

Mr Jonathan O'Dea MP
Chair, Public Accounts Committee
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Received 5/8/13

Attn: Mr John Miller

Dear Mr O'Dea

Thank you for your letter relating to a Question on Notice to NSW Health on Report No: 220 – Managing IT Services Contracts.

The Public Accounts Committee Question on Notice to NSW Health states

1. With regard to recommendation 4.1, you advise that all contracts over \$900k entered into since October 2011 have a contract management strategy prior to execution. The recommendation was for all service contracts to have risk based contract management plans.
 - a. Could you advise how you arrived at the \$900k threshold value?
 - b. Are you confident that there are no high risk contracts below this threshold?

NSW Health response:

- a. HealthShare NSW (HSNSW) determined a threshold of \$900,000 to ensure that contracts entered into for the maximum allowed period of 5 years, taking into account CPI for years 2-5, the total value would not exceed the HealthShare NSW Chief Executive's financial delegation of \$5 million. This threshold has been implemented for all contracts, not just those relating to IT services.
- b. Yes. HSNSW has applied the same risk criteria as the Audit Office applied to the performance audit of 'high value (greater than \$5m) and long term (3 or more years duration) contracts' when determining this threshold. In order to manage the potential risk of high risk contracts falling below this threshold, HSNSW has implemented measures to monitor performance. This includes alerts within the Contract Management System to trigger follow up with the business area receiving the products/service to confirm a range of issues, including whether products and services were provided in accordance with the agreement, satisfaction with contractor performance, and compliance with any contractual requirements for extension (for more products/services) or to renew operational maintenance/support.

I trust NSW Health response addresses the concerns of the Public Accounts Committee. If you have any further queries, please contact Deborah Oong, [REDACTED]

Yours sincerely

[REDACTED]
Dr Mary Foley
Director General

1 - 8 - 2013