

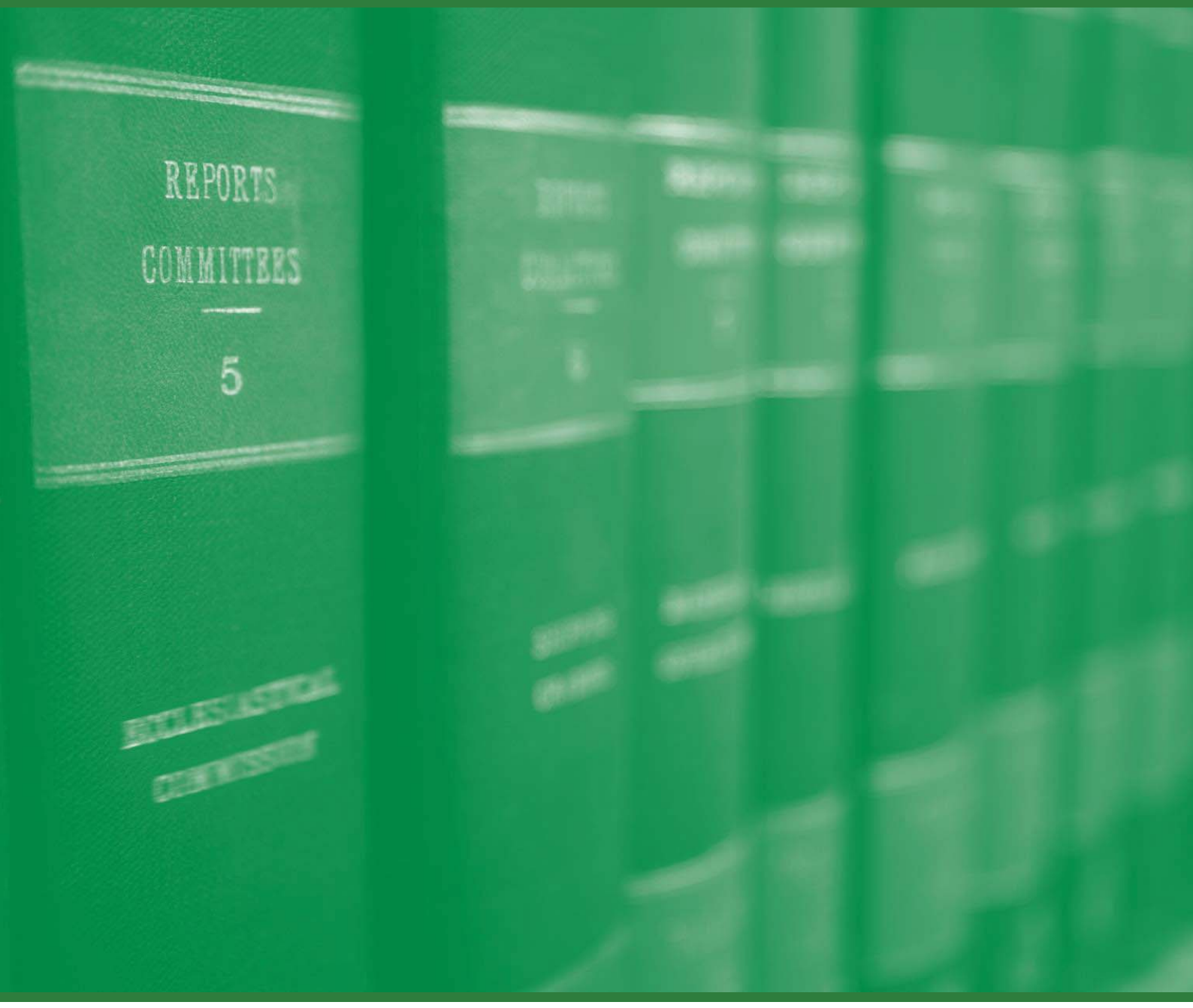


Legislative Assembly of New South Wales

## Public Accounts Committee

Report 5/56 – September 2017

### EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORTS JULY 2015 - JANUARY 2016



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# Membership

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# Terms of Reference

Under section 57 of the *Public Finance and Audit Act 1983*, the functions of the Committee include the examination of any report of the Auditor-General laid before the Legislative Assembly and any circumstances connected with those reports.

*Public Finance and Audit Act 1983*

## **57 Functions of the Committee**

- (1) The functions of the Committee are:
- ...
- (c1) to examine any reports of the Auditor-General laid before the Legislative Assembly,
- (d) to report to the Legislative Assembly from time to time upon any item, or any circumstances connected with, those financial reports, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly.

At its meeting on 30 March 2017, the Committee adopted the following terms of reference:

That the Committee inquire into and report on any circumstances connected with the following reports of the Auditor-General which the Committee considers ought to be brought to the notice of the Legislative Assembly:

- Identifying productivity in the public sector
- Transferring out-of-home care to non-government organisations
- Sydney Metropolitan Bus Contracts
- Community Housing
- Albert 'Tibby' Cotter Walkway
- Activity Based Funding Data Quality
- Government Assistance to Industry
- Mental Health Post-discharge care
- Public Sector Management Reforms

# Chair's Foreword

This is the third report of the Public Accounts Committee's performance audit review program to be tabled in the 56th Parliament.

In accordance with its established performance review process, the Committee examines performance audits conducted by the Auditor-General, in order to further investigate action taken by agencies in response to the Auditor-General's recommendations. As part of this follow up, the Committee questions agencies on measures they have taken and, if required, conducts public hearings to gather additional information from agency representatives.

The process has proven to be an effective means of testing action taken on performance audits and maintaining a high level of scrutiny of the agencies under review.

This report reviews nine performance audits covering the period from July 2015 to January 2016, conducted into: Identifying productivity in the public sector; Transferring out-of-home care to non-government organisations; Sydney Metropolitan Bus Contracts; Community Housing; Albert 'Tibby' Cotter Walkway; Activity Based Funding Data Quality; Government Assistance to Industry; and Mental Health Post-discharge care.

With some exceptions, the Committee is generally satisfied that the responsible agencies are now implementing the Auditor-General's recommendations.

The Committee has made four recommendations to NSW Government agencies to address the measurement of productivity and setting of performance targets in the public sector, and implementing National Policy and Guidelines for Alliance Contracting.

I am pleased to present this Report and thank the Auditor-General and Audit Office staff for their assistance in this inquiry. I also wish to thank my Committee colleagues and Committee staff for their contributions and support.

A handwritten signature in blue ink, appearing to read 'Bruce Notley-Smith', with a long horizontal flourish extending to the left.

**Bruce Notley-Smith MP**  
Chair



# List of Findings and Recommendations

## Recommendation 1 \_\_\_\_\_ 10

The Committee recommends that, by December 2018, all agencies set precise productivity and efficiency objectives, and determine appropriate methods for measuring performance against these objectives.

## Recommendation 2 \_\_\_\_\_ 10

The Committee recommends that the Department of Justice formalises its processes for measuring productivity in the NSW Local Court. This includes determining data collection needs for developing a methodology to analyse productivity and efficiency trends.

## Recommendation 3 \_\_\_\_\_ 10

The Committee recommends that NSW Treasury formalises its leadership and advisory role, and clarifies the expectations regarding how agencies should be measuring productivity and setting reporting targets.

## Recommendation 4 \_\_\_\_\_ 22

The Committee recommends that the NSW Government gives further consideration to implementing the National Policy and Guidelines for Alliance Contracting, as recommended in the January 2012 NSW Commission of Audit Interim Report Public Sector Management.

# Glossary

ABF	Activity Based Funding
DISR	Department of Industry, Skills and Regional Development
DPC	Department of Premier and Cabinet
DTIRIS	Department of Trade and Investment, Regional Infrastructure and Services
EAP	Export Accelerator Program
FACS	Department of Family and Community Services
GGP	Global Growth Program
GPs	General Practitioners
HASI	Housing and Accommodation Support Initiative
IPSO	Infrastructure Portfolio Support Office
KPIs	Key Performance Indicators
LHD	Local Health Districts
MOH	Ministry of Health
MP	Member of Parliament
NGO	Non-government Organisation
NSW	New South Wales
NWAU	National Weighted Activity Unit
OOHC	Out-of-home Care
PAC	Public Accounts Committee
PPP's	Public-Private Partnerships
RAAP	Research Attraction and Acceleration Program
RIIF	Regional Industries Investment Fund
RMS	Roads and Maritime Services
RoGS	Report on Government Services
SIAS	State Investment Attraction Scheme
TCP	Transfer of Care Plan
TfNSW	Transport for NSW

# Chapter One – Introduction

## Overview

- 1.1 The performance audits examined by the Committee during this inquiry are those tabled by the Auditor-General between July 2015 and January 2016. The aim of the examination is to assess what relevant agencies have done in response to the Auditor-General's recommendations. The Committee considered evidence provided by each agency and also sought advice from the Auditor-General.
- 1.2 The Committee found significant work has been undertaken to address issues raised in the audits. It is clear that the agencies have taken the audit review process seriously and instigated processes to implement accepted recommendations. Some recommendations will take time to fully action or are being addressed through the implementation of larger projects.

## Inquiry Process

- 1.3 In accordance with its legislative responsibility outlined in section 57 of the *Public Finance and Audit Act 1983*, the Committee resolved at its meeting on 30 March 2017 to commence an examination of the Auditor-General's performance audits from July 2015 to January 2016. The full terms of reference are included on page iv.
- 1.4 The process for these examinations included:
- inviting a submission from responsible agencies twelve months after the tabling of the audit.
  - referring agencies' submissions to the Auditor-General for comment.
  - where the Committee determined that further information was required, inviting agency representatives and the Auditor-General to a hearing to provide additional information.
- 1.5 The Committee examined nine performance audit reports and received 15 submissions in relation to its examination. A full list of submission authors can be found at Appendix One and copies of the submissions are available on the Committee's website at: [www.parliament.nsw.gov.au/publicaccounts](http://www.parliament.nsw.gov.au/publicaccounts).
- 1.6 On the basis of submissions received, the Committee determined that four performance audits had been satisfactorily completed, with the agencies concerned fully implementing the Auditor-General's recommendations. These audits were:
- *Sydney Metropolitan Bus Contracts*
  - *Community Housing*
  - *Activity Based Funding*
  - *Public Sector Management Reforms*

- 1.7 Details concerning these performance audits can be found on the website of the NSW Auditor-General at: [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au).
- 1.8 The Committee was not satisfied that recommendations contained in three of the other performance audit reports had been fully addressed. To conduct a more detailed examination of these reports, the Committee held a public hearing on 22 May 2017 to seek further information. The audits examined at the public hearing were:
- *Identifying Productivity in the Public Sector*
  - *Transferring out-of-home care to non-government organisations*
  - *Albert ‘Tibby’ Cotter Walkway*
- 1.9 Details of witnesses who appeared at the hearing are included at Appendix Two.
- 1.10 Additionally, the Committee sought further clarification of aspects of agency responses to two performance audits, namely:
- *Government Assistance to Industry*
  - *Mental Health Post-discharge Care*
- 1.11 Discussion of the audits examined is detailed in subsequent chapters of the report.

## Chapter Two – Identifying productivity in the public sector

### Introduction

- 2.1 Measuring and reporting on public sector productivity is particularly challenging, given the unique nature of public service delivery. The public sector has a monopoly on certain areas of service delivery, which are not subject to normal competitive market forces. Due to the reduced role of market incentives in the public sector, developing mechanisms to understand and improve productivity is essential to improve service delivery.
- 2.2 The Audit Office defines productivity as the amount of output per unit of input, with input commonly understood as labour<sup>1</sup>. While this definition contributes to the historical reason productivity has not been well understood or utilised in the public sector, there has been increasing debate about how to determine appropriate input and output levels to effectively measure such productivity.
- 2.3 As part of this process, discussions have canvassed how productivity is different from efficiency in a public sector environment, and its use as the traditional measure of documenting trends and performance relating to the cost of services.
- 2.4 For the purposes of this performance report, the Audit Office has considered labour to be the relevant input measurement, with the core activity delivered by the labour units as the output measurement.

### The performance audit

- 2.5 This Audit examined specific areas of activity within NSW Government to determine if information collected allowed for adequate monitoring and reporting of productivity. The portfolio and program areas were as follows:
- Department of Education and Communities – primary and secondary school education
  - NSW Health – acute inpatient care
  - Transport for NSW – CityRail
  - All activity in the NSW Police Force
  - Department of Justice – NSW Local Court
- 2.6 The Audit determined that, while none of the agencies were reporting on, or setting productivity objectives, all agencies had the capacity to track this over time.

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<sup>1</sup> NSW Auditor-General's Performance Audit Report; Identifying Productivity in the Public Sector, July 2015, p. 8.

## Major audit findings

### *Productivity and efficiency are not fully reported on and monitored in the public sector*

- 2.7 Productivity measurements were not built into the performance and reporting frameworks within the public sector. This is partially due to the difficulty in assessing productivity and developing relevant targets in a non-market driven sector.
- 2.8 The audit recommended that NSW Treasury takes a leadership role in determining how agencies express, report and monitor productivity. This will allow Treasury to direct how agencies develop productivity frameworks and set relevant objectives in a coordinated way, and subsequently increase the significance of productivity measurement throughout the sector.

### *The agencies reviewed in the Audit did not comprehensively report on productivity measures, but did report more consistently on efficiency*

- 2.9 The Audit established that while most agencies had the available data and capacity to report on both productivity and efficiency trends, this was not being done consistently.
- 2.10 All agencies that have their activities reported in the annual Report on Government Services (RoGS) are able to analyze and benchmark efficiency, which is traditionally easier to report on and can be expressed as cost per unit of output.

### *The NSW Government's current wages policy has been effective in improving productivity*

- 2.11 The Audit also reviewed the impact of the NSW Government's wages policy on public sector productivity. The 2011 wages policy was deemed successful in ensuring employee expense growth of less than 2.5%. The policy allows for remuneration increases above 2.5% per annum on an individual basis, as long as overall wage offsets ensure that the total growth is below the 2.5% threshold.
- 2.12 The Audit Office determined that this had been successful due to more consistent and rigorous approvals, as well as a more significant onus being placed on agencies to demonstrate and achieve wage offsets. Given that the cost of labour is a key factor in determining productivity in the public sector, this analysis is central to understanding how productivity is measured and what mechanisms are in place to temper cost growth.

## Audit conclusions

### *NSW Health – Acute Inpatient Care*

- 2.13 The Audit determined that NSW Health has the capacity to set standards and benchmarks for measuring efficiency and productivity, and report on them. The Audit also acknowledged that NSW Health was in the process of developing a framework to measure, communicate and report on productivity within the sector.

- 2.14 The Audit also found that NSW Health had the capacity to report on the efficiency of acute inpatient care, and did report on several efficiency indicators. These included average length of stay in hospital and waiting times.
- 2.15 The Audit identified that NSW Health did not report on its cost per National Weighted Activity Unit (NWAU). The NWAU is the pricing mechanism for public hospital services, introduced as part of the Activity Based Funding (ABF) model adopted by NSW Health. This measure looks at the cost of various activities in the health system, and allows for a comparison between different services and efficiency over time.

*Department of Education - primary and secondary school education*

- 2.16 The Audit determined that the Department of Education is not reporting on the productivity or efficiency of primary and secondary education in their annual report, the NSW 2021 Performance Report or in their Budget Papers. However, the audit established that both productivity and efficiency are able to be measured with the data currently collected by the Department.

*Transport for NSW – CityRail*

- 2.17 The Audit determined that Transport for NSW has the ability to track the productivity and efficiency of CityRail. However, it identified that there are various data limitations that must be taken into consideration when examining productivity trends.
- 2.18 The Audit identified that Transport for NSW did not report on productivity, but did measure and report on efficiency as part of RailCorp's annual report. The Audit also demonstrated that there is some complexity in the measurement of CityRail's productivity trends.
- 2.19 The Audit Office noted that RailCorp's annual report provided data relating to physical output, input and quality indicators. This data can be further examined to produce findings regarding productivity trends. While Transport for NSW does ultimately have the ability to track and report on productivity trends for CityRail, the Audit Office acknowledges the complexity involved and has recommended alternative ways to achieve this.

*NSW Police Force*

- 2.20 The Audit determined that NSW Police has the capacity and available data to report on both productivity and efficiency trends. There have been relevant NSW Police productivity and efficiency indicators available in the Report on Government Services (RoGS), but there has been no specific report to Parliament regarding these trends.
- 2.21 The Audit established that NSW Police currently reports on sufficient indicators to be able to adequately measure and report on both productivity and efficiency in a relevant and useful way.

*Department of Justice – NSW Local Court*

- 2.22 The Audit determined that while the Department of Justice has the ability and the available data to track ‘basic productivity and efficiency’<sup>2</sup> trends in the NSW Local Court, the capacity does not exist to develop a more detailed and substantial assessment of these trends. This is due to a lack of data that explores the inputs, outputs and quality of the NSW Local Court services.
- 2.23 The Audit also established that efficiency indicators had been periodically reported by the Department, but efficiency more generally had not been reported over time. Productivity trends and indicators had not been measured or made available.

**Auditor-General’s recommendations**

- 2.24 The Auditor-General made a total of 5 recommendations. These recommendations are detailed in the following table:

**Table 1 - Recommendations made by the Auditor-General in Report No. 256: Identifying productivity in the public sector.**<sup>3</sup>

No.	Recommendation
By December 2015, the Department of Education and Communities, NSW Health, Transport for NSW, NSW Police Force (March 2016 for the Department of Justice) should:	
1	Set productivity and efficiency objectives
2	Set a framework which outlines metrics and methodologies to track productivity trends
3	Report on productivity trends to Parliament
4	If not already doing so, report efficiency trends to Parliament where practicable, as required by the Annual Reports (Departments) Regulation 2010
By June 2016, NSW Treasury should:	
5	As part of Financial Management Transformation and implementation of Program-Based Resource Management: <ul style="list-style-type: none"> <li>• Review the Guide to Economic Performance Measurement (TPP 01-03) to provide more up to date guidance to NSW Government agencies on how to measure productivity and efficiency.</li> <li>• Provide guidance to NSW Government agencies on how to report on productivity and efficiency.</li> </ul>

**Agency responses**

- 2.25 The Chair of the Committee wrote to all agencies that had been subject to the Audit on 26 July 2016 seeking a submission in response to the Performance Audit.

<sup>2</sup> NSW Auditor-General’s Performance Audit Report; Identifying Productivity in the Public Sector, July 2015, p40.

<sup>3</sup> NSW Auditor-General’s Performance Audit Report; Identifying Productivity in the Public Sector, July 2015, p7.



- 2.26 All agencies provided responses detailing progress on the Audit's recommendations, and describing mechanisms to measure and report on productivity trends.
- 2.27 Each agency stated that they had accepted the recommendations made in the Audit, which were in various stages of implementation. The submissions also set out the way in which each agency was interacting with NSW Treasury, given Treasury had been providing guidance to NSW Government agencies on how to report on productivity and efficiency following the Audit.
- 2.28 NSW Health articulated that while they had initially committed to publicly report on the cost of the National Weighted Activity Unit (NWAU), they had determined upon further analysis that they were unable to do this due to increasing commercial sensitivities. NSW Health stated the measure is 'increasingly considered ... market sensitive'<sup>4</sup>, with specific reference to public-private partnerships (PPP's) between NSW Government agencies and the private sector.

### The Committee's examination

- 2.29 The Committee conducted a public hearing on Monday 22 May 2017 to further examine the agency responses to the Performance Audit recommendations. Evidence was taken from nominated representatives of the agencies concerned. A full list of witnesses can be found at Appendix Two. A full transcript of the hearing is available on the Committee's webpage.
- 2.30 The Committee explored the underlying issues related to defining and measuring productivity and the differing approaches taken in response to the Audit recommendations.
- 2.31 In particular, the Committee asked NSW Health to elaborate on the commercial sensitivity of reporting on the cost per NWAU. Ms Elizabeth Koff, Secretary, NSW Health and Dr Nigel Lyons, Deputy Secretary, NSW Health, explained that reporting on the State price was a more effective and meaningful way to describe productivity in the sector.
- 2.32 Dr Lyons added that:
- If you look at the cost, it is always calculated historically, so we need to wait for coding classification and counting. Sometimes it can be up to two years before we get appropriate costing information. It will always be two years behind, or at least 18 months behind as it was in the most recent period. When we set the State price it is clearly taking into account the cost, but it is also reflective of the policy settings that we use in New South Wales, which are around incentivising for quality and safety, or providing appropriate care.<sup>5</sup>
- 2.33 The Committee asked the Department of Education to explain how they are improving productivity measurement and reporting in relation to NAPLAN testing. Dr Jenny Donovan, Executive Director, Centre for Education Statistics and

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<sup>4</sup> Submission No. 2, NSW Health, p3.

<sup>5</sup> Dr Nigel Lyons, Deputy Secretary, Strategy and Resources, NSW Health, Transcript of evidence, 22 May 2017, p6.

Evaluation, explained that while NAPLAN is the 'single consistent measure'<sup>6</sup> of performance in the education system, it is a 'very limited and blunt'<sup>7</sup> measure. Dr Donovan added that NAPLAN will soon be transitioning to an online system which will allow testing to be more adaptive, and subsequently give a more detailed performance breakdown of service delivery.

- 2.34 Witnesses from NSW Police gave evidence about the difficulties in measuring productivity for 'proactive policing'<sup>8</sup>. The Committee explored how these targets could be determined, and how such outputs are measured within the NSW Police Force. Witnesses from both NSW Police and NSW Treasury stated that the financial management transformation being undertaken across NSW Government agencies recognises these complexities, and looks at a diverse range of performance measures to fully understand and increase productivity.
- 2.35 Transport for NSW representatives made a similar point regarding the complexity of measuring productivity outputs in the context of CityRail. Mr Anthony Wing, Executive Director, Transport Policy, outlined the efficiency and efficacy measures that CityRail has reported on following the Auditor General's report. Additionally, Mr Wing noted the work the agency has undertaken to determine and measure various outcomes that relate to productivity, including reporting on customer satisfaction and complaints data.
- 2.36 The Committee asked the Department of Justice to comment on the work they are undertaking to increase productivity measurement and reporting for the functions of the local court. Mr Phil Minns, Deputy Secretary, Corporate Services, Department of Justice, outlined that they are in the process of developing a 'comprehensive business case that goes to the operating model for all courts and tribunals in the system'<sup>9</sup>.
- 2.37 This is expected to provide a more nuanced understanding of the reasons for various delays in the courts and tribunals system, as well as outlining how they will be addressed. Mr Minns noted that the work and recommendations made by the Audit Office are significant in shaping this business case, and directing the modelling undertaken to fully understand the court's inputs, outputs and outcomes.
- 2.38 All agencies emphasised the complexity of defining productivity in the public sector, setting effective benchmarks and usefully measuring relevant inputs and outputs. Agencies also emphasised the need to ensure that the quality of services not be sacrificed when introducing productivity and efficiency measures.

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<sup>6</sup> Dr Jenny Donovan, Executive Director, Centre for Education Statistics and Evaluation, Department of Education, Transcript of evidence, 22 May 2017, p8.

<sup>7</sup> Dr Jenny Donovan, Executive Director, Centre for Education Statistics and Evaluation, Department of Education, Transcript of evidence, 22 May 2017, p8.

<sup>8</sup> Mr Ross Duncombe, Acting Director, Finance and Business Services and Chief Financial Officer, NSW Police Force, Transcript of evidence, 22 May 2017, p10.

<sup>9</sup> Mr Phil Minns, Deputy Secretary, Corporate Services, Department of Justice, Transcript of evidence, 22 May 2017, p12.

### Auditor-General's comments

- 2.39 Acting Auditor-General, Mr Ian Goodwin, and Acting Assistant Auditor-General, Claudia Migotto were present during the public hearing and supplemented the evidence given by the agencies. The Audit Office also provided written feedback on the submissions made by agencies on 14 March 2017.
- 2.40 The Audit Office noted in their written feedback that the agencies had made efforts in setting productivity objectives, and determining how these were reported. The Audit Office did note the need for the Department of Justice and Transport for NSW to provide more detail regarding these mechanisms and how they will implement relevant productivity measures.
- 2.41 During the public hearing, Mr Goodwin clarified the differences between productivity and efficiency, and noted the assistance provided by NSW Treasury in guiding the public sector to improve its understanding and use of productivity targets.
- 2.42 Mr Goodwin noted that:
- ...the work that Treasury is doing through the Financial Management Transformation is certainly important in terms of trying to modernise the management framework of the New South Wales public service, particularly around program based budgeting and reporting, with a policy that should focus on performance and results. It is not easy. I think some of the conversation just highlights that the measure of productivity is as much qualitative as it is quantitative.<sup>10</sup>

### Committee comment

- 2.43 The Committee is satisfied that each agency has made a considerable attempt to clarify what productivity means in the context of the relevant activity set out in the Audit. While there is a need to further develop productivity reporting in the public sector, the agencies demonstrated that they had taken preliminary steps to understand how productivity could be measured and reported.
- 2.44 NSW Health elaborated on what productivity meant for acute inpatient care, and how the unique challenges of measuring productivity in healthcare service delivery can be addressed. Ms Koff explained that 'better value care is a narrative that assists...in driving an efficiency and productivity agenda whilst putting the patient outcome at the centre'.<sup>11</sup>
- 2.45 The Committee notes that there is ongoing work that Departments must undertake to further understand what productivity means within the context of their agencies, and how this can be measured. This is particularly relevant for the Department of Justice, which is developing a framework to clarify and define productivity for local courts.
- 2.46 The Committee acknowledges the complexity of measuring productivity in the public sector, with specific reference to the Audit's findings of the activities of the NSW Police Force and CityRail. The complexity in determining outputs, and the

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<sup>10</sup> Mr Ian Goodwin, Acting Auditor-General, Transcript of evidence, 22 May 2017, p10.

<sup>11</sup> Ms Elizabeth Koff, Secretary, NSW Health, Transcript of evidence, 22 May 2017, p5.

quality of these outputs, must be factored into the development of methodology which looks to measure productivity and efficiency.

- 2.47 The Committee notes the work of NSW Treasury in assisting agencies to define and measure productivity. The Financial Management Transformation project supports this, and attempts to embed productivity reporting in the performance measurement of all agencies. It is important to stress, however, that Treasury must build on and continue this work and set out clear reporting requirements to more precisely measure productivity, and how to achieve improved performance.

#### Recommendation 1

**The Committee recommends that, by December 2018, all agencies set precise productivity and efficiency objectives, and determine appropriate methods for measuring performance against these objectives.**

#### Recommendation 2

**The Committee recommends that the Department of Justice formalises its processes for measuring productivity in the NSW Local Court. This includes determining data collection needs for developing a methodology to analyse productivity and efficiency trends.**

#### Recommendation 3

**The Committee recommends that NSW Treasury formalises its leadership and advisory role, and clarifies the expectations regarding how agencies should be measuring productivity and setting reporting targets.**

## Chapter Three – Transferring out-of-home care to non-government organisations

### Introduction

- 3.1 The 2008 Wood Special Commission of Inquiry into child protection recommended that the government transfer all children in statutory out-of-home care to the non-government sector.
- 3.2 The rationale was that non-government organisations (NGOs) would deliver higher quality services. NGOs providing out-of-home care services at the time had lower caseworker ratios than the government, and were perceived as having better links to the community. They were also accredited with the Office of the Children’s Guardian, which meant they met the New South Wales standards for out-of-home care.<sup>12</sup>
- 3.3 The Department of Family and Community Services (FACS) began transferring children in out-of-home care to NGOs in 2012, with the aim of having all children transferred by mid-2022.

### The performance audit

- 3.4 The Auditor-General assessed how well FACS had developed the out-of-home care sector and managed the transfer of services to NGOs to improve outcomes for children in care.

### Audit conclusions

- 3.5 The Auditor-General concluded that FACS had put considerable effort into developing the out-of-home care sector and was progressing well towards its transfer goals. However, it was difficult to assess whether overall outcomes, such as health, education and welfare for children in care had improved. This was because FACS had not yet determined the specific well-being outcomes it wanted to achieve.<sup>13</sup>

### Auditor-General’s recommendations

- 3.6 The Auditor-General made a total of 8 recommendations, all of which were addressed to the Department of Family and Community Services. These recommendations are detailed in the following table:

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<sup>12</sup> NSW Auditor-General’s Performance Audit Report, Transferring out-of-home care to non-government organisations, September 2015, p5.

<sup>13</sup> NSW Auditor-General’s Performance Audit Report, Transferring out-of-home care to non-government organisations, September 2015, p2.

**Table 2 - Recommendations made by the Auditor-General in Report No. 257: Transferring out-of-home care to non-government organisations<sup>14</sup>**

No.	Recommendation
The Department of Family and Community Services should:	
1	Finalise all policies and procedures on how NGOs should deliver out-of-home care services to ensure they remain relevant
2	Improve how it measures its success by: <ul style="list-style-type: none"> <li>a) Clarifying its targets for transferring children, including whether these should be expressed as a number or percentage, to ensure that it correctly reports on its progress with the transfer of children to NGOs</li> <li>b) Developing well-being outcomes for children in care and aligning the funding model to support these</li> <li>c) Developing targets for all its outcome measures, including the number of children being adopted or safely returned to their birth family</li> </ul>
3	Develop, in collaboration with the Aboriginal community, a clear strategy for delivering out-of-home care services for Aboriginal children
4	Ensure that procurement plans for developing the out-of-home care sector closely align with growth targets
5	Restructure the funding model to: <ul style="list-style-type: none"> <li>a) Increase the use of permanency options such as adoption and safely returning children to their birth family</li> <li>b) Ensure it covers additional costs, such as those associated with cultural considerations and operations in regional areas</li> </ul>
6	Review the use of the Child Assessment Tool to ensure it is consistently applied across New South Wales
7	Improve predictions of demand for out-of-home care places and better match funded places to that demand
8	Revise its dashboard reporting to ensure it clearly displays progress against targets and trends in key outcomes

### Agency responses

3.7 FACS supported all but one of the Auditor-General's recommendations. It rejected recommendation 2c, stating that setting targets for adoption implies that the target should drive behaviour rather than what is in the best interest of the child.<sup>15</sup> It also considers it inappropriate to set such targets when there is an emphasis on reducing entries to care and improving restorations.<sup>16</sup>

<sup>14</sup> NSW Auditor-General's Performance Audit Report, Transferring out-of-home care to non-government organisations, September 2015, p4.

<sup>15</sup> NSW Auditor-General's Performance Audit Report, Transferring out-of-home care to non-government organisations, September 2015, p23.

<sup>16</sup> Submission 7, Department of Family and Community Services, correspondence to the Chair of the Public Accounts Committee dated 30 September 2016, p3.

## The Committee's examination

- 3.8 The Chair wrote to the Department of Family and Community Services on 6 September 2016 to request a submission detailing the actions the agency had taken in response to the Auditor-General's report. This was provided on 30 September 2016 and subsequently forwarded to the Auditor-General for comment. A response was provided on 14 March 2017.
- 3.9 As a result of the information provided, the Committee resolved to conduct a public hearing on 22 May 2017, to take further evidence from representatives of the Department of Family and Community Services. The names of witnesses are provided at Appendix Two. A full transcript of the hearing is available on the Committee's webpage.

### *Their Futures Matter permanency support program*

- 3.10 FACS informed the Committee that following a review of out-of-home care services in 2016, the Department and the non-government sector embarked upon reforms referred to as *Their Futures Matter*. This has resulted in a significant reorientation of the system towards a focus on making permanent care decisions earlier.<sup>17</sup>
- 3.11 These reforms supersede the Service Delivery Guidelines that were in place at the time of the Auditor-General's report. New guidelines are currently in draft form and will be released when the permanency support program commences on 1 October 2017. The OOHC Case Management Policy and the Aboriginal Case Management Policy are also being updated for the commencement of the new program.<sup>18</sup>
- 3.12 The way targets are reported and monitored has also changed under the new program. Recalibrated targets align to the new funding packages, meaning children will be given a permanent case plan goal of restoration, guardianship or open adoption. FACS will work towards these revised targets in the first two years of the program operating.<sup>19</sup>

### *Improved funding model*

- 3.13 The 2016 review found that the current out-of-home care system is designed around programs and service models and not sufficiently focused on improving permanency, safety and well-being outcomes for children. The *Their Futures Matter* reforms will incentivise and reward NGOs for focusing on permanency by funding preservation, restoration, guardianship and open adoption services.

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<sup>17</sup> Ms Deidre Mulkerin, Deputy Secretary, Commissioning, Department of Family and Community Services, Transcript of evidence, 22 May 2017, p14.

<sup>18</sup> Ms Simone Czech, Executive Director, Design, Innovation, safety and Permanency, Department of Family and Community Services, Transcript of evidence, 22 May 2017, p15.

<sup>19</sup> Ms Simone Czech, Executive Director, Design, Innovation, safety and Permanency, Department of Family and Community Services, Transcript of evidence, 22 May 2017, p15.

There will also be mandatory review periods to ensure the goal of permanency is achieved within two years.<sup>20</sup>

- 3.14 To better support well-being outcomes for children in care, the department's funding model will change from having a single unit price per child to providing funding packages that more closely tie to the individual needs of the child.<sup>21</sup>
- 3.15 Out-of-home care service providers were to be on outcomes based contracts by 1 July 2017. The new contracts will enable procurement plans to closely align with growth targets for the transition to NGOs and promote capacity building within the Aboriginal sector.<sup>22</sup>
- 3.16 To better match placement with demand, FACS has a number of projects in progress that closely monitor the movements of children in and out of out-of-home care placements. The Department also continues to work with NSW Treasury on modelling and reporting that can forecast the cost of out-of-home care.<sup>23</sup>

### *Well-being outcomes*

- 3.17 A new quality assurance framework is being trialled to address the question of whether FACS' policies improve the well-being outcomes of children in its care. The framework will allow the sector to continuously assess, assure and improve the quality of services provided by out-of-home care providers in the areas of permanency, safety, well-being and cultural identity.<sup>24</sup>
- 3.18 FACS informed the Committee that it had been working with the Aboriginal Child, Family and Community Care State Secretariat (Absec) to develop a clear strategy for delivering out-of-home care services for Aboriginal children. A 10-year capacity building strategy for the Aboriginal sector was being finalised.<sup>25</sup>

### Auditor-General's comments

- 3.19 The Acting Auditor-General, Mr Ian Goodwin was present during the public hearing and had nothing further to add following the Committee's questioning. He acknowledged that by virtue of the complexity of the subject matter implementing some of the recommendations remained a work in progress.<sup>26</sup>

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<sup>20</sup> Ms Deidre Mulkerin, Deputy Secretary, Commissioning, Department of Family and Community Services, Transcript of evidence, 22 May 2017, p14.

<sup>21</sup> Ms Eleri Morgan-Thomas, Executive Director, Service System Commissioning, Department of Family and Community Services, Transcript of evidence, 22 May 2017, p16.

<sup>22</sup> Submission 7, Department of Family and Community Services, correspondence to the Chair of the Public Accounts Committee dated 30 September 2016, p4.

<sup>23</sup> Submission 7, Department of Family and Community Services, correspondence to the Chair of the Public Accounts Committee dated 30 September 2016, p5.

<sup>24</sup> Ms Deidre Mulkerin, Deputy Secretary, Commissioning, Department of Family and Community Services, Transcript of evidence, 22 May 2017, pp14-15.

<sup>25</sup> Ms Eleri Morgan-Thomas, Executive Director, Service System Commissioning, Department of Family and Community Services, Transcript of evidence, 22 May 2017, p16.

<sup>26</sup> Mr Ian Goodwin, Acting Auditor-General, Audit Office of NSW, Transcript of Evidence, 22 May 2017, p19.



### Committee comment

- 3.20 The Committee is satisfied that FACS has completed or is taking action to implement the outcomes the Audit-General's recommendations sought to achieve.
- 3.21 The Committee acknowledges the complexity and magnitude of transferring all out-of-home services to the non-government sector and commends the Department for the significant transformation already achieved.
- 3.22 The Committee is pleased to learn that new reforms will focus on preventing vulnerable children entering out-of-home care and establishing early permanency goals if they do.
- 3.23 While noting that it is still the case that no unaccredited Aboriginal agency has become independent of its partner, the Committee commends the work FACS has done in collaboration with AbSec in developing capacity within the Aboriginal sector.

## Chapter Four – Albert 'Tibby' Cotter Walkway

### Introduction

- 4.1 The Albert 'Tibby' Cotter Walkway crosses Anzac Parade at Moore Park. Its stated primary function is to cater for event patrons in the precinct and to improve suburban connections for other pedestrians and cyclists.<sup>27</sup>
- 4.2 The walkway is listed on the State Heritage Register and was built by a project alliance, known as the CBD Alliance. Alliance contracting is a procurement method used to deliver major capital projects, where public sector agencies work collaboratively with private sector organisations.<sup>28</sup>
- 4.3 Following the Premier's announcement of the project in February 2014, the walkway was completed within a very tight timeframe and ready for public use for the 2015 Cricket World Cup at the Sydney Cricket Ground.<sup>29</sup>

### The performance audit

- 4.4 The Audit's main aim was to determine whether Transport for NSW (TfNSW) and Roads and Maritime Services (RMS) adhered to relevant procedures and whether the walkway represented value for money.

### Major audit findings

- 4.5 The Audit found that the processes adopted by TfNSW and RMS did not provide adequate assurance that the tight timeframe for construction was justified. Moreover, there was no final business case and no Gateway review completed for the project, as required by the Government's project assurance system.<sup>30</sup>
- 4.6 Furthermore, the project was designed and prepared without proper consultation with the Heritage Council, which resulted in extensive design changes and a substantial increase in costs.

### Audit conclusions

- 4.7 The Audit Office found that although RMS delivered the walkway within the promised timeframe, this was achieved at significant cost, projected to be \$38 million.<sup>31</sup>
- 4.8 The Audit report noted that neither TfNSW nor RMS were able to provide adequate justification for the construction of the walkway or its tight deadline.

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<sup>27</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p2.

<sup>28</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p2.

<sup>29</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p10.

<sup>30</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p3.

<sup>31</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p2.

- 4.9 The subsequent involvement of the Heritage Council added an extra \$10.6 million to the initial \$25 million estimated cost of construction.

### Auditor-General's recommendations

- 4.10 The Auditor-General made a total of three recommendations addressed to Transport for NSW and Roads and Maritime Services. These recommendations are detailed in the following table:

**Table 3 - Recommendations made by the Auditor-General in Report No. 260: Albert 'Tibby' Cotter Walkway**<sup>32</sup>

No.	Recommendation
1	<p>TfNSW and RMS should follow Treasury capital program assurance requirements and before any public announcement of a project:</p> <ul style="list-style-type: none"> <li>a) prepare a robust preliminary business case adequately justifying the project and analysing the costs and benefits of any unusually tight deadline</li> <li>b) arrange a Gateway review of the preliminary business case and address issues arising from the review.</li> </ul>
2	<p>TfNSW and RMS should follow Treasury capital program assurance requirements and:</p> <ul style="list-style-type: none"> <li>a) prepare a robust final business case demonstrating the worth of the project and analysing the costs and benefits of any unusually tight deadline</li> <li>b) arrange a Gateway review of the final business case and address issues arising from the review.</li> </ul>
3	<p>RMS should, for future alliances:</p> <ul style="list-style-type: none"> <li>a) liaise with Treasury to determine if the Treasurer's approval for the alliance is required</li> <li>b) ensure it effectively implements assurance processes as per its alliancing guidelines</li> <li>c) comply with relevant Treasury capital project reporting requirements.</li> </ul>

### Agency responses

- 4.11 Both TfNSW and RMS acknowledged and accepted the Auditor-General's report findings and provided a progress report outlining the implementation of the recommendations.
- 4.12 The Audit Office reviewed the agencies' responses and advised that the actions listed adequately addressed the intent of the report's recommendations.<sup>33</sup>

<sup>32</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p4.

<sup>33</sup> Letter from Auditor-General of NSW to Chair of Public Accounts Committee dated 14 March 2017.

## The Committee's examination

- 4.13 As part of the Committee's follow up of the performance audit, the Chair of the Public Accounts Committee, Mr Bruce Notley-Smith MP, wrote to both TfNSW and RMS on 6 September 2016 inviting responses to the Auditor-General's recommendations. RMS provided their response to the Committee on 13 October 2016 and TfNSW provided their response on 21 October 2016. These responses were forwarded to the Auditor-General, who provided further comments on 14 March 2017.
- 4.14 After considering the agency responses and the further written comments provided by the Auditor-General, the Committee determined that it would call for additional evidence at a public hearing conducted on 22 May 2017. The names of witnesses are provided in Appendix Two. A full transcript of the hearing is available on the Committee's webpage.
- 4.15 RMS represented both agencies at the public hearing.
- 4.16 Mr Ken Kanofski, Chief Executive Officer RMS, advised in his opening statement that the walkway
- ...was delivered by Roads and Maritime Services (RMS) as a project identified in the New South Wales long-term transport master plan, and previously identified in the Centennial Park and Moore Park Trust plans.<sup>34</sup>

### *Preliminary and Final Business Plan*

- 4.17 As well as finding that TfNSW and RMS did not provide adequate justification for the tight completion dates for the construction of the walkway, the Audit report also found that the preliminary business case prepared by both agencies was not signed off.<sup>35</sup> A key recommendation of the Audit Office was that final business cases should be prepared, outlining the benefits and costings of projects with short timeframes.
- 4.18 When the Committee asked for its views about the adequacy of the business case for initial construction, RMS stated that even though a business case was completed, this particular project was exceptional and therefore not assessed in the usual way.<sup>36</sup>
- 4.19 TfNSW and RMS outlined the steps taken by their agencies to ensure the preparations of preliminary and final business plans were now undertaken and how these processes have been improved.
- 4.20 The establishment of the Infrastructure Portfolio Support Office (IPSO) employs a five program office model, created to provide organisational structure to deliver increased capital expenditure and new reporting requirements. A major function of the IPSO is to manage the Investor Assurance processes prescribed by TfNSW

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<sup>34</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p20.

<sup>35</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p8.

<sup>36</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p20.

and Infrastructure for NSW which include the Business Case submissions and Gateway Reviews.<sup>37</sup>

- 4.21 RMS outlined the various steps taken to continuously improve and enhance the agencies' preparation of business cases.
- 4.22 TfNSW stated that strict requirements are adhered to in relation to the preparation of strategic and final business cases and this proposal is incorporated in the Transport Business Case Policy.<sup>38</sup>
- 4.23 The development of the investor assurance framework and the current restructure of the Finance and Investment Division further assist TfNSW with business case planning and preparation.

#### *Gateway Review*

- 4.24 The Audit found that there was no Gateway review in relation to the preliminary and final business cases for the walkway by both TfNSW and RMS, even though it is required by the government's project assurance system.<sup>39</sup> RMS and TfNSW both accept that a Gateway review for this project was not completed.
- 4.25 Gateway reviews are reviews of major procurement projects at up to six defined decision points (or gates) in the project's procurement cycle. The review assesses the robustness of the project proposal and contributes to improve its ultimate performance.<sup>40</sup> Gateway reviews of preliminary business case are to be completed prior to any announcement of the project and to all projects costing an estimated total over \$10 million.
- 4.26 RMS acknowledged the need to improve its processes and quality of reviews by rolling out a new Project Management Framework and the establishment of the IPSO to assist with improving procedures.<sup>41</sup>

#### *CBD Alliance*

- 4.27 As the project was delivered using the CBD Alliance methodology, the Chair asked RMS to describe the nature of this particular process and its benefits. Mr Kanofski explained to the Committee that

...an alliance style of contracting is where the principals are the same...form and alliance to manage the delivery of the overall design and construction of the contract, with incentives in place to minimise the costs and maximise the effectiveness of the delivery.<sup>42</sup>

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<sup>37</sup> Submission 11, Road and Maritime Services - Attachment A to letter addressed to the Chair of Committee dated 27 September 2016.

<sup>38</sup> Submission 10, Transport for NSW - Attachment A to letter addressed to the Chair of Committee dated 19 October 2016.

<sup>39</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p13.

<sup>40</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p12.

<sup>41</sup> Submission 11, Road and Maritime Services - Attachment A to letter addressed to the Chair of Committee dated 27 September 2016.

<sup>42</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p20.

- 4.28 He went on to explain that the delivery of the project, and therefore most of the costs associated with the project, were still part of the tendering process and thus the responsibility of the alliance company and not RMS. In relation to the walkway, Mr Kanofski advised that 71% of the expenditure was via tender processes.<sup>43</sup>
- 4.29 RMS advised that the finalisation of the walkway could not have been achieved had it not been for this sequential process. Therefore, the decision was made to go ahead, as opposed to continuing with a fixed-price contract which requires extensive information prior to commencement of a project.<sup>44</sup>
- 4.30 The Audit report referenced alliancing as a relatively costly procurement method and reiterated that the cost structure of the CBD Alliance was high.<sup>45</sup>

### *Cost of Walkway*

- 4.31 As highlighted in the Audit report, the final cost of the walkway was substantially higher than the initial estimate made by RMS. Furthermore, the cost estimate used in the preliminary business case was for a design which had already been rejected by the Heritage Council.
- 4.32 When questioned about the actual costs of the walkway, RMS advised that the original estimate was \$25 million. Changes to the bridge (imposed by the Heritage Council) resulted in the final cost reaching \$38 million. The Heritage Council not only requested changes to the design of the bridge, but also labelled the walkway not fit-for-purpose, which contributed to the increased final cost.
- 4.33 RMS informed the Committee they had engaged expert independent assessors, who declared that the Heritage Council's intervention added an extra \$10 million to the final cost.

### *Heritage Council*

- 4.34 The Audit report noted that RMS underestimated the need to obtain Heritage Council approval and did not foresee Council requests for changes to the design.<sup>46</sup>
- 4.35 The Committee asked RMS to provide information regarding the involvement of the Heritage Council in the project. Mr Kanofski stated that the Heritage Council was required to give approval under Section 60 of the Heritage Act.<sup>47</sup>
- 4.36 He further went on to advise that the
- ...original designs were developed in collaboration with the NSW Government Architect, the heritage division of the Office of Environment and Heritage, heritage advisers Godden MacKay Logan, architectural and landscape designers Hassell, the

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<sup>43</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p21.

<sup>44</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p21.

<sup>45</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p3.

<sup>46</sup> NSW Auditor-General's Performance Audit Report; Albert 'Tibby' Cotter Walkway, 17 September 2015, p11.

<sup>47</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p21.

Sydney Cricket and Sports Ground Trust and the Centennial Park and Moore Park Trust.<sup>48</sup>

- 4.37 When asked by the Chair whether RMS assumed that the design of the bridge would be approved due to the involvement of heritage architects, RMS responded that they accepted the decision of the Heritage Council. RMS also advised that the cost of the project would inevitably have increased due to the additional amendments requested by the Council and the walkway redesign.
- 4.38 The exact dates surrounding the Heritage Council's first engagement with the project could not be provided by RMS.
- 4.39 Furthermore, RMS told the Committee that it relied on the Heritage Office's advice regarding Heritage Council requirements, as well as obtaining additional planning approvals.

#### *Statistics relating to use of walkway*

- 4.40 The Committee questioned RMS about the level of use and traffic on the walkway. RMS emphasised its utility during major events and provided the Committee with pedestrian traffic statistics outside major events. This showed that 985 people used the bridge on any given day that is 75% pedestrian (785) and 25% cyclists (230). These figures related to a 12 month period from October 2015 – October 2016.<sup>49</sup>
- 4.41 There are also additional options for accessing Moore Park, such as via Devonshire and Foveaux Streets. The commissioning of the light rail will result in substantial changes to wayfinding and signage<sup>50</sup> and statistics on the desired walking route from both stadiums is not readily available.
- 4.42 According to RMS, whereas the walkway's primary design was to deal with large crowds using the facilities within the cricket and football stadiums, it has also proven popular with cyclists using the bridge to safely cross Anzac Parade.

#### **Auditor-General's comments**

- 4.13 Acting Auditor-General, Mr Ian Goodwin, and Acting Assistant Auditor-General, Claudia Migotto were present during the public hearing and supplemented the evidence given by the agencies. The Acting Auditor-General was satisfied with the steps taken by TfNSW and RMS to implement the Audit recommendations.<sup>51</sup>

#### **Committee comment**

- 4.14 The Audit report made reference to the January 2012 NSW Commission of Audit Interim Report – Public Sector Management, recommending that a national policy and guidelines for alliance contracting should be implemented. The NSW Government is yet to respond to this recommendation and RMS was unable to update the Committee on its implementation.

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<sup>48</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p21.

<sup>49</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p22.

<sup>50</sup> Mr Ken Kanofski, Chief Executive Officer, Roads and Maritime Services, Transcript of Evidence, 22 May 2017, p23.

<sup>51</sup> Mr Ian Goodwin, Acting Auditor-General, Audit Office of NSW, Transcript of Evidence, 22 May 2017, p25.

- 4.15 In the absence of a defined policy for alliance contracting, this Audit provides a salient illustration of the necessity to follow Treasury Guidelines when undertaking high risk and costly projects. According to NSW Government Procurement Policy, such projects should be based on a demonstrated and properly developed business case. Each such project should also comprise a reconfirmed business case prior to calling tenders, a post tender review report prior to awarding contracts, and a variation report to document cost increases.
- 4.16 The Committee notes the actions taken by TfNSW and RMS to fulfil the recommendations in the audit report and the Acting Auditor-General's feedback on the responses provided by the agencies, the progress undertaken by TfNSW and RMS and the evidence given by RMS at the public hearing.

#### Recommendation 4

**The Committee recommends that the NSW Government gives further consideration to implementing the National Policy and Guidelines for Alliance Contracting, as recommended in the January 2012 NSW Commission of Audit Interim Report Public Sector Management.**



# Chapter Five – Government Assistance to Industry

## Introduction

- 5.1 Governments provide industry assistance to achieve a range of policy objectives, including: facilitating economic growth or employment; supporting regional development; or growing priority industries.
- 5.2 While industry assistance can take many forms, such as: grants; tax concessions; support for research and development; promotional activities; and assistance for industry adjustment, it may be difficult to measure and evaluate the impact of direct assistance.<sup>52</sup>
- 5.3 The *Productivity Commission Act 1988* defines government assistance to industry as:
- ...any act that, directly or indirectly: assists a person to carry on a business or activity; or confers a pecuniary benefit on, or results in a pecuniary benefit to, a person in respect of carrying on a business or activity.<sup>53</sup>
- 5.4 The Auditor-General noted that industry assistance is often justified as a response to market failure, where the free market fails to allocate resources efficiently and relies on the promise of positive externalities, such as flow on jobs and investments.<sup>54</sup>
- 5.5 Governments may provide direct assistance to industry to attract and compete for footloose firms or projects because of the perceived employment and income generation benefits for the State. Footloose firms or projects are those that are not tied to specific resources and are able to choose the location of operation over different States or countries.<sup>55</sup>
- 5.6 The Auditor-General referred to a number of NSW Government agencies administered programs providing direct and indirect assistance to industry for a wide range of objectives. Prior to July 2015, the former Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) was the responsible agency for the former NSW 2021 State Plan goals to drive regional economic growth and increase the competitiveness of doing business in NSW.
- 5.7 DTIRIS nominated eleven programs which were provided with direct financial assistance to industry, including: the Arts and Cultural Development Program; NSW Rural Assistance Authority; Arts Infrastructure Support Program; Coal Innovation NSW, Destination NSW; Regional Industries Investment Fund; Research Attraction and Acceleration Program; Destruction of Noxious Weeds;

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<sup>52</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p5.

<sup>53</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p5.

<sup>54</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p6.

<sup>55</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p6.

Screen NSW; Global Growth Program/Export Accelerator Program and the State Investment Attraction Scheme.

- 5.8 During the course of the Audit, the NSW Government established the Jobs for NSW Fund. The Fund replaced the State Investment Attraction Scheme and the Regional Industries Investment Fund.

### The performance audit

- 5.9 The performance audit assessed whether the former DTIRIS could demonstrate that its assistance to Industry is effective. The Audit was restricted to direct industry assistance and did not cover tax concessions or regulatory assistance.
- 5.10 The Auditor-General's report answered three questions:
- (a) Does the NSW Government have a rationale that properly justifies industry assistance and is that rationale consistent with government priorities?
  - (b) Is the scale and coverage of industry assistance funding consistent with government priorities?
  - (c) Are industry assistance programs evaluated to ensure that expected benefits have been achieved?
- 5.11 Of the eleven programs identified by DTIRIS as providing direct assistance to industry, the Audit Office of NSW chose seven to examine in detail, as follows:
- (a) Coal Innovation NSW Fund
  - (b) Arts Funding Program
  - (c) Arts Infrastructure Support Program
  - (d) Research Attraction and Acceleration Program (RAAP), specifically the TechVouchers Program which is funded by RAAP
  - (e) Global Growth Program (GGP)/ Export Accelerator Program (EAP)
  - (f) State Investment Attraction Scheme (SIAS)
  - (g) Regional Industries Investment Fund (RIIF)
- 5.12 The Audit Office reviewed a selection of projects supported through the RIIF, SIAS and GGP/EAP.
- 5.13 During the course of the Audit and at the time of writing the Audit report, the NSW Government transferred responsibility for several industry assistance programs. The Justice Cluster is now responsible for the Arts Funding Program and the Arts Infrastructure Support Program. The Department of Premier and Cabinet is responsible for investment facilitation and export attraction.

## Audit conclusions

- 5.14 The Auditor-General made ten recommendations, eight of which were addressed to the Department of Industry, Skills and Regional Development (DISR) and two addressed jointly to the Department of Premier and Cabinet (DPC) and DISR.
- 5.15 The Audit concluded the former DTIRIS was unable to demonstrate that direct assistance provided to industry was effective in achieving long term industry development objectives.<sup>56</sup>
- 5.16 For the purposes of this Chapter, the former Department of Trade and Investment, Regional Infrastructure and Services and Department of Industry, Skills and Regional Development will be referred to as ‘the Department’.

### *Rationale for provisions of industry assistance*

- 5.17 The Auditor-General found that the lack of principles or guidelines to determine when it is appropriate to provide public money to private businesses is a concern for accountability.<sup>57</sup>
- 5.18 The Auditor-General noted that, while the *NSW Economic Development Framework (2013)*<sup>58</sup> was the strategic plan most relevant to the industry assistance programs, the framework did not outline a clear and overarching rationale for providing direct assistance to industry. The Audit Office defined ‘rationale’ as a set of reasons justifying the use of industry assistance as a tool to achieve industry development objectives.
- 5.19 The Audit report noted the Department’s claim that its programs were developed as a result of government priorities, and that this would provide sufficient rationale for using direct industry assistance. While the Auditor-General agreed that program objectives generally reflected Government priorities, this did not provide sufficient justification for using direct financial assistance to achieve these objectives.<sup>59</sup>
- 5.20 The Auditor-General noted that the Department had developed a program evaluation framework which was implemented in August 2012. The framework provided a template for staff to evaluate existing departmental programs and new program proposals. The first step in the process involved the determination of the issue or challenge that an existing or proposed program aimed to address and whether there was a role for the Department.
- 5.21 As part of the assessment, the framework questioned whether the outcome sought is consistent with a NSW 2021 goal, a NSW Trade and Investment Strategic Plan outcome, correcting a market failure and/or promoting a social equity goal.

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<sup>56</sup> NSW Auditor-General’s Performance Audit Report, Government Assistance to Industry, 17 December 2015, p5.

<sup>57</sup> Audit Report, executive summary, p2.

<sup>58</sup> Department of Industry, Skills and Regional Development, Developing Growth Through Partnership: The NSW Economic Development Framework <[Developing Growth Through Partnership: The NSW Economic Development Framework](#)>, viewed on 25 July 2017

<sup>59</sup> NSW Auditor-General’s Performance Audit Report, Government Assistance to Industry, 17 December 2015, p10.

- 5.22 The Auditor-General found that only market failure was well defined and the other criteria were too broad or were not sufficiently defined.<sup>60</sup>
- 5.23 In addition, while the *DTIRIS' Strategic Plan 2012-2015* set out key areas, intended outcomes and strategies, and key performance indicators, the Auditor-General found a weak link between programs and high level measures.<sup>61</sup>
- 5.24 For instance, assistance provided to a manufacturing firm to invest in a new factory contributes to business investment growing by an average of 4% each year. However, the Auditor-General concluded that these key performances are too high-level to hold the Department's activities to account. If business investment did grow by an annual average of 4%, it was more likely due to general economic conditions than industry assistance programs.<sup>62</sup>
- 5.25 The Auditor-General noted that DTIRIS published information on the total level of expected benefits from its assistance programs in terms of additional jobs, capital investment and exports. However, the reporting was inconsistent and, in some instances, there was a combination of different programs which did not allow for the attribution of benefits to individual programs or differentiation between direct and indirect assistance.
- 5.26 Project benefits were assessed through upfront cost benefit analysis (i.e. evidence of jobs created, export or capital expenditure outcomes) as conditions of payment according to milestones achieved. Where milestones were only partially achieved, total payment was reduced.
- 5.27 Furthermore, the Auditor-General noted the lack of reporting on whether the benefits were sustained beyond payment. With the absence of such information, the Department was unable to demonstrate the extent to which an industry had been 'developed'.

*The scale and coverage of industry assistance funding and evaluation of industry assistance programs*

- 5.28 The Auditor-General found that the Department was unable to demonstrate the scale of coverage of its industry assistance programs, consistent with government priorities. This was due to a lack of consistent information collection, the absence of comprehensive reporting on support provided to priority industries or regions and an inability to demonstrate the delivery of sustained benefits, due to limited ex-post evaluation.
- 5.29 Additionally, the Auditor-General noted that, while the information published for most programs was adequate, if not extensive, the information provided for the Information for the Regional Industries Investment Fund or the State Investment Attraction Scheme was insufficient for public accountability purposes. The information provided did not detail how much assistance companies received and was not in a single location, thus limiting accessibility. Although the Auditor-General was aware that the Department must balance commercial

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<sup>60</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p11.

<sup>61</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p12.

<sup>62</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p13.

confidentiality, future applicant expectations and transparency, the information provided was insufficient for providing public money to private companies.

### Auditor-General's recommendations

5.30 The Auditor-General made a total of ten recommendations, all of which were addressed to the Department of Industry, Skills and Regional Development while two recommendations were addressed to the Department of Premier and Cabinet. These recommendations are detailed in the following table:

**Table 4 - Recommendations made by the Auditor-General in Report No. 262: Government Assistance to Industry<sup>63</sup>**

No.	Recommendation
By September 2016, the Department of Industry, Skills and Regional Development and the Department of Premier and Cabinet should:	
1	jointly develop a whole-of-government definition for industry assistance
2	jointly develop guiding principles for the circumstances when providing direct assistance to industry is appropriate, including genuine market failures, sustainability of firms, long term industry viability, and demonstrating net community benefits through requiring comprehensive cost-benefit analysis for assistance above \$200,000.
By September 2016, the Department of Industry, Skills and Regional Development should:	
3	develop departmental level targets for industry development outcomes
4	develop targets for each industry assistance program which align with Departmental level targets
5	report comprehensive industry assistance program information annually, covering: overall level of assistance (both direct and indirect); program administration costs; level of assistance by priority industry sector; geographic coverage; number of applicants and number of approved projects; ongoing program benefits (expected and realised)
6	increase the amount and detail of public reporting on all projects that receive direct industry assistance, including the amount of assistance provided (where this is not possible, the Department should outline why), recipient name, industry, project description and benefits
7	review industry assistance programs to ensure objectives are clearly defined (i.e. specific, measurable and time-related)
8	review the suite of industry assistance programs to determine whether coverage of regions and priority industries is appropriate and the extent of overlap between programs
9	evaluate the State Investment Attraction Scheme and Regional Industries Investment Fund to inform the design of the Jobs for NSW Fund. The evaluations should be done at arms-length from the responsible program managers, address whether the programs achieved long term benefits and met their objectives efficiently, and be made public
10	establish a schedule of formative and summative evaluations for all programs that use direct industry assistance.

<sup>63</sup> NSW Auditor-General's Performance Audit Report, Government Assistance to Industry, 17 December 2015, p4.

## Agency responses

- 5.31 In responding to the Audit, the Department of Industry, Skills and Regional Development accepted all recommendations (five recommendations with qualification and five without qualification) and the Department of Premier and Cabinet accepted two recommendations with qualification.
- 5.32 In their joint response, the DISR and DPC accepted recommendations 1 and 2 with qualification. While DISR and DPC agreed that a whole of government definition of industry assistance would provide increased consistency across Government, they noted that any single definition would not reflect the diverse nature and objectives of industry assistance programs.<sup>64</sup>
- 5.33 In relation to recommendation 2, both agencies accepted the need to jointly develop a project assessment framework to outline the circumstances when providing direct assistance to industry is appropriate. Where suitable, a cost benefit analysis would be used to determine potential impact. In addition, the DISR has a range of program-specific objectives and associated principles for the provision of industry assistance.<sup>65</sup>
- 5.34 The release of the Auditor-General's report coincided with the NSW Government's decision to close the State Investment Attraction Scheme (SIAS) and Regional Industries Investment Fund (RIIF) and establish the Jobs for NSW and the Jobs for NSW Fund.
- 5.35 In their response, DISR advised that their primary goals were job creation and endorsing the Project Assessment Framework to guide investment into job creation projects in NSW.
- 5.36 In preparation for the Jobs for NSW Initiative, DISR commissioned an independent review of industry assistance programs, focusing on eight principal activities and programs, including the SIAS and RIIF.
- 5.37 While the DISR agreed to provide program or combined level information, it expressed concerns that public reporting of aid granted to recipients would weaken the negotiating position of the Government.

## The Committee's examination

- 5.38 The Committee examined the agencies' responses and sought further information in writing in relation to recommendations 5 and 6.
- 5.39 In its subsequent response, the Department of Industry, Skills and Regional Development informed the Committee that Jobs for NSW supported public accountability and transparency. The DISR noted the new commercial agreement entered into by Jobs for NSW
- 5.40 DISR clarified that at 30 July 2016, Jobs for NSW had not launched any financial support products and that the payments reported in the Annual Report were legacy programs from the previous State Investment Attraction Scheme and

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<sup>64</sup> Submission 13 Department of Industry pg. 3

<sup>65</sup> Submission 13 Department of Industry, p3.

Regional Industries Investment Fund. These contracts were signed prior to the creation of Jobs for NSW and were commercial-in-confidence.<sup>66</sup>

- 5.41 Furthermore, Jobs for NSW intends to report on projects in greater detail in its future annual reports. This will require agreement from recipients, the Jobs for NSW Board and the Minister for Skills who under the *Jobs for NSW Act 2015*, may choose to release the Jobs for NSW Annual report in part or in full.<sup>67</sup>
- 5.42 DISR has informed the Committee that Jobs for NSW has released a large amount of information in various forms. The Jobs for NSW website has provided information in relation to the provision of financial services in NSW including the company name, industry, project description, financial product and amount of support, and interviews with the recipient.
- 5.43 Other forms include clients supported by Jobs for NSW participating in public events to discuss the type of financial support provided by Jobs for NSW, case studies to describe the company, detail the amount of support provided and jobs created and published program level information through social media channels.

#### Auditor-General's comments

- 5.44 The Auditor-General noted the release of their report coincided with the NSW Government's decision to close the State Investment Scheme and Regional Industries Investment Fund and the establishment of the Jobs for NSW Fund. Furthermore, by establishing Jobs for NSW, it was considered that the Department had adequately addressed the intent of most of the recommendations.

#### Committee comment

- 5.45 The Committee was broadly satisfied that the Department of Industry, Skills and Regional Development and the Department of Premier and Cabinet had fulfilled the requirements of the Audit.

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<sup>66</sup> Mr Simon Smith, Secretary, Department of Industry, correspondence to the Chair of the Public Accounts Committee, dated 18 May 2017.

<sup>67</sup> *Jobs for NSW Act 2015* (NSW)

# Chapter Six – Mental health post-discharge care

## Introduction

- 6.1 The NSW Government funds Local Health Districts (LHDs) to provide specialist mental health care to consumers with severe mental illness. These services include:
- (a) Specialised mental health care delivered in public acute hospitals and standalone psychiatric hospitals;
  - (b) Specialised community mental health care services;
  - (c) Specialised residential mental health care services; and
  - (d) Other mental health-specific services in community settings, such as the Housing and Accommodation Support Initiative (HASI), which provides people with mental health problems access to stable housing linked to clinical and psychosocial rehabilitation services.<sup>68</sup>
- 6.2 In addition, mental health services are delivered in a range of other care settings, such as those provided by: General Practitioners (GPs); specialist private psychiatrists; private psychiatric hospitals; residential facilities; and Non-Government Organisations based services, including services funded by the Australian or State Government.
- 6.3 Hospital discharge is a critical transition point in the delivery of mental health care. The Auditor-General emphasised the importance of post-discharge follow-up for consumers leaving hospital after an admission for an episode of mental illness. These consumers often experience a heightened level of vulnerability and, without adequate follow-up, this can result in possible relapse or readmission.<sup>69</sup> It should be noted, however, that follow-up care is not a standalone intervention but part of the continuum of care.
- 6.4 In December 2014, the NSW Government announced reforms to mental health care service delivery. These reforms responded to a 10-year strategic plan prepared by the NSW Mental Health Commission called *Living Well: A Strategic Plan for Mental Health in NSW 2014-2024*.<sup>70</sup> Among the reforms was a commitment over the next ten years for “...more support for staying well and at home as community mental health services are enhanced, and unnecessary hospital stays reduced”.<sup>71</sup>

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<sup>68</sup> Housing and Accommodation Support Initiative (HASI) is a joint program between NSW Health, Housing NSW and various non-government organisations (NGOs).

<sup>69</sup> NSW Auditor-General’s Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p7.

<sup>70</sup> NSW Mental Health Commission, *Living Well: A Strategic Plan for Mental Health in NSW 2014-2024* < [Living Well: A Strategic Plan for Mental Health policy](#)>, viewed on 15 June 2017.

<sup>71</sup> NSW Ministry of Health, *Transfer of Care from Mental Health Inpatient Services PD2012\_061*< [Transfer of Care from Mental Health Inpatient Services](#)>, viewed on 15 June 2017.



- 6.5 A person under the care of a mental health service in NSW is referred to as a 'consumer'. This term is used in the policy directive and adopted in the Auditor-General's report. The term 'patient' is only used in relation to their legal status, such as applicable under the *Mental Health Act (2007)*.<sup>72</sup>

### The performance audit

- 6.6 The performance audit assessed how well NSW Health and LHDs provided follow-up care for mental health consumers within seven days of being discharged from public mental health units.
- 6.7 The Audit focused on five LHDs: Central Coast; Murrumbidgee; Northern NSW; Sydney; and Western Sydney. The districts were chosen in consultation with the NSW Ministry of Health, to provide a reasonable cross-section of LHDs in NSW. This includes regional and local locations, with a broad range of services and different service models.
- 6.8 The focus of the Audit report was in two care settings:
- (a) Admitted care provided in mental health inpatient units in public hospitals;
  - (b) Care provided out-of-hospital by public community mental health services.
- 6.9 To frame their analysis, the Audit used NSW Health's policy directive on the 'transfer' of consumers from mental inpatient units to the community. The policy directive includes a Key Performance Indicator (KPI) on post-discharge follow-up, namely measuring the proportion of consumers receiving follow-up contact from public community mental health services within seven days of discharge from acute mental health units.

### Audit conclusions

- 6.10 The audit concluded that over the past five years, LHDs have improved rates of consumer follow-up care provided by public community mental health services.<sup>73</sup> The Auditor-General found that, although overall post-discharge follow-up care was positive, there were opportunities for further improvement. This was reflected in the rate of post-discharge follow-up from acute mental health units, increasing from 43.0% to 59.9% during the period 2010 to 2014.<sup>74</sup>

### *Roles and responsibilities for providing follow-up care*

- 6.11 The Audit noted that responsibility for developing care has devolved to each Local Health District, with the Ministry of Health developing a relatively 'hands off' approach.
- 6.12 The Auditor-General found that there was a strong understanding and awareness of the general intent of the NSW Health's transfer of care policy directive for mental health consumers, with clinicians and managers displaying commitment

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<sup>72</sup> *Mental Health Act 2007(NSW)*

<sup>73</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p2.

<sup>74</sup> Steering Committee for the Review of Government Service Provision (2015), Review of Government Services, data table 12A.53.

to ensure that consumers received post-discharge follow-up. A caveat was that there could be better adherence to some aspects of the policy.

6.13 A consistent theme across each LHD visited was the emergence of a performance culture around KPIs for post-discharge care, this was attributed to the establishment of performance reporting and accountability measures such as internal audits to drive better performance.

6.14 In the Audit report, the Auditor-General made the following observation:

In each Local Health District, down to ward level, clinicians and managers were aware of their performance, and were often aware of the performance of like wards or units. Through these comparisons, successful practices were reinforced and unsuccessful practices were revised.<sup>75</sup>

*Implementation of policy directive and discharge practices can be improved*

6.15 While awareness of the general intent of the policy directive is high and performance has improved, the Auditor-General noted there were still aspects of the policy directive and discharge practices that were not uniformly done well.

*Transfer of care plans are missing*

6.16 The Transfer of Care Plan (TCP) is a comprehensive set of information for the consumer, family/carers, community mental health staff, and other service providers involved in ongoing care and support of the consumer. This includes discharge summaries. The Auditor-General found little evidence that TCPs were being developed and provided for consumers and their carers, thereby compromising their essential role in the provision of care.

6.17 While a timely and comprehensive discharge summary is an important tool for ensuring continuity of care and effective follow-up, the timeliness of its provision was a problem in all LHDs visited. Although the proportion of mental health consumers receiving follow-ups has increased, there remain concerns about some LHD follow-up practices being dependent on certain staff, rather than having an embedded practice in place.<sup>76</sup>

6.18 The Auditor-General also noted there was a reluctance to develop customised forms or letters for different models of TCP provided to consumers or carers, as opposed to a GP or psychiatrist. However, the Auditor-General noted that the full implementation of the integrated patient record system will allow for automated drafting of discharge summaries from various fields of the record. This should improve performance around discharge summary preparation, where previously the doctor was responsible for preparation of discharge summaries.

6.19 The Audit report found inconsistent follow-up care for consumers outside the district as a recurring challenge across the five LHDs visited. Some clinicians didn't view it as their responsibility to ensure follow-up for consumers who are discharged out of the area. However, a number of clinicians go to considerable lengths to provide follow-up care as a form of 'courtesy or as a sense of

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<sup>75</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p2.

<sup>76</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p16.

professional obligation rather than a necessary measure to meet NSW Health's policy directive'<sup>77</sup>.

*Improving communication between inpatient units and community mental health service*

6.20 The Auditor-General noted the importance of improving communication between different units in providing post-discharge and ongoing care. Throughout the Audit, there was evidence of poor communication, and even low levels of trust between inpatient units and community mental health services.<sup>78</sup>

6.21 The Auditor-General encouraged improved communication between inpatient and community health-based mental health units with a number of initiatives including: using work shadows across professions or services to develop understanding; staff rotation between services; and joint assessments of inpatients between community and inpatient teams.

*Local adaptations of policy directive*

6.22 The Audit found that two Local Health Districts were still developing local adaptations of the policy, almost three years after the directive was issued. The Auditor-General noted that the restructuring of community teams and service models and changes to area or district boundaries, as significant factors in the relatively slow implementation.

*Education of clinical staff*

6.23 Most LHDs did not provide evidence of how clinical staff were educated in the principles and procedures required by the policy.

*Difficulty in proving follow-up is leading to better outcomes*

6.24 While there is research to indicate that post-discharge follow-up has led to better outcomes for consumers, especially for those at high risk, the Auditor General found it difficult to prove that post-discharge follow-up leads to better outcomes, especially at the local level.<sup>79</sup>

## Auditor-General's recommendations

6.25 The Auditor-General made a total of four recommendations, all of which were addressed by the Ministry of Health. These recommendations are detailed in the following table:

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<sup>77</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p17.

<sup>78</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p22.

<sup>79</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p3.

**Table 5 - Recommendations made by the Auditor-General in Report No. 263 - Mental Health Post-discharge care<sup>80</sup>**

**The NSW Ministry of Health should:**

No.	Recommendation
The NSW Ministry of Health should:	
1	<p>Reinforce to Local Health Districts that the policy directive on the transfer of care from mental health units to the community:</p> <ul style="list-style-type: none"> <li>1.1. is intended to ensure that the consumer and their family, carer, or guardian are at the centre of care and are partners in care</li> <li>1.2. requires that Transfer of Care plans be developed, the components of which should be tailored to the recipient's needs</li> <li>1.3. requires that estimated discharge dates be allocated within 72 hours of admission</li> <li>1.4. requires the education of existing staff about the principles and procedures for transfer of care planning</li> <li>1.5. requires that the principles and procedures for transfer of care planning are incorporated into orientation programs for new clinical staff.</li> </ul>
2	<p>Include in its review of the policy directive due for completion by 14 November 2017 consideration of the follow matters:</p> <ul style="list-style-type: none"> <li>2.1. whether there are circumstances where an estimated discharge date need not be allocated within 72 hours of admission</li> <li>2.2. whether there are circumstances where the consumer need not always be present for follow-up contact to be valid for measuring its performance</li> <li>2.3. whether the policy directive adequately addresses possible role for other parties, in particular peer support workers and NGOs that provide services as part of a consumer's transition from inpatient care.</li> </ul>
3	<p>Clarify with Local Health Districts the scope of the policy directive, particularly with reference to consumers who are transferred to public community mental health services out of the area.</p>
4	<p>Facilitate Local Health Districts to:</p> <ul style="list-style-type: none"> <li>4.1. review processes around the handling of discharge summaries to ensure that they are a timely component of the transfer of care process</li> <li>4.2. implement mechanisms to share information and experiences about models of post-discharge follow-up</li> <li>4.3. review the quality of communication that occurs between mental health inpatient unit staff and community mental health staff, and develop action plans to address any deficiencies</li> </ul>

<sup>80</sup> NSW Auditor-General's Performance Audit Report, Mental Health post-discharge care, 17 December 2015, p4.

No.	Recommendation
	4.4. review how community mental health services interact with admitted inpatients, particularly with regard to discharge planning, and compare to good practice models across NSW.

### Agency responses

- 6.26 In its response, the Ministry of Health accepted all recommendations made in the Auditor-General’s report. The recommendations were actioned with a combination of responsibilities delegated to the Ministry of Health and Local Health Districts.
- 6.27 The Mental Health Branch of the MOH informed the Chief Executives of LHDs, the Sydney Children’s Hospital Networks and the Mental Health Directors of the Auditor-General’s report and recommendations by formal letter on 7 July 2017.<sup>81</sup> The letter highlighted the relevant policy requirements stipulated in the policy directive and addressed recommendations 1, 3 and 4.
- 6.28 In addition, the Ministry undertook a review of the policy directive addressing the three key components of recommendation 2. The policy review project is due for completion in November 2017. The Ministry noted that recommendation 4.2 and 4.4 were in progress to be completed. In 2015, the Mental Health Branch funded four LHDs to explore priorities to redesign the adult assertive community care. The project reports were submitted to the Mental Health Branch in late 2016.
- 6.29 To promote mechanisms for sharing information concerning effective models of post-discharge follow-ups, the MOH in association with the Agency for Clinical Innovation, hosted a Forum for all LHDs on 24 March 2017. The Mental Health Branch will subsequently determine whether additional action is required to address recommendation 4.2 and 4.4.

### The Committee’s examination

- 6.30 After examining the Agency’s response to the Audit recommendations, the Committee determined that, rather than calling for witnesses at a public hearing, it would seek further information in writing relating to the implementation of recommendation 4.2 and 4.4.
- 6.31 As part of its response, the Ministry of Health referred to a jointly hosted Forum with the Agency for Clinical Innovation, conducted on 24 March 2017.<sup>82</sup> Rather than leading to formal findings, the Forum allowed for a dissemination of research and information sharing, to assist the remaining LHDs in redesigning and delivering integrated clinical services.
- 6.32 The Forum identified several key principles of care inherent in successful models, including the need for seamless service provision between inpatient and

<sup>81</sup> Submission 14, NSW Health; Ms Elizabeth Koff, Secretary, NSW Health, correspondence to the Chair of the Public Accounts Committee, dated 23 February 2016.

<sup>82</sup> Ms Elizabeth Koff, Secretary, NSW Health, correspondence to the Chair of the Public Accounts Committee, dated 23 February 2016.

community care and the need for service design to include consumer input, tailored to the community IT services.

- 6.33 The Ministry of Health noted the importance of safe and seamless delivery and support as consumers move between inpatient and community settings and the Forum included various models of assertive community care which were disseminated to all participants.
- 6.34 The Ministry further stated that the transition between inpatient and community settings and other aspects of discharge planning are well within the scope of the review of the Transfer of Care policy. The revised policy is expected to be released in November 2017.

### Auditor-General's comments

- 6.35 The Auditor-General was satisfied that the Ministry of Health has implemented recommendations 1 and 3 in the letter to all LHDs issued in July 2016. The Auditor-General also noted the MOH has undertaken a forthcoming review covered by recommendation 2 and welcomed the Ministry's approach to addressing recommendation 4 by taking active steps to facilitate better practice in LHDs.

### Committee comment

- 6.36 The Committee is satisfied the Ministry of Health has fulfilled the Audit recommendations and made significant steps in addressing the findings in the Auditor-General's report. The Committee notes the letter sent by the Ministry of Health on 7 July 2016 to Chief Executives of LHDs and Directors responsible for mental health, addressing key recommendations.<sup>83</sup>
- 6.37 These recommendations include: the requirement for Transfer of Care Plans to be developed and tailored to the consumer's needs; education of new and existing clinical staff about the principles and procedures of transfer of care planning; clarification with LHDs of the scope of the policy directive in relation to consumers who are transferred to out of area public community mental health services; and a review of the quality of communication between mental health inpatient unit staff and community mental health staff to develop action plans to address any deficiencies.
- 6.38 In addition, the Committee is pleased to note that the Ministry of Health conducted a Forum for all LHDs on 24 March 2017 which allowed for the dissemination of research and information sharing.
- 6.39 The Committee is aware that the Ministry of Health is in the process of reviewing the Transfer of Care policy and will monitor the revised policy, due to be released in November 2017.

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<sup>83</sup> Submission 14, NSW Health; Ms Elizabeth Koff, Secretary, NSW Health correspondence to the Chair of the Public Accounts Committee, dated 23 February 2016.

## Appendix One – List of Submissions

- 1 NSW Department of Education
- 2 NSW Health
- 3 Department of Justice
- 4 NSW Police Force
- 5 NSW Treasury
- 6 Transport for NSW
- 7 Department of Family and Community Services
- 8 Transport for NSW
- 9 Department of Family and Community Services
- 10 Transport for NSW
- 11 Roads and Maritime Services
- 12 NSW Health
- 13 Department of Industry
- 14 NSW Health
- 15 Public Service Commission

## Appendix Two – List of Witnesses

- Ms Elizabeth Koff, Secretary, NSW Health
- Dr Nigel Lyons, Deputy Secretary, Strategy and Resources, NSW Health
- Mr Peter Riordan, Deputy Secretary, Corporate Services, Department of Education and Communities
- Dr Jenny Donovan, Executive Director, Centre for Education Statistics and Evaluation, Department of Education and Communities
- Mr Ross Duncombe, General Manager, Management Accounting and Reporting, Finance and Business Services, NSW Police Force
- Mr Phil Minns, Deputy Secretary, Corporate Services, Department of Justice
- Mr Thom Thornton, Director, Audit and Risk, Department of Justice
- Mr Scott Wheeler, Director, Productivity and Regulatory Reform Branch, Economic Strategy Division, NSW Treasury
- Dr Neil Ackland, Executive Director, Financial Management Transformation, NSW Treasury
- Mr Anthony Wing, Executive Director, Transport Policy, Transport for NSW
- Ms Simone Czech, Executive Director, Design, Innovation, Safety and Permanency, Department of Family and Community Services
- Ms Diedre Mulkerin, Deputy Secretary, Commissioning, Department of Family and Community Services
- Ms Eleri Morgan-Thomas, Executive Director, Service System Commissioning, Department of Family and Community Services
- Mr Ken Kanofski, Chief Executive, Roads and Maritime Services
- Mr Ian Goodwin, Acting Auditor-General, Audit Office of NSW
- Ms Claudia Migotto, Acting Assistant Auditor-General, Audit Office of NSW



## Appendix Three – Extracts from Minutes

### **MINUTES OF MEETING No. 22**

Thursday, 30 March 2017

9.15am

Room 1254, Parliament House

#### **Members Present**

Mr Bruce Notley-Smith (Chair), Mr Mark Taylor (Deputy Chair), Mr Stephen Bromhead, Mr Michael Daley, Mr Lee Evans, Mr Greg Piper.

*Staff in attendance:* Bjarne Nordin, Ze Nan Ma, Christopher Herbert, Derya Sekmen.

1. \*\*\*\*

2. \*\*\*\*

3. **Examination of the Auditor-General's Performance Audit Reports July 2015 - January 2016**

a) **Recommendations for follow-up of agencies**

Resolved, on the motion of Mr Taylor, that the Committee adopts the action proposed for performance audits 256-264.

b) **Public Hearing**

Resolved, on the motion of Mr Piper, that the Committee:

- Adopts draft Terms of Reference for an Examination of the Auditor-General's Performance Audit Reports July 2015 – January 2016
- Confirms that the public hearing will be conducted at Parliament House on 22 May 2017
- Invites selected organisations on the proposed witness list to appear as witnesses at the public hearing on 22 May 2017
- Receives and authorises the publication of submissions received, with personal details redacted as appropriate, and orders that they be placed on the Parliament's website.

4. \*\*\*\*

5. \*\*\*\*

6. \*\*\*\*

7. **Next meeting**

The Committee adjourned at 9.45am until 9:15am on Thursday 4 May 2017.

**MINUTES OF MEETING No. 23**

Thursday, 4 May 2017

9.15am

Room 1254, Parliament House

**Members Present**

Mr Bruce Notley-Smith (Chair), Mr Mark Taylor (Deputy Chair), Mr Stephen Bromhead, Mr Michael Daley, Mr Lee Evans, Mr Greg Piper.

*Staff in attendance:* Bjarne Nordin, Ze Nan Ma, Christopher Herbert, Derya Sekmen.

1. \*\*\*\*

2. \*\*\*\*

**3. Examination of the Auditor-General's Performance Audit Reports July 2015 - January 2016**

Resolved, on the motion of Mr Evans, that the Committee authorises the publication of the NSW Health response to questions regarding performance audit 263 –Mental Health Post-discharge Care, dated 24 April 2017.

4. \*\*\*\*

9. \*\*\*\*

10.\*\*\*\*

11.\*\*\*\*

**8. Next meeting**

The Committee adjourned at 9.56am until 9:15am on Monday 22 May 2017.

**MINUTES OF MEETING No. 24**

Monday, 22 May 2017

9.15am

Jubilee Room, Parliament House

**Members Present**

Mr Bruce Notley-Smith (Chair), Mr Mark Taylor (Deputy Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Greg Piper, Mr Michael Daley

*Staff in attendance:* Bjarne Nordin, Madeleine Dowd, Jennifer Gallagher, Derya Sekmen.

1. \*\*\*\*

2. \*\*\*\*

**3. Examination of the Auditor-General's Performance Audit Reports July 2015 - January 2016**

**3.1.** Resolved, on the motion of Mr Piper, that the following procedural motions for the conduct of the public hearing be confirmed:

- That the Committee permits audio-visual recording, photography and broadcasting of the public hearing.
- That the corrected transcript of evidence given on 22 May 2017 be authorised for publication and uploaded on the Committee's website.
- That witnesses be requested to return answers to questions taken on notice and any further questions within five days of the date on which the questions are forwarded to the witness, and that once received, answers be published on the Committee's website.
- That documents tendered during the public hearing be accepted by the Committee and published on the Committee's website.

**4. Adjournment**

**4.1.** The Committee adjourned the private meeting at 9.30 am, to conduct a public hearing.

**5. Public Hearing**

**5.1.** The press and public were admitted.

**6.** The following witnesses representing **NSW Health, Department of Education and Communities, NSW Police Force, Department of Justice, NSW Treasury, Transport for NSW** and the **Audit Office of NSW** were called and examined together:

- Ms Elizabeth Koff, Secretary, NSW Health, sworn and examined.
- Dr Nigel Lyons, Deputy Secretary, Strategy and Resources, NSW Health, sworn and examined.
- Mr Peter Riordan, Deputy Secretary, Department of Education and Communities, sworn and examined.
- Dr Jenny Donovan, Executive Director, Centre for Education Statistics and Evaluation, Department of Education and Communities, affirmed and examined.
- Mr Ross Duncombe, General Manager, Management Accounting and Reporting, Finance and Business Services, NSW Police Force, sworn and examined.
- Mr Phil Minns, Deputy Secretary, Corporate Services, Department of Justice, sworn and examined.
- Mr Thom Thornton, Director, Audit and Risk, Department of Justice, sworn and examined.
- Mr Scott Wheeler, Director, Productivity and Regulatory Reform Branch, NSW Treasury, affirmed and examined.

- Dr Neil Ackland, Executive Director, Financial Management Transformation, NSW Treasury, affirmed and examined.
- Mr Anthony Wing, Executive Director, Transport Policy, Transport for NSW, sworn and examined.
- Mr Ian Goodwin, Acting Auditor-General, Audit Office of NSW, sworn and examined.
- Ms Claudia Migotto, Acting Assistant Auditor-General, Audit Office of NSW, affirmed and examined.

Evidence concluded, the witnesses withdrew.

The following witnesses representing **the Department of Family and Community Services** were called and examined, together with Audit Office representatives, already sworn and affirmed:

- Ms Simone Czech, Executive Director, Design, Innovation, Safety and Permanency, Department of Family and Community Services, affirmed and examined.
- Ms Diedre Mulkerin, Deputy Secretary, Commissioning, Department of Family and Community Services, affirmed and examined.
- Ms Eleri Morgan-Thomas, Executive Director, Service System Commissioning, Department of Family and Community Services, affirmed and examined.

Evidence concluded, the witnesses withdrew.

The following witness representing **Roads and Maritime Services** was affirmed and examined, together with Audit Office representatives, already sworn and affirmed:

- Mr Ken Kanofski, Chief Executive.

Evidence concluded, the witness withdrew.

The public hearing adjourned at 12.10pm.

#### **9. Next meeting**

The Committee adjourned at 12.10pm until 9:15am on Thursday 25 May 2017 in Room 1254.

**MINUTES OF MEETING No. 27**

Thursday, 10 August 2017

9.15am

Room 1254, Parliament House

**Members Present**

Mr Bruce Notley-Smith (Chair), Mr Mark Taylor (Deputy Chair), Mr Stephen Bromhead, Mr Lee Evans.

*Staff in attendance:* Simon Johnston, Bjarne Nordin, Madeleine Dowd, Christopher Herbert, Ze Nan Ma, Derya Sekmen.

**1. Apologies**

Apologies were received from Mr Greg Piper and Mr Michael Daley.

2. \*\*\*

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3. \*\*\*

4. \*\*\*

**5. Examination of the Auditor-General's Performance Audit Reports July 2015-July 2016  
(Consideration of Chair's Draft Report, as circulated)**

- Resolved, on the motion of Mr Evans, that the Committee considers the Chair's draft report as circulated.
- Resolved, on the motion of Mr Taylor, that the Committee adopts the draft report signed by the Chair for presentation to the House, and authorises Committee staff to make appropriate final editing and stylistic changes as required.
- Resolved, on the motion of Mr Bromhead, that once tabled the report be published on the Committee's webpage.

6. \*\*\*

7. \*\*\*

8. \*\*\*

9. \*\*\*

**10. Next meeting**

The Committee adjourned at 9.45 until 9.15, Thursday 21 September 2017 in Room 1254.