



Health

Mr Greg Piper MP  
Chair, Public Accounts Committee  
Parliament of NSW  
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SYDNEY NSW 2000

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Our ref H22/186211

Dear Mr Piper

I am writing in response to the Public Accounts Committee's request for further information regarding the implementation of the recommendations made by the Auditor-General in their *Ensuring Contract Management Capability in Government – HealthShare NSW* audit report.

Please find attached the Ministry's response to the Committee's supplementary questions.

If you have any further requests, please contact the Paul Giunta, the Ministry's Director, Corporate Governance and Risk Management, via email to [REDACTED] or on [REDACTED]

Yours sincerely

[REDACTED]

Elizabeth Koff  
**Secretary, NSW Health**

Encl.

## Supplementary Questions

### 1. How do you define a trigger event under the NSW Procurement accreditation scheme? Can you provide some examples of such trigger events?

NSW Procurement, in the NSW Treasury, administers the NSW Procurement Board's Accreditation Program for Goods and Services Procurement.

The requirements of the program define a trigger event as a situation that potentially affects an accredited agency's ability to meet their accreditation requirements. Trigger events include:

- Under or over performance against performance targets in the Annual Outcomes Report, across two or more metrics for two consecutive reporting periods (i.e. two financial years)
- Machinery of Government changes that materially impact the procurement function
- Significant organisational changes that impact the structure, capacity or processes of the procurement function
- Significant changes in capability stemming from uplift or loss, for example recruitment of specialist resources or resource departures
- Non-compliance with relevant government legislation and procurement-connected policies including the policies or directions of the Procurement Board
- Failing to submit annual self-assessment documentation to NSW Procurement in accordance with the Accreditation Program, that is the Annual Outcomes Report, Agency Procurement Plan and Annual Self-Assessment Attestation.

NSW Health monitors compliance of procurement activities with these measures and with the NSW Health Goods and Services Procurement Policy through:

- Governance bodies including the Contract Network Group, made up of Procurement Managers and officers from all NSW Health entities
- NSW Chief Procurement Officer oversight of high value and strategic procurements, including whole-of-health contracts and contracts valued more than \$30 million
- Data collation and analysis to identify trends and monitor spend with priority groups such as small and medium enterprises, Aboriginal businesses, and disability employment organisations.

### 2. Can you provide a description of the relationship between NSW Health and the NSW Procurement Board?

The Secretary has nominated the Ministry's Chief Financial Officer and Deputy Secretary, Finance Services and Asset Management as her deputy on the Board in accordance with Schedule Five, section 2 of the *Public Works and Procurement Act 1912*.

In addition to membership of the Procurement Board, NSW Health is represented on the Procurement Leadership Group by its Chief Procurement Officer. The Procurement Leadership Group is a sub-committee of the Board, advising on operational procurement matters and conducts the initial assessment of trigger events reported by agencies.

The Procurement Board approves accreditation to applicant agencies and monitors ongoing compliance with the accreditation obligations along with accredited agencies' annual performance. In this context, NSW Health engages with the Board through submission of an annual self-assessment attestation to confirm that NSW Health has undertaken its best

endeavours to comply with its accreditation requirements. The attestation is prepared following a review of procurement operations, noting the accreditation program and the Board require a 'pragmatic' level of assurance rather than an independent audit.

In addition to the attestation, the principal means by which the Board monitors the ongoing performance of accredited agencies, including NSW Health, is via the Annual Outcomes Report. The Annual Outcomes Report tracks year-on-year performance across five outcomes: capability uplift, benefits, efficiency, quality, and sustainability. Agencies set performance targets against each metric and, from their second reporting year onwards, report on performance against these targets.

It is noted that due to the significant impact of the COVID-19 pandemic on government sector procurement functions, the Procurement Board suspended the requirement to submit an Annual Outcomes Report in FY20-21.

### **3. Can you comment on the reasons why the Procurement Leadership Group determined that a Trigger Event Action Plan was not required?**

NSW Procurement, in the NSW Treasury, provides secretariat support to the Procurement Leadership Group and administers the NSW Procurement Board's Accreditation Program for Goods and Services Procurement. NSW Treasury is best placed to confirm the Procurement Leadership Group's position on the Audit and need for a Trigger Event Action Plan.

### **4. Can you provide the Committee on the progress update of the process development to meet the operational demands of the NSW Health System?**

NSW Health has instituted a procurement reform program to better address the procurement requirements of the NSW Health system. The program is progressing, noting some workstreams have been impacted by the COVID-19 pandemic but where possible mitigation strategies have been put in place to minimise impact. The procurement reforms include the following initiatives:

- a review of the procurement framework and operating model to improve and clarify roles and responsibilities within NSW Health (including Local Health Districts (LHD) and Pillars) with implementation commencing in 2022
- contract implementation strategies including a contract management framework to ensure effective performance of strategic and critical contracts across the network
- a review of pharmaceutical procurement to develop a strategy framework governing the usage of pharmaceuticals to deliver optimum clinical governance and better-value healthcare, with phased implementation commencing in 2022
- developed an IT System and Data Strategy to enhance IT systems and deliver reliable procurement data to support the end-to-end procurement process
- supply chain reforms using improved data management and procurement practices to improve visibility and transparency and deliver an integrated, end to end supply chain across NSW Health.

### **5. Can you provide further information on the timeframe and milestones for NSW Health's procurement reform program, as well information on progress to date?**

The Procurement Reform Program commenced in mid-2021, major milestones are projected to be implemented, completed, and continuously monitored throughout 2022 and 2023.

Some of these major milestones include:

1. Implementation of the revised procurement framework and operating model commenced in mid-2021 across the following work streams:
  - Annual Procurement Planning workshop commenced in September 2021, with a program of quarterly updates across the Health system
  - Revised NSW Health Procurement Policy and Procedures incorporating the new contract management framework will be released in quarter one of 2022
  - Contract implementation framework, including additional resourcing for Local Health Districts, is being implemented from January 2022.
2. Governance for the pharmaceutical procurement strategy was established in mid-2021 and pilot programs commenced in quarter 4 2021. The pilots will be evaluated in quarter 2 2022 to inform development of the final policy and publishing platform in the second half of 2022.
3. The business case for the IT System and Data Strategy has been approved by the CFO and detailed design has commenced. System development will occur through 2022, with the aim to commence pilot projects in the new system late in 2022.
4. The business case for the supply chain reform program has been approved by CFO, and an initial rollout is underway in a pilot site. Further sites will be implemented in 2022 with further refinements based on the pilot outcomes.

**6. Can you comment on how NSW Health and the NSW Procurement Leadership Group determine that the intent of the accreditation program is being met?**

NSW Health monitors internal procurement activity and reports to the Procurement Leadership Group in order to meet the requirements of the Accreditation Program. The Procurement Leadership Group advises the Procurement Board as to whether NSW Government agencies are meeting the requirements of the Accreditation Program.

NSW Procurement, in the NSW Treasury, provides secretariat support to the Procurement Leadership Group and administers the NSW Procurement Board's Accreditation Program for Goods and Services Procurement.

NSW Health assures itself that the intent of the accreditation program is being met through the mechanisms highlighted in the above responses, including the submission of an annual attestation and outcomes report to the NSW Procurement Board, as well as through the management of internal control mechanisms. In addition, NSW Health has initiated a transformative process of oversight for the procurement function. This will include the creation of fit for purpose roles aimed at monitoring and reviewing performance-based metrics such as KPIs and partnering with NSW Health organisations to ensure best practise and procurement outcomes throughout the procurement lifecycle.