital framework that might be in place for all of those scenarios that we know we don't quite know yet but are developing very rapidly. But we have strengthened our processes and the framework that is in place. We have had a number of workshops in relation to that planning and delivery framework, which looks through those various options. I think it's progressing very well to develop the future state of all those procedures.

The CHAIR: It's quite a complex area and a significant change that we're going through here. The aim of this recommendation was to ensure the department had documentation identifying capital and non-capital options, clearly delineated roles and responsibilities between agencies and included cost-benefit analysis of all feasible options. How has the work jointly undertaken by the agencies addressed that intent?

NIGEL LYONS: I think what we've strengthened up is our process of working together through the Capital Strategy Group, which I chair and Rebecca is a member of. We've included a number of changes to the terms of reference of that group to ensure that we are able to come together to ensure that the inputs and the assessments that are being made by the various components of the health system are able to be brought together. That is a group that meets bimonthly and we have standing agenda items that reflect a number of the items that came out of the Audit Office report to ensure we are assessing against those—including contingency management, which was one of the other issues that came out the Audit Office report.

We do make it very clear about the role that we play in the Ministry, which is on the planning side and the initial planning phases and those assessments that are being undertaken around the stage zero and the alternates—but also the planning projections for what services are required based on population growth and need are all assessed by the Ministry, as well as through the districts. When those plans come through from the districts, we make an assessment about whether or not the requirements that they are asking for in terms of the size of facility, the types of services to be offered, the range of accommodation in a hospital, including bed numbers and treatment spaces, whether or not they have an ICU—all of those things are assessed by us against what they have also done in their local assessment to make sure that we agree those are required.

The detailed planning for the facility around the functional relationships, the clinical involvement in those plans, is actually mostly done through Health Infrastructure and the relationships they have with the Local Health Districts. Those arrangements are clearly understood, and we've had a number of sessions now with our Local Health Districts to ensure that they are aware of what is the right process to follow and who is doing what, and we continue to monitor that through the Capital Strategy Group, as I said. I don't know if my colleague wants to make any further comments.

REBECCA WARK: No, I think it is just to reinforce that our involvement with the Ministry of Health and with the Local Health Districts at a much earlier stage means that all of those service delivery options are considered before a capital solution is prioritised or announced.

Mr DAVID LAYZELL: My question relates to recommendation 3. It says that the Ministry of Health should systematically monitor and publicly report at least annually on the total amount of contingency funds controlled by NSW Health, et cetera, and all major new works initiated by NSW Health with an estimated total cost of \$5 million or more, et cetera. The Committee notes that recommendation 3 responded to the audit finding that its review of certain major hospital redevelopments indicated a need for strengthening accountability and transparency in the management of contingency funds. In its response, the department reiterated that it did not accept this recommendation as it duplicated the existing practice of NSW Treasury to monitor and manage government agencies' financial data through the prime financial system. Is NSW Health contingency funds data managed by NSW Treasury contained in any public government department reports or statements? If so, how often is that data published? If not, can you comment on the duplicated structures outlined in this response?

NIGEL LYONS: It was our position at the time, in response to the Audit Office recommendation, that we were reporting through, and there would be duplication if we were required to report publicly as well. That was on the basis that, in line with Treasury Circular TC 14/29 *Management of Contingency Provisions for Major Projects*, we were reporting through on an annual basis about the management of contingencies. Infrastructure NSW also have a *Contingency Management Guidebook* of February 2014, which is what we were basically using as the basis for managing contingencies. To report publicly, or to provide those reports in addition to what we were already providing, we felt was a duplication.

However, we have strengthened up our process of managing contingencies and having the transparency of contingency management across the system. As I indicated, our Capital Strategy Group now has an additional term of reference which includes the review of contingency management, and we regularly review that on the bimonthly meetings, looking at requests for reallocation of contingencies. Those are either supported or not supported. There is a process of discussing the relative merits of the changes in the requests around how contingency might be managed, ensuring that we are doing that in an equitable way, and there are principles behind how contingencies are used. That is the basis on which we have responded to the Audit Office report.

I'd ask my colleague about the various components of contingency. There are a range of contingencies in each of the projects, but we monitor each of them very carefully and make sure that we are actually ensuring that decisions made around contingency are able to be justified, are reviewed by the system level and are made consistent with the principles that we have in our capital program.

REBECCA WARK: I think there are various levels of contingency apportioned at the beginning of our projects, and I think you'll find that our contingency levels are often greater than many other agencies or on many other projects. We have a 5 per cent planning contingency, a 5 per cent design contingency, a 5 per cent implementation contingency—they are all managed within the project by the Executive Steering Committee, which is made up of Health Infrastructure, the Ministry of Health and the Local Health District. That is what you would probably find generally in any sort of construction and delivery project. Then, on top of that, we have a 10 per cent executive contingency.

It's important to note, as Dr Lyons has pointed out, that that is managed at a portfolio level and not just able to be managed at a project level. We do make sure that that is for scope that is within an approved business case. There are certain contingency reporting requirements to Treasury should something to be outside of 10 per cent of what has been previously approved. There is 15 per cent, which is managed within the project and within those standard project governance and project processes, and then an additional 10 per cent which is managed at a portfolio level by the Capital Strategy Group, chaired by Dr Lyons.

Mr DAVID LAYZELL: Thank you for that response. I know that contingency management is a very difficult and complex field in construction and project management.

Mr RYAN PARK: I have a couple of questions, and I will try to bring them together. In relation to recommendation 4, which talked about developing a quality framework, blah blah, for the planning and delivery phases of all projects, et cetera, and reporting on the quality of business cases—I just want to stop at that point there. The business case issue interests me. What specific changes—reforms—have we done to, what I would call, "enhance" business cases? How do I say this politely? Treasury has got a very good way of changing the rules all the time as to what they want to see. Have you had to make substantial changes to your business cases to improve them as a result of this? Can you sort of unpack that for me a bit?

NIGEL LYONS: From my perspective—and I might ask Rebecca to make some comments if she wishes as well—the big issues were around those components that the Audit Office report highlighted that we

weren't doing well, which were those up-front. We do the business case development once we've decided we need infrastructure investment very well, but it was around those earlier components of the business case, around the options that might be considered as well as a need to build a capital.

Mr RYAN PARK: So having a look at service before construction, so to speak.

NIGEL LYONS: And the options.

Mr RYAN PARK: If there was an option.

NIGEL LYONS: That was what I indicated we strengthened up quite significantly in our planning documents and that has been communicated out to the system. That's what is now used by all of our entities in the development of their business cases. They really need to look at that stage zero. We need to see evidence that they've actually assessed that stage zero, as well as strengthening up the approach to stage one, which is when you start to look at the options around the capital. So it is about those non-capital options. What other ways might we deliver this service? Could we contract with another provider to provide that service, if that's a viable option? Do we look at non-capital IT support and care in the community? All of those options are very much the focus of what we are putting to the front end of that business case now to strengthen up the various options.

Mr RYAN PARK: Yes, it's a very good approach. Has that, though, Dr Lyons, led to the need to enhance the training and professional development of staff in the area? Because that is a different mindset, with the greatest respect, to a more traditional way of doing it, which is, "We are looking to do this capital investment. Here is the business case as to why." Does the stage zero stuff need to also result in changes to the way in which we skill up those staff in HI?

NIGEL LYONS: In some ways, although I have to say the earlier phase of training is actually before the training you'd be referring to. It would be for staff before it got to the Health Infrastructure point of things. It would be the people who work in the Local Health Districts who make those assessments with their clinical teams around what is required in terms of population growth, changes in demographics, geographical changes in terms of where people are living and things. What does that mean in terms of the services that we require to support the care for the community? There's no doubt with an aging demographic with chronic diseases that are increasing, you know, the sort of pressure our hospital system is under. We hear about it every day.

The Government has been responding by giving us greater capital. We need to think about different ways of delivering that. One of the challenges for us, as you know, is the intersection between what we do in the State, and what is being done at the Commonwealth end as well. I think one of our challenges at the moment is what's happening in the general practice and primary care space. We just heard in the rural and regional health inquiry about big issues, particularly in rural communities, around access to GPs. That's a primary care factor, which, actually, if we get it right and we can support care in the community more effectively, won't lead to the demand on our hospitals.

Mr RYAN PARK: My last question—sorry, Chair, this area obviously interests me—is how do you make sure that the capital investment that we're doing is not just picking up the tab for Canberra, who, as we know in this room, does service delivery shockingly? How do we make sure in Health that our people are not going into an investment in an area without exhausting what the Commonwealth should be doing and seeing, if their programs are being rolled out properly, whether that would take some pressure off and negate the need for a capital investment in certain areas? The classic one, Doctor, is obviously expanded EDs. That's fine. Expanded Emergency Departments—we all understand that. But sometimes the Health District makes it very clear that if there were additional GPs, or if the GPs were doing their service in a way that complemented what was happening in the ED or took pressure off the ED, then maybe that investment didn't need to be realised as early.

NIGEL LYONS: First of all, I want to acknowledge that I think GPs do a fantastic job. I think the GPs that we do have are worth their weight in gold because of what they do to support care being delivered and keeping people healthy. The fact of the matter is we don't have enough of them. That's the big issue. The other issue is the distribution of them across our communities. There are more GPs in metropolitan settings and, as we know, the further we go into rural and regional areas, the fewer GPs there are per capita. We are submitting to the new Federal Government a need to really look at this issue around primary care and whether or not there needs to be a new approach to the way we support GP training and how we ensure that GP practice is seen as a viable alternative to specialty practice for graduating medical practitioners. That is the first point. I think we are very conscious of the fact that if the other parts of the system that interface with Health are working well—in particular, aged care, disability care, and primary care is the other one, of course—there's less demand on hospitals. But we have many of our hospital beds at the moment occupied by—

Mr RYAN PARK: Aged care.

NIGEL LYONS: —aged care and people who are on the NDIS and waiting for the supports to be in place for them to be able to be cared for at home or in the community. So these are important issues. We need to continue to monitor that impact. I know our Minister is very strong on this, in taking these issues to the Commonwealth to make sure that those issues we are highlighting that need to be addressed are being addressed, and we're very keen to see that continue to be supported. Because you're absolutely right. Otherwise, we will continue to build larger and larger infrastructure in Health, which will become unaffordable to run.

The CHAIR: We will note that the Member for Keira has a particular interest in health as the Shadow spokesperson on Health.

Mrs NICHOLE OVERALL: As part of that and as part of recommendation 4, NSW Health reported its response was partially complete, as several detailed elements of the quality management and assurance framework were still being developed. NSW Health reported that this will articulate how Health Infrastructure drives quality through its capital projects, and other key business operations were being developed through 2021-22. Can you outline what the detailed elements of this framework are?

NIGEL LYONS: Those components were defined but were in the process of being implemented. I've talked about some of those changes that we introduced, including that prioritisation process that was used to assess the statewide infrastructure. I think at the time this update was provided, around October last year, some of those components were still in train. During the course of this 2021-22 year, we've been implementing those changes that were actually put into the documentation as a result of the Audit Office report. They were communicated out to the system, and it takes a little while for us then to start to incorporate those into the assessment processes that we undertake in relation to capital. So it is an iterative process and develops over time. We've made further progress since then, which is why I think that was nominated as partially completed at that point in time.

Mrs NICHOLE OVERALL: Do you have a time frame for when that might be completed, or an idea of?

NIGEL LYONS: My assessment is that I think we're substantially progressed on that recommendation now. The components that might still be outstanding would be only around the margins, but it's only about tidying up and closing the loop on all of those components as we roll through the planning cycle.

Mrs NICHOLE OVERALL: I think that answers the question.

IAN GOODWIN: I would acknowledge and welcome what was a very pleasing report of progress from Dr Lyons and Ms Wark. Really very pleasing progress is what I would note, particularly around planning and prioritising. I also acknowledge progress on recommendation 3. I believe what Dr Lyons outlined meets the intent of what we were seeking to do. It's just been done in a different way, and I certainly welcome that and acknowledge that. In light of those very detailed reports of progress, I should acknowledge that that's all been achieved at a time when obviously the Minister has been very busy with COVID-19, so I think that's good progress.

The CHAIR: Thank you very much for that. I will bring this to a conclusion then, unless Dr Lyons or Ms Wark has anything else that they would like to add. I thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

NIGEL LYONS: Certainly.

(Nigel Lyons and Rebecca Wark withdrew.)

Mr RICHARD GRIFFITHS, Executive Director, Workforce Planning and Talent Development, Ministry of Health, NSW Health, sworn and examined

Dr PATRICIA BRADD, Director, Patient Safety, Clinical Excellence Commission, NSW Health, sworn and examined

The CHAIR: We have Mr Richard Griffiths and Dr Patricia Bradd joining us from NSW Health. I thank you for appearing before the Public Accounts Committee today. Would one of you care to make a brief opening statement?

RICHARD GRIFFITHS: We didn't prepare—

PATRICIA BRADD: No.

The CHAIR: There is no prepared opening statement. It has been acknowledged in discussion prior to you arriving that this is quite a complex area. We appreciate that. As you are aware, we have representatives from the Audit Office here to give the Committee further guidance if that is required. I will dive in with a reference to recommendation 1 from the Audit Office, which was that by December 2021 NSW Health should evaluate the effectiveness of the new incident management system, or IMS+, to enable full reporting of health and safety incidents and risk in all hospital wards, including those where incidents and risks are common, and monitor for consistency of reporting overtime.

Recommendation 1 responded to the audit's finding that health staff in high demand wards reported a lack of time as the biggest barrier to full incident reporting. Health's response referred to the new incident management system, IMS+, which was fully implemented statewide in November 2020, noting development work with the vendor and feedback collection was ongoing. With that, does the new IMS+ system include features to address this time constraint for reporting health staff? If so, in what ways does IMS+ improve functionality for rapid incident reporting and/or ease data entry burden for reporting incidents?

PATRICIA BRADD: As you've outlined, the IMS+ system was fully implemented across the NSW Health system by November 2020. I will acknowledge, from a contextual point of view, clearly the system was also going through COVID, but we managed to, given the importance of the system, roll it out. It has been in use now since that time. We, as part of our governance process, look at a benefits realisation process that includes things like the time taken to enter information into the system. Prior to our most recent meeting in May, the functionality of the IMS+ system made it challenging for us to collect that information. It has now been turned on, if you like, within the system, so we have got some good information about the time taken to enter incidents. There is some variation depending on the complexity, as you would imagine, of the incident that it takes. We've got information about specialty groups that we'll be starting to monitor. We are very aware that clinician time and our staff time is important, but it is equally important to have that information in our system so we can learn from what's happening.

The CHAIR: As part of this ongoing work, the response noted that eHealth presented and reported on its benefits realisation analysis of IMS+ in August and November 2021. Was a time study for rapid incident reporting included in the benefits realisation analysis? If not, have assessments been conducted of time efficiency realised from the new IMS+ system?

PATRICIA BRADD: As I've just said, in the May benefits realisation report that went to the IMS+ governance forum, we were able to collect that information for the first time after negotiation with the vendor to enhance the product. We now have that information, and we are starting to report it and look at it.

The CHAIR: Generally speaking, can I ask your feedback on how this system is received at the grassroots, if you like, or the coalface of workers within the system? Is there ongoing feedback from the workforce informing IMS+ as it goes on?

PATRICIA BRADD: Yes. Obviously the importance for us in New South Wales of having a system would be that people would use it in line with the *Incident Management Policy*. When we developed the system, we ensured that we had very strong clinician input, as well as manager input, so we could look at functionality aspects et cetera. One thing I think we can be pleased with is that we have an excellent reporting culture within NSW Health. We have not seen a dip in the amount of reports that we get. In fact, even during COVID, when you would think there might be some impacts—obviously the types of incidents have changed during COVID-19. I think we can be very proud in New South Wales that we have, not a perfect—it is human reporting, but we have a really good reporting culture. We take into account making sure that we can use that information to drive improvement in the system. Our sense is, given the numbers, that the rollout of the new system hasn't diminished the reporting that had been in place prior.

RICHARD GRIFFITHS: That's also reflected in our people matter survey as well. We've always had a good safety culture, indicated in the PMS survey—up around 85 per cent. That's still reflected after the IMS+ rollout as well.

Mr DAVID LAYZELL: Can I just ask a very general question in terms of the recent inquiry into regional hospitals and health care? One of the items was talking about administrative burden on staff. Was that targeted at the IMS+ system as one of those administrative burdens? Is it something that you have taken into consideration? I'll get your comments on that.

PATRICIA BRADD: I'm not aware, specifically, that the IMS+ system has been, I guess, called out as a specific issue.

Mr DAVID LAYZELL: No, I don't think it was mentioned.

PATRICIA BRADD: I think we are very mindful that clinician time is—you know, every time we get our staff to do something that is not frontline service delivery. So we are very mindful that we make sure that it is a value-add process to whatever it is that they're doing and encourage local services, in particular, to look at the information coming out of the system which—our wards can look at our NUMs et cetera and our heads of department can use that information themselves to drive improvement and understand what's going on locally. Without data you can't improve.

Mr DAVID LAYZELL: Indeed. Thank you.

Mr RYAN PARK: Just a quick one from me. This area obviously interests me and I've spoken to many people about, particularly, junior doctors. The changes that you have put in place and are continuing to work from, what sort of generalised feedback are you getting from our young medicos about how they're feeling in their work, if the changes you're making are supporting them? These things will need to be an evolving set of systems, I think, given the nature of the challenges we face. I'd be interested to get, from your perspective, some of the feedback that you've heard.

RICHARD GRIFFITHS: Do you mean generally in terms of workload—

Mr RYAN PARK: Yes.

RICHARD GRIFFITHS: —or specifically around risk reporting?

Mr RYAN PARK: A little bit around risk reporting and then more broadly around workload generally.

RICHARD GRIFFITHS: Well, maybe if I cover the general and then—

PATRICIA BRADD: Yes.

Mr RYAN PARK: Yes.

RICHARD GRIFFITHS: In terms of the working conditions of JMOs, there's obviously been lots of attention on the health system and how we actually manage JMO wellbeing, and for the last four or five years we've invested quite heavily in programs to deal with JMO wellbeing and workload. One area is to encourage them to, for example, report overtime so that we get an accurate reflection of working conditions. There are two sets of surveys that ran during 2021 and this year. We ran our final Your Training and Wellbeing Matters survey, which continued to show quite pleasing results, and there's the new medical training survey that has now overtaken ours. Both of those show that there's gradual improvement around JMO working conditions and hours and bullying culture et cetera. So what we're seeing is some gradual improvement. They know that we're investing in terms of their wellbeing. In terms of the general risk culture, I'm not sure if you're receiving anything specifically from JMO groups?

PATRICIA BRADD: Not specifically, but we are aware when we—so as part of our function at the Clinical Excellence Commission we do review serious incidents if they come through. So each district looks at their own incidents, but we have the opportunity at the State level to see whether there are themes, system issues, not specific to—

Mr RYAN PARK: An individual?

PATRICIA BRADD: —sites. Yes. So we are very mindful of some of the challenges that the workforce—not just JMOs but, more broadly, nursing staff, allied health, medical staff across the board, with the changing, you know, nature of COVID and the way things have been for the system. That has come through in some of the learnings that we've had and being able to feed back around support, wellbeing—that has been reflected through Richard and his group, but it is something that we're mindful of. In terms of our actual incident management processes, we do have specific committees that meet to consider those and to generate learnings

from those, and we have been fortunate for a couple of those committees to have junior doctors actually join us on that to get their perspectives and their learnings and their insights into what systems issues might assist them. Now, clearly, change happens at the district level and at the ward level. We are, at the Clinical Excellence Commission, at the State level, but we value very much that input and the insight that they bring, along with the other clinical experts that we have.

The CHAIR: Thank you for that. Mrs Overall?

Mrs NICHOLE OVERALL: I think we've covered a lot of that with those responses, haven't we, particularly about the hospital staff and your policies in relation to the therapeutic support for the health staff? So I think we've possibly covered that, Chair. But perhaps if we go to recommendation 5, that NSW Health should "at regular intervals, publicly report aggregate Root Cause Analysis data detailing the hospital system factors that contribute to clinical incident"—as a follow-on from the previous question, the analysis data of the contribution to the clinical incidents, how are we addressing that or how might we be addressing that into the future?

PATRICIA BRADD: Certainly. I'll take that one, Richard, if that's alright. Following the new *Incident Management Policy* that was enacted from December 2020, just to set the context, we have introduced alternative methodologies to RCAs for the districts to be able to apply when they are investigating a serious incident. We now call them serious adverse event reviews. So RCA—root cause analysis—is one methodology and still the predominant methodology used across Local Health Districts and Specialty Health Networks and our other agencies, but there's also London Protocol, which is another alternative, as well as concise and comprehensive incident analysis, which is based on a Canadian framework. The reason why I mention that is because some of the types of incidents that we see are best—or, equally robust methodologies but are best suited to different types of incidents. So we now call them SAERs—serious adverse event reviews—as opposed to RCAs, which I think has been a great step forward.

At the CEC, we are committed to public reporting of information that comes through. So we have on our webpage a report that we update every six months of our biannual report, which does give a breakdown of the RCAs before we went to SAERs and now, moving forward, the SAERs, so that there is an indication of the principal incident types, the volume et cetera, et cetera, that can be looked at over time. But it is highly aggregated data. It does go through a process of approval, so we are always behind in terms of what's on our webpage. But certainly, as part of our remit, again, within generating system learning, we do have a peak quality and safety committee called the Clinical Risk Action Group, which is very actively looking at those on a month-to-month basis. We identify areas that we think do need statewide attention and system learning.

As part of my role as Director of Patient Safety, I work very closely with my colleagues at the CEC in systems improvement, where we then look at programs to support addressing some of the trends that we might be seeing coming out of the incidents. So we have, for example, an adult Mental Health Patient Safety Program, a maternal and perinatal patient safety program, we also have Comprehensive Care—older persons, paediatrics. So we're able to feed in what we're learning into those programs of work, and maternity, in particular, has had a lot of focus through the Safer Baby Bundle. Some work we're doing at a national level, but we are trying to integrate all of that information so that as we're seeing things emerge we can address them through the application of improvement methods. Does that answer your—

Mrs NICHOLE OVERALL: Yes, and that's great to hear as well. That probably comes back to recommendation 6 then, as well, about developing and implementing the system-wide platform for sharing the research and information about hospital health and safety initiatives across the health system. That is, sort of, funnelling into that, I'm presuming, from what you were just saying there.

PATRICIA BRADD: Yes, that's what we do and we continue to use it very actively. I mean, we can always improve. We are continually—one of our opportunities and what we're looking to do and focus on this year, coming out of COVID, is to work with our clinicians about how to best receive information. So, for example, during COVID we did set up a specific COVID-19, what we call, Serious Incident Review Committee that was looking at both harm score one SAERs or RCAs that were coming out of very serious incidents in our system, as well as the cluster outbreak reviews. So we've pulled that together and we were very quickly able to get information out around what we were seeing through our directors of clinical governance and through our directors of nursing, midwifery et cetera—through our normal channels. So we're not waiting for some of these things to be set up more formally. We're using existing processes where we can.

The CHAIR: Could I ask question about just what would constitute a serious adverse event, or something like that? I'm not asking for a specific example, but what kind of events would make it onto here? What is your threshold? There must be a hierarchy, so I was wondering if you could speak a little bit to what would constitute an SAE in that sense.

PATRICIA BRADD: Sure. So a serious incident: Part of the benefit of having actually the new IMS+ system was that we introduced—we've moved away from a Severity Assessment Code, or a SAC score, to what's called a harm score. Within the system there are four levels: a harm score 1, which is an unexpected death related to care that happens in our facilities; a harm score 2 is major harm; a 3 is minor; and then a harm score 4 is a near miss. We also through that process report expected deaths in custody, so there's a kind of very clear matrix from 1 to 4. Now the system itself, depending on what information our staff put into the IMS+ system, that's an automatically generated score. So any harm score 1 must have a serious adverse event review undertaken for it as part of the NSW Health *Incident Management Policy*. However, a District's Chief Executive may choose to do a SAER for a lesser harm score if they feel there was a significant near miss or there is learning to be gained through an investigation process or review process.

So that's how we monitor, really, though and that's how they're generated. We look at the serious harm scores, situations that are briefed up through to the Ministry of Health within 48 hours through a reportable incident brief and we have a daily meeting where we look at those every day. We look at a number of factors, whether or not there is an immediate response that's required. But what we are starting to do too—not "but"—what we're starting to do is not just look at those situations. We've got a number of committees that look at them, as I said, under different categories—maternal perinatal, mental health, alcohol and other drugs, COVID-19 and clinical management, which is really all our adult services as well as children and young persons, as well as now a new one, which is a PARVAN child protection one that we've instituted.

Through that process we can look at individual SAERs and look at learnings that come out of those, but what we're moving towards now is actually trying to look at groups of them together to see whether there are patterns within. You know, we look at if there are cases of someone who's died following a fall in an inpatient setting; rather than looking at a single case, let's look at the last five and see whether there are systems issues that we can identify within that process. Does that answer your question?

The CHAIR: It certainly does. I was interested in whether or not we were looking at systemic causes but also how would you deal with outlier events that are completely reasonably otherwise unanticipated. How would they be inserted into the system?

PATRICIA BRADD: So sometimes we do see events which may not have resulted in serious harm but we think actually does require a response for us from the system level to see—you know, there might be an at-risk issue. I'll give you an example. We came across a situation where we saw a breach in our cold chain, which is how we manage medications. So we wanted to assure ourselves that each district did actually have in place a process in place if something happened to check, you know, fridge temperatures. And so we will go back and check if we come across certain incidents that we think might happen somewhere else, that were at risk of being systemic, and assure ourselves that we've got those processes in place. That's why having a daily process where we are reviewing the incidents can help us to act quickly when we see those sorts of things.

The CHAIR: Thank you for that. I will just look to my colleagues here. I do not believe that there is anything, but I will just check with Ms Gibbons and Mr Williams and ask them to indicate if they have any questions that they wish to ask. I'm assuming that's a no. Actually, I think Ms Gibbons is trying to speak, but she is muted. Maybe she's speaking to somebody else. I'm just not quite sure. I think she might be holding a conversation elsewhere. So if that's the case, I'll look to the Audit Office, Mr Goodwin, for any response.

IAN GOODWIN: Thank you, Chair. Obviously, this is a very complex area, which is why we focus in the audit on JMOs and nurses. I would just acknowledge the comments made by Dr Bradd and Mr Griffiths and welcome the progress. I would just say to continue that focus on improving the reporting culture. There was some commentary we made around the reporting culture, to focus on that reporting culture and to ensure that there is a focus on reported incidents. I would also just notice that while they use IMS+, the system itself doesn't have a strong focus on trauma burnout—those mental health issues—and that there are specific measures put in place for JMOs, but also I will just acknowledge that the nursing workforce is a very large workforce and for that not to be lost in that process. But I acknowledge all the comments made and don't have anything else to add.

The CHAIR: I thank the Audit Office for that overview. I will just ask if there is anything else from our witnesses that they would like to say? There is no compulsion to.

RICHARD GRIFFITHS: I think if I could just say something in relation to the nurses comment. I think at the time we talked about the PMES and the response rate we get from nurses in that survey. That does give us some capacity to look at wellbeing and other indicators of the nursing workforce. But I just also wanted to highlight that because of the nature of the pandemic and the enduring nature of the response, we're fully cognisant of the impact of the pandemic on our workforce and have just—you'll see some announcements today around how we intend to look at workforce staffing over the next coming four years.

But specifically in relation to wellbeing, obviously we are hearing feedback through our nurses. We've just invested \$70 million into the system this financial year to deal with wellbeing initiatives. But really what we were doing was picking up on successful programs that are already in existence in Local Health Districts but seeing if there's opportunity to scale them up across the system, so that we actually share learnings and scale up programs that are already successful. So we have taken on board the Audit Office comments and are looking at ways of continually addressing the wellbeing of our workforce.

The CHAIR: Well, thank you. Dr Bradd and Mr Griffiths, thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

RICHARD GRIFFITHS: Yes, of course.

PATRICIA BRADD: Yes.

The CHAIR: Thank you very much for that response. That brings us to the end of the meeting. This concludes the public hearing on selected performance audit reports. Again I would like to place on record my thanks to our witnesses who appeared today. I also wish to thank members of the Committee for their contributions. Particularly I wish to acknowledge Hansard and the Committee staff whose work makes this possible and our audiovisual people who have assisted us. Particular thanks of course go to our representatives from the Office of the Auditor-General. Thank you very much. That concludes the public hearing.

(The witnesses withdrew.)

The Committee adjourned at 12.18 p m.