

**Submission  
No 5**

**EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT  
REPORTS FEBRUARY 2019 - JULY 2019**

**Organisation:** Department of Health

**Date Received:** 29 June 2020



Health

Mr Greg Piper MP  
Chair, Public Accounts Committee  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

Our ref H20/52237

Dear Mr Piper

### Implementation of Audit Recommendations - Governance of Local Health Districts

I am writing in response to your request for a submission from NSW Health to outline our progress toward implementing the recommendations made by the Auditor-General in their performance audit report *Governance of Local Health Districts*, which was tabled in April 2019.

NSW Health operates within a complex governance and performance framework, which is established through a layering of legislation, policy and practice. As was outlined in the performance audit report tabled in 2019, our governance model is robust and fit-for-purpose, providing clarity of functions, enabling effective decision making and giving transparency on performance expectations and outcomes.

The recommendations which were made in the report reflect the evolving nature of our governance framework and a significant amount of work has been completed in the past 12 months to further enhance our performance in the specified areas. This has included:

1. Delivery of the Tuning Governance and Accountability Project, which sought to build on the different perspectives and capability within the NSW Health System to enhance our governance model;
2. Implementation of a comprehensive reporting dashboard for our Local Health District Boards, providing greater transparency on the performance and priorities of our Districts; and
3. Commencement of reviews of our NSW Health Performance Framework and accompanying Recovery Framework designed to provide further clarity on the roles and accountabilities of the Ministry of Health, Local Health Districts and our Boards.

Further detail on these initiatives and on the additional work completed to implement each audit recommendation is provided in the attachment to this letter. Should you require additional information, please contact [REDACTED]

Yours sincerely

[REDACTED]

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Secretary, NSW Health

26/6/21

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## IMPLEMENTATION OF RECOMMENDATIONS

### NSW Health – Governance of Local Health Districts

	RECOMMENDATION	RESPONSE	INITIAL COMMENT	DUE DATE	STATUS	LEAD
1	By December 2019, the Ministry of Health should:					
1a	Work with LHDs to identify and overcome the barriers that are limiting the appropriate engagement of clinicians in decision making in LHDs	Accepted	The Ministry of Health is currently implementing the Tuning Governance and Accountability project, with the objective of engaging Local Health Districts and other NSW Health Organisations in identifying and strengthening core areas of governance. The topic of effective engagement with clinicians is highlighted in the project as the next topic area for delivery.	December 2019	<p><b>Complete</b></p> <p>Through the Tuning Governance and Accountability Project, the Ministry of Health has led a focused review of the engagement mechanisms linking LHD Boards, Executive and clinicians, giving reference to external models and the legislative and policy context of the NSW Health System.</p> <p>The outcomes of the work are outlined in the attached <i>Issue Paper: Engagement between Boards, Management and Clinicians (Attachment 1)</i>, which also includes a listing of the priorities for action by NSW Health.</p> <p>In summary, the review sought to identify opportunities to ensure:</p> <ol style="list-style-type: none"> <li>1. LHD management and boards demonstrate a collaborative culture which prioritises meaningful relationships and constructive engagement;</li> <li>2. Clear, fit for purpose, functioning engagement structures exist at local, LHD and system levels which enable positive and productive relationships between boards, management and clinicians;</li> <li>3. Boards, management and clinicians have the capabilities</li> </ol>	Legal and Regulatory Services Branch, Ministry of Health

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				<p>required to support relationship building and collaborative decision making; and</p> <p>4. Structures and processes are in place to enable clinicians to provide input to system-wide policy development in a way that is appropriate, relevant and effective.</p> <p>As part of its delivery, the review included extensive engagement with:</p> <ul style="list-style-type: none"> <li>– representatives of NSW Health Organisations including the Ministry of Health, the Agency for Clinical Innovation (ACI), the Clinical Excellence Commission (CEC) and the Health Education and Training Institute (HETI);</li> <li>– a selection of LHD Board Chairs;</li> <li>– a selection of LHD Chief Executives;</li> <li>– practicing clinicians; and</li> <li>– representatives of the Australian Salaried Medical Officers Federation (ASMOF), Australian Medical Association (AMA), the Australian Doctors' Federation (ADF) and the NSW Medical Staff Executive Council (NSW MSEC).</li> </ul> <p>Actions for delivery and ongoing support for the outcomes of the review will be managed through the Ministry of Health, in partnership with all LHDs.</p>	

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1b	Develop a statement of principles to guide decision making in a devolved system	Accepted	As for 1a, the Tuning Governance and Accountability project will also be seeking to define a core set of governance principles for application across the NSW Health System, complementing the existing resources currently available to all NSW Health Organisations.	December 2019	<p><b>Complete</b></p> <p>The Ministry's <i>Tuning Governance and Accountability Project</i> established a core set of principles for decision making, applicable to the devolved governance environment of NSW Health. These principles established a process of assigning guidance for decision making based on the application of one of three governing contexts:</p> <ol style="list-style-type: none"> <li>1. The existence of mandatory processes to guarantee system-wide, consistent outcomes;</li> <li>2. A negotiated approach in context of practice, policy and state-wide priorities; and</li> <li>3. Local approaches to achieve agreed outcomes within established strategy and values.</li> </ol> <p>These principles were used as the basis for considering governance priorities impacting on the NSW Health System and, through the broader project, sought to identify opportunities for action.</p> <p>The implementation of these principles is evidenced in the Issue Papers provided as attachments to this submission and in the outcomes of the project delivered to date.</p>	Legal and Regulatory Services Branch, Ministry of Health

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<p><b>1c</b> Provide clarity on the relationship of the Agency for Clinical Innovation and the Clinical Excellence Commission to the roles and responsibilities of LHDs.</p>	Accepted	As for 1a and 1b, the Tuning Governance and Accountability project is currently focussed on clarifying the roles of NSW Health Organisations, Executive and Boards and the relationships they share in delivering high performance services to patients.	December 2019	<p><b>In Progress</b></p> <p>The roles of the Agency for Clinical Innovation (ACI) and the Clinical Excellence Commission (CEC) and the relationship of the two organisations with the LHDs and the Ministry of Health has been a topic of focus within the broader work completed in revisiting the NSW Health governance model. As highlighted in the response to 1a, the ACI and CEC were both involved in delivery of the <i>Tuning Governance and Accountability Project</i> and work is ongoing in further clarifying their respective roles.</p> <p>The COVID-19 pandemic has provided additional insight into the role of the ACI and the CEC in the NSW Health System and it is planned to use these learnings to further refine their governing accountabilities.</p>	People, Culture and Governance Division, Ministry of Health
<p><b>2</b> By June 2020, LHD boards, supported where appropriate by the Ministry of Health, should address the findings of this performance audit to ensure that local practices and processes support good governance, including:</p>					
<p><b>2a</b> Providing timely and consistent induction; training; and reviews of boards, members and charters</p>	Accepted	In addition to clarifying the role of Boards in 1a, 1b and 1c, a renewed Board orientation program and complimentary resources for all Board members are currently being developed and will be implemented within the specified timeframe.	June 2020	<p><b>Complete</b></p> <p>A new LHD Board Member Orientation Program was developed in 2019, with a focus on clarifying the role of Board members within the NSW Health governance model. The new program was implemented in June 2019, with a total of 68 new LHD Board members taking part and highly positive feedback received from attendees on the structure, content and delivery of the program.</p> <p>In context of the COVID-19 pandemic and the inability to host a second series of the</p>	Legal and Regulatory Services Branch, Ministry of Health

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				<p>orientation in early 2020, the program is to be reviewed to incorporate online-learning opportunities and the development of additional supporting resources for new LHD Board members.</p> <p>Reviewing the effectiveness of LHD boards was included as a topic in the <i>Tuning Governance and Accountability Project</i> in 2019 and resulted in the following activities:</p> <ul style="list-style-type: none"> <li>– facilitation of a working group comprising LHD Board Chairs and Ministry Executive to identify priorities for action;</li> <li>– authoring of an Issue Paper on the topic to guide review; and</li> <li>– creation of resources for use by LHD Boards.</li> </ul> <p>A copy of the document <i>Issue Paper: Board Performance Evaluation (Attachment 2)</i> is provided for reference of the PAC. This document outlines the review process, participants and outcomes of the topic.</p>	
2b	Ensuring that each board's governance and oversight of service agreements is consistent with their legislative functions	Accepted	The role of Local Health District Boards in reviewing Service Agreement content and their accountabilities with regard to oversight of performance will be considered as part of the regular review of the NSW Health Performance Framework and the delivery of the objectives of the Tuning Governance and Accountability project.	<p>June 2020</p> <p><b>In Progress</b></p> <p>LHD Boards have a defined role in the development of and oversight of performance against annual service agreements.</p> <p>Pending the final outcomes of the review activity outlined in the response to 3a, the process for engaging with Boards regarding the development of service agreements and the support for the role in overseeing performance will be reviewed.</p>	<p>Legal and Regulatory Services Branch, Ministry of Health</p> <p>System Management Branch, Ministry of Health</p>

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2c	Improving the use of performance information to support decision making by boards and executive managers.	Accepted	The Ministry is currently piloting a performance dashboard for Local Health District Boards with the objective of strengthening the use of performance data to inform oversight of activity. This recommendation will be considered as part of the review of the outcomes of the pilot program before progressing to full implementation.	June 2020	<p><b>Complete</b></p> <p>Development of Board Reports has been a key priority for NSW Health in attempts to standardise Board reporting across the state which identifies the key performance indicators within the service level agreement.</p> <p>A working group was established including LHD Chief Executives and Board Chairs to develop appropriate measures and agree on the format for presentation of data. Since implementation in 2019, reports are prepared and distributed quarterly for tabling and discussion at Board meetings.</p> <p>A sample report is provided for reference of the PAC (<a href="#">Attachment 3</a>), noting that this is a generic report using sample data. A complete report containing actual data can be provided to the PAC on request and in confidence.</p>	System Information and Analytics Branch, Ministry of Health
3	By June 2020, the Ministry of Health should improve accountability and oversight mechanisms by:					
3a	Revising the Health Performance Framework to ensure it is cohesive, clear and comprehensive	Accepted	The Ministry of Health regularly reviews the application of the NSW Health Performance Framework to ensure that it continues to drive safety and quality outcomes, aligns with the purchasing model and provides a robust, transparent and supportive framework for the delivery of services. The points raised will be included as part of the review process.	June 2020	<p><b>In Progress</b></p> <p>The scoping process for the review of the NSW Health Performance Framework has been completed, with an objective of ensuring that the framework adheres to the requirements of providing a clear, cohesive, and comprehensive governance framework.</p> <p>Pricewaterhouse Coopers (PwC) have been engaged to complete a thorough needs analysis with an output of a literature review and discussion paper for further discussions at the NSW Health</p>	System Management Branch, Ministry of Health

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					<p>Performance Framework Review Executive Steering Committee. This is in its final stages and is due to be completed by June 2020.</p> <p>Due to the unprecedented events of COVID-19 the Ministry of Health has had to delay the completion date of this action. The finalised framework is anticipated to be developed and implemented by June 2021.</p>	
<b>3b</b>	Clarifying processes and decision making for managing performance concerns	Accepted	As for 3a.	June 2020	<p><b>In Progress</b></p> <p>The framework for managing performance concerns is outline in the NSW Health Recovery Framework. This Framework is being reviewed in parallel with the above review of the NSW Health Performance Framework, to ensure that any developments are reflected across both mechanisms.</p> <p>The review of the Recovery Framework will also ensure that processes around performance decision making are transparent and clearly defined, in keeping with the recommendations of the performance audit.</p>	System Management Branch, Ministry of Health
<b>3c</b>	Developing a mechanism to adequately hold LHDs accountable for non-service activity functions	Accepted	The Ministry of Health will consider opportunities to identify and define additional non-service functions for oversight, with the recognition that variation currently exists within the NSW health Performance Framework in order to ensure local services can be tailored to meet local demands.	June 2020	<p><b>In Progress</b></p> <p>The Ministry has identified several opportunities to strengthen the oversight of non-activity service functions across Health Organisations. Examples of opportunities identified include:</p> <ul style="list-style-type: none"> <li>- Embedding patient experience key performance indicators as part of the service agreements</li> <li>- Including consumer engagement as part of accreditation standards</li> </ul>	System Management Branch, Ministry of Health

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					<p>These opportunities will be included in the deliverables of the review of the NSW Health Performance Framework (see response to 3a) and this review will also be used to identify additional opportunities for enhancing oversight of non-activity service functions.</p>	
3d	<p>Reconciling performance monitoring and intervention) with the policy intent of devolution.</p>	Accepted	As for 3a.	June 2020	<p><b>In Progress</b></p> <p>The intention of the NSW Health Performance Framework and the NSW Health Recovery Framework is to ensure that collectively as a health system we are achieving excellence in delivering safe quality patient care.</p> <p>State-wide monitoring enables strategic oversight and allows for areas for improvement to be identified and high-level processes and policies to be streamlined for consistency in performance governance across Health Agencies. This provides a structure for Health Organisations to implement strategies that is fit for purpose and in line with devolution.</p> <p>As an initial action, the Ministry has rescheduled the previous weekly recovery teleconferences with identified LHDs to now occur monthly. This has been one to ensure that these discussions maintain a strategic perspective and to provide the LHD with appropriate time to manage operational matters.</p> <p>The completion of the review of the NSW Health Performance Framework will further support the policy intent of devolution and will highlight additional opportunities for action.</p>	System Management Branch, Ministry of Health