

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTABILITY AND WORKS COMMITTEE

**NSW GOVERNMENT'S USE AND MANAGEMENT OF CONSULTING
SERVICES**

CORRECTED

At Macquarie Room, Parliament House, Sydney, on Monday 26 June 2023

The Committee met at 9:15.

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Mark Buttigieg

The Hon. Wes Fang

The Hon. Scott Farlow (Deputy Chair)

The Hon. Dr Sarah Kaine

The Hon. Peter Primrose

The CHAIR: Welcome to the second hearing of the Public Accountability and Works Committee inquiry into the New South Wales Government's use and management of consulting services. I acknowledge the Gadigal people of the Eora nation, the traditional custodians of the land on which we are meeting today. I pay my respects to Elders past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal or Torres Strait Islander people joining us today or who are watching online.

At today's hearing the Committee will examine the use of consulting services, primarily in the health sector. We will hear from representatives of three local health districts, from PwC and from Professor Mary Foley, who is the former Secretary of NSW Health. Before we commence, I would like to make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, the House has authorised the filming, broadcasting and photography of committee proceedings by representatives of media organisations from any position in the room and by any member of the public from any position in the audience. Any person filming or photographing proceedings must take responsibility for the proper use of that material. This is detailed in the broadcasting resolution, a copy of which is available from the secretariat.

While parliamentary privilege applies to witnesses giving their evidence today, it does not apply to what witnesses say outside of their evidence at this hearing. I therefore urge witnesses to be careful about comments they may make to the media or to others after they complete their evidence. Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard, it is important that witnesses focus on the issues raised by the inquiry terms of reference and avoid naming individuals unnecessarily.

All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. If witnesses are unable to answer a question today and want more time to respond, they can take a question on notice. Written answers to questions taken on notice are to be provided within 21 days. If witnesses wish to hand up documents, they should do so through the Committee staff. In terms of the audibility of the hearing today, I remind Committee members and witnesses to speak into the microphone. Finally, everyone should turn their mobile phones to silent for the duration of the hearing.

Mr JONATHAN DOY, Chair, Finance and Performance Committee, South Eastern Sydney Local Health District Board, sworn and examined

Mr MICHAEL STILL, Chair, South Eastern Sydney Local Health District Board, sworn and examined

Mr TOBI WILSON, Chief Executive, South Eastern Sydney Local Health District, sworn and examined

The CHAIR: I now welcome our first witnesses. Would you like to begin by making a short opening statement?

MICHAEL STILL: No.

The CHAIR: Even better. That is very good, thank you. I will start off. One of the aspects of the use of consultants that we are looking into, particularly in relation to NSW Health, is the issue of conflicts of interest, particularly when it comes to local health district boards. Could you explain to the Committee how those conflicts of interest are recorded? It is not always very clear from the minutes. What is the ultimate source of those potential conflicts of interest?

MICHAEL STILL: I should answer that, Chair. At each meeting we commence, after the acknowledgement of country, with a request of all members around the table to acknowledge to the table any conflicts that may have arisen during the course of the previous month. There's a register; it's reasonably extensive. We ask for not just conflicts but all organisations that members might be a director of, partner of or anything that might be seen as a possible conflict at some stage.

The CHAIR: Is there an initial recording of that? When a board member first gets appointed, do they put that into the register of conflicts of interest? Or do you wait until the first board meeting that they are at and then they declare it?

MICHAEL STILL: I would be safest to say that we wait till the first meeting, but that's not always the case. Because on a couple of occasions when I've met with new board members before their first meeting, I have talked them through board process, including that we acknowledge any potential conflicts of interest and any actual conflicts of interest, and on those occasions I would tell the board secretary any information I might have received, but really wait for the first meeting.

The CHAIR: I table these documents. This is a selection of minutes from the South Eastern Sydney Local Health District Board. I am giving you the February 2013 minutes, March 2014, April 2014, June, July and August 2014, then April and May 2015, in case it's relevant as we are going through this. I have copies for the other Committee members in that pile. You will see that in February 2013 Kristin Stubbins attended her first meeting of the local health district board and it was noted at that time that she was awaiting sign-off from PwC. What would have been the nature of that sign-off that she would have required at that point?

MICHAEL STILL: I would be speculating, Chair. I don't know. I wasn't Chair at the time.

The CHAIR: Are you aware whether the payments for her role as a board member were tithed back to PwC?

MICHAEL STILL: I have no idea, Chair.

The CHAIR: Is that something, Mr Doy, that you could assist with? Would that be the ordinary case for a board member from PwC?

JONATHAN DOY: No, I'm not aware of what the policy might be.

The Hon. WES FANG: Point of order: Can we have the documents in front of us before we continue questioning the witnesses?

The CHAIR: Yes. Before we go further, Mr Doy, you were a partner at PwC, correct?

JONATHAN DOY: Yes, that's correct.

The CHAIR: And I noticed in the minutes that there is a reference to ongoing payments being made to you as a retired partner. Can you explain what that interest is?

JONATHAN DOY: Yes. So, I retired as a partner from PwC in 2012 and after that point there is effectively a partner pension plan for retired partners that has varied over the years. There's a particular scheme that I'm in, different to others.

The CHAIR: Is that reliant then on the successes of the firm in any way? Does it scale up? Do you get more payment if the firm is more successful, for instance?

JONATHAN DOY: No.

The CHAIR: So, it is just a set amount?

JONATHAN DOY: Yes.

The Hon. WES FANG: Is it 2A that you are looking at at the moment?

The CHAIR: That was 2A. If we go to March 2014, that is 2B, the minutes record that Ms Stubbins has stepped down from the Chair of the Finance and Performance Committee—this is a year after she had been appointed to chair that committee—due to a temporary conflict of interest but there is no disclosure of the details around that at that time. Then in April 2014, which is the next tab in the bundle—2C—it's recorded that Ms Stubbins is absent from the board meeting because PwC is responding to a request for quote, which the minutes say that the board recently sent out. Mr Still, are you aware of the nature of that request for quote and the work that was done by PwC at that time?

MICHAEL STILL: The district was in some financial difficulty. Management wished to bring in a consultant to help, so the board was made aware of that. My best recollection is that included, in the people to be spoken to, PwC and that, when that was acknowledged at the board, Ms Stubbins said, "Well, I can't be at the board if PwC is in discussion."

TOBI WILSON: Chair, if I may, just for clarity, the request for quote was sent out by SESLHD, not by the board. So the entity sent that—the chief executive has the delegation around that at that time.

The CHAIR: The chief executive sent it out?

TOBI WILSON: The management would have put the request for quote out.

The CHAIR: In the year preceding this disclosure from Ms Stubbins, she was sitting as the chair of the finance performance committee. The minutes record disclosures around that difficult financial situation that the district was facing. Ms Stubbins was deeply involved in the discussions as the chair of the finance performance committee around those troubles. Would that decision to appoint consultants to help with that situation have been made at the level of the finance and performance committee?

MICHAEL STILL: No, it would not have. It's a management decision. I don't know what happened at that particular meeting, whether or not anything was suggested. I know that at some stage around that time, I suggested to management that "Perhaps you need some help here." It would not have come as an instruction from finance and performance.

The CHAIR: The chief financial officer sits on that finance performance committee as well, though, don't they?

MICHAEL STILL: Yes.

The CHAIR: So they were sitting there with Ms Stubbins as a current PwC partner and they were discussing work in relation to making the decision that they require consultants to help. Is that correct?

MICHAEL STILL: I don't know whether the finance and performance committee did choose to say to the CFO that they should go out or management should go out for consulting help. I don't know.

The CHAIR: Those finance performance committee meeting minutes are not publicly available. I requested them through a GIPAA process, but I have been told so far that I'm not able to see those documents. Is that something that the board or you could provide to this Committee?

MICHAEL STILL: I'm not sure what the ministry's rules, if you like, are around all of this. At least as chair I didn't know that you'd made the request.

The CHAIR: In June 2014—in the next set of minutes—Ms Stubbins again does not attend the meeting because of a potential conflict of interest, because at that point PwC has been successful in being commissioned for that work. Can you tell me how many other firms were approached?

MICHAEL STILL: Two.

The CHAIR: Two other firms?

MICHAEL STILL: Yes.

The CHAIR: Are you able to tell us who they are?

MICHAEL STILL: McKinsey and KPMG.

The CHAIR: McKinsey and KPMG? Thank you, that's very useful.

MICHAEL STILL: Sorry, Mr Wilson, was that for that—

TOBI WILSON: Yes.

MICHAEL STILL: Yes, it was for that piece of work. There were several pieces of work done.

The CHAIR: In those same minutes, it was stated that PwC's commission would be for approximately four months, but the work goes on for longer than that, as is demonstrated in the minutes after that. What was the nature of the work they were involved in and how long did it go for?

MICHAEL STILL: The nature of the work was to identify systemic problems in the operations and the finances of the district in order to return to a net neutral bottom line.

The CHAIR: Okay. So it was consulting work?

MICHAEL STILL: Yes.

The CHAIR: From PwC Consulting, not from their assurance or other—

MICHAEL STILL: No, consulting.

The CHAIR: My understanding from reading the minutes is that a program office was established.

MICHAEL STILL: Yes.

The CHAIR: Was that program office established purely in relation to that PwC work? What was the nature of PwC's engagement with that?

MICHAEL STILL: No, the chief executive was relatively new at the time. He told me that it had been his practice in troubled operations to establish a program office where people would be allocated to that office and would concentrate their day on looking at difficulties and sorting out how to fix them.

The CHAIR: In July 2014 those next minutes record that Ms Stubbins will not attend the board or FPC meetings "for the duration of the work". Would you have known at that point what that duration of the work would have been? At that point the board had been told that this PwC work would go for, at the least, four months, but then they were looking at a one- to two-year horizon of initiatives. When Ms Stubbins advised that she was, I guess, apologising for the next—what does she say? She will not attend. She is not stepping down; she is just not attending the board meetings for the duration of the work. How long was it anticipated that she would not be attending for?

MICHAEL STILL: My best recollection is that that was for the three or four months that was anticipated originally. But as we got into it and found that the issues would probably take quite a lot longer to resolve—I can't assure you of the date—it was clear that her position on the board might be untenable from a governance point of view and so she resigned.

The CHAIR: Let's just get to that. In the next month, August, she is recorded as being on leave of absence rather than apology at that point.

MICHAEL STILL: Yes.

The CHAIR: The same minutes record detail of the initiatives coming out of PwC work that could last for three years. But at that stage, why was Ms Stubbins not asked to resign? She just takes leave of absence at that point. Why was that decision made?

MICHAEL STILL: If my memory serves me, it was during the course of the month following that meeting that she came to me and said that her position shouldn't hold and that she should resign.

The CHAIR: Perhaps you should look at the minutes. In August 2014 she is recorded as being on leave of absence, but by the next minutes that I have given to you there—the February 2015 minutes—she is recorded as attending as a board member with no explanation given as to why the leave of absence had ended.

MICHAEL STILL: There was a period—Mr Wilson might have to help me here. There was a flow of what we might call smaller contracts. Ultimately it was decided that this was going to take a long time. I can't tell you exactly what month that was, but I think what was happening was that she would not come to board while ever there was work going on or the prospect of work going to PwC being discussed. Then, when it was clear that there was going to be a much longer period of work, she resigned.

The CHAIR: When Ms Stubbins was recorded as being an apology to those board meetings, would she have still been sent the board minutes and the board pack for that meeting with all of the information in it?

MICHAEL STILL: As an apology, I think that's unfortunate terminology. I should have corrected it at the time. She was not an apology; she had stood aside, in fact. No, I expect that she wasn't given any of the minutes nor the board packs.

The CHAIR: She is recorded as being an apology from March to August 2014. She is then recorded as being on leave of absence from August 2014 to February 2015, so almost a year.

MICHAEL STILL: Yes.

The CHAIR: She is then back with no explanation in February and doesn't resign until May 2015. That's over a year of not attending, attending or for whatever reason not being a participant on the board, before she resigns due to this conflict of interest. Would she have been getting payments for that board participation during that time? It seems like an extraordinary length of time for someone to be sitting on a board and not participating in it?

MICHAEL STILL: It rolled on unexpectedly. As more and more information was unearthed, these consultancies did go on. We didn't expect that to happen.

The CHAIR: Is this just a poor recording in the minutes? Is it usual for someone to come back from a leave of absence from a conflict of interest and there are no new disclosures in the conflict of interest section in the minutes? She is just back. Would that be normal procedure?

MICHAEL STILL: It's an error, I would say. The minutes should have recorded the particular piece of work that PwC was doing had ended possibly, and that she had returned. That's probably what should have happened.

The CHAIR: Okay. In May 2015 the minutes record Ms Stubbins as saying that she would "like to take an active role in the PwC work" and would need to step aside as a board member—that is that moment. Clearly the work is still ongoing at that point and has been ongoing because she is now—

MICHAEL STILL: My memory is that that was preparatory to a larger contract within which there was a new initiative and a new appointment in process which is, from memory, when we realised that this was going to be quite a long job.

The CHAIR: Okay. At this point PwC is doing a lot of work for the district.

MICHAEL STILL: Yes.

The CHAIR: In April 2015—I am just hopping back one month—Mary Foley, the Secretary of the Ministry of Health, attends that board meeting. There's a discussion regarding the chief executive working with PwC to develop a business case for an integrated care strategy. Ms Stubbins is recorded as being at that meeting but, again, no conflict of interest is noted at that point. Dr Foley is then recorded in the minutes as offering Ministry of Health support for implementing that integrated care agenda that the chief executive is working with PwC on. What exactly was being agreed at that meeting, and why were no conflicts of interest noted in the minutes?

MICHAEL STILL: Again all of these appointments are a matter for management, not for the board. We do not make a decision to allow or disallow the appointment or to choose which consultant is appointed. This is management.

The CHAIR: It's your responsibility though, is it not, to ensure proper governance?

MICHAEL STILL: Yes, it is.

The CHAIR: We have a clear case there where we had not just Kristin Stubbins but also Mary Foley, who herself was a PwC partner prior to being the NSW Health secretary, at a meeting discussing the appointment of PwC to assist on an initiative with the board members and everyone else there present. Does that seem to pass the sniff test to you?

MICHAEL STILL: Mary Foley came as a guest of the board. The secretary has a standing invitation but they very rarely come, but Mary Foley did come one evening. There was a general discussion, from memory, about what was going on. We talked about the integrated care program, which was front and centre at that time. There was, from memory, no discussion about PwC. It was, I think, acknowledged that PwC were doing the work to help management but there was, from memory, no discussion of potential conflicts. I think the conflicts would have been assumed to have been managed by management at the time. Board—although it might not have been recorded—would have been across the process for appointing the consultants.

The CHAIR: The month after that meeting occurred is when Ms Stubbins finally tells the board that she'll be resigning and the board agrees. It's reported in those minutes that the board agrees that she would step down from May 2015, but she continues to be listed as a board member in the minutes until August 2015—another three months. Can you explain that?

MICHAEL STILL: No, I can't.

The CHAIR: She is then listed on the board minutes from August 2015 until the end of November 2016—so another year and a half, or a year and a bit—as an adviser.

MICHAEL STILL: Yes, I saw that. She had offered to do some coaching for the CFO. We were needing to modernise the structure of the finance structure and totally modernise the way we went about the finance function, as between the centre and the hospitals and within the centre itself. She had offered to give some coaching to the CFO.

The CHAIR: So you had a partner of PwC sitting with access to the board and to the CFO for free?

MICHAEL STILL: Yes, there was no payment made.

The CHAIR: That is very generous of Ms Stubbins.

MICHAEL STILL: Yes.

The CHAIR: At the same time she was working for PwC, and the district was paying considerable amounts of money to PwC. Do you not see that as a blatant conflict of interest?

MICHAEL STILL: Look, I don't. She would not have been privy to any of the financials. This was a discussion, according to the CFO and Ms Stubbins, about structure and how the operation of the finance function should work.

The CHAIR: Would it be fair to say that Ms Stubbins, after officially resigning from the board, was then effectively in a very similar position to what she had been in in those months prior, where she still had access to and influence over the board but without the responsibility and the pesky conflict of interest issue that comes from being an actual board director?

MICHAEL STILL: No, I wouldn't say that.

The CHAIR: Mr Still, you are reported in *The Australian* as having said, "Times have changed in terms of conflicts of interest, but in those days the board needed help from whatever competent professional they could get." What did you mean by that? What has changed in terms of conflicts of interest since 2013?

MICHAEL STILL: I read that. Unfortunately, it is somewhat out of context. The journalist asked me why anybody from one of these consulting firms would ever be allowed on any of the boards, and what she quotes me as saying is probably reasonably right. The system was, in my understanding, well over budget. Our district itself was well over budget. It needed a lot of help, and the health Minister at the time, who was the one that made appointments to boards, was trying to get the best help available to these districts. Obviously, though, the potential of a conflict would need to have been acknowledged, and it was.

The CHAIR: If you would put yourself in the position of a PwC partner or PwC as an organisation—and perhaps you can assist with this as well, Mr Doy—it seems like the perfect business model. First of all, redesigning a health structure, which I know PwC had quite a hand in, and devolving it into this board structure; then putting consultants onto boards, who are then critical in terms of giving work to other consultants while on those boards, and building that relationship; then having a steady flow of income once they go back to their practices. Do you think that when you say, "Times have changed", you mean really that people have woken up to that situation, and that that infestation of consultants in our local health boards was perhaps not a good idea?

MICHAEL STILL: Working backwards, no, I think it was a very good idea. I think these people were invaluable. In my view, Kristin Stubbins was invaluable to the south-east Sydney board. I couldn't comment on others, but other chairs have told me about the value that some of these consultants have brought.

The CHAIR: Did you ever receive a complaint or any other kind of inquiry in relation to this issue of Ms Stubbins sitting on the board at the same time as PwC being granted work?

MICHAEL STILL: Not that I recall.

The CHAIR: Are you aware of any ICAC inquiries or any other issues in relation to Ms Stubbins' appointment on the board?

MICHAEL STILL: No. Definitely not. ICAC never informed me of any inquiry.

The CHAIR: This situation of an active PwC member who had been a consultant in the health area of PwC and who had then moved on to being within the assurance function—so that is what we would see as being perhaps the higher level of integrity required from someone in audit—sitting on a health board and giving advice and understanding the ins and outs of everything to do with your district and then going back to have a great career at PwC, do you think that the average person on the street would find that to be, at least, questionable?

MICHAEL STILL: I think the average person might not understand the complexities, particularly of the health system and the needs of the system. I think, if those complexities were well understood, the average person, on learning of the governance that went around it, should be satisfied. I don't think there is a point, really, to saying that they give of their time to these boards only to enhance their own income back at the firm. I think that's quite a stretch.

The CHAIR: Your proposition then is that these partners would sit on a government board to give their consulting advice—Kristin Stubbins was part of a number of committees—and to be spending that many hours. Each board meeting is held in the middle of a working day for two to three hours. These are very busy people. Would it be consistent with a profit-making business model to have these benevolent partners sitting on all of these boards?

MICHAEL STILL: I'm sure that if you asked a great number of the partners in these firms if would they give of their time in the same way, they would say no. But that's supposition. The Minister at the time found a number of these people who were prepared to give of their time. The boards—certainly our board was very grateful.

The CHAIR: Are you aware that there are at least 666 PwC employees and partners sitting on boards across Australia while also being employed at PwC?

MICHAEL STILL: No.

The CHAIR: It doesn't seem like it is an exception for just the benevolent few, does it, Mr Still?

MICHAEL STILL: Well, at 600—I don't know what the total number of PwC partners might be and, to tell you the truth, it does sound like a number.

The Hon. SCOTT FARLOW: In terms of that theory, when it comes to people sitting on boards, I look at the list of members of the boards—and I won't name them because they don't deserve to be named in a parliamentary inquiry. But I do note somebody who is a doctor there, and I know that they run a general practice within the region. Would you have any suggestion that they were getting any benefit in sitting on the board in terms of their own doctor's practice?

MICHAEL STILL: Absolutely not.

The Hon. Dr SARAH KAINE: Mr Still, on 15 June we heard from some representatives from NSW Health about their spend on consultants, and we heard also on that day that local health districts globally had spent more than \$120 million on consultants since 2011. Can you tell us how much South Eastern Sydney Local Health District spent on consultants since 2011?

MICHAEL STILL: If you'll excuse me, Dr Kaine, I will just ask the chief executive.

TOBI WILSON: I can provide from financial year 2015. I can't go back to 2011; I don't have that number at hand. But, from 2015, the total spend—in fact, I don't have that summed up. If you can just give me a second, I will give you an answer to that. It would be in the region of about \$19 million since financial year 2015.

The Hon. Dr SARAH KAINE: So it was \$19 million in that time.

TOBI WILSON: We have identified there are some inaccuracies with some of those numbers, though, which I can address, if you would like me to.

The Hon. Dr SARAH KAINE: Yes, and if you want to provide anything following this, that would be useful.

TOBI WILSON: Yes.

The Hon. Dr SARAH KAINE: In fact, if you could provide the breakdown from 2011 to the most current figures you have, that would be helpful.

TOBI WILSON: Yes.

The Hon. Dr SARAH KAINE: If I could ask in this way, how many consultants or consulting contracts have you engaged in the last financial year?

TOBI WILSON: In the financial year '22, we have spent \$361,000. We have a small engagement with PwC at just over \$20,000 and an engagement with EY of \$160,000 and there's a range of smaller engagements that make up the rest of that number.

The Hon. Dr SARAH KAINE: Could you explain briefly what they're for?

TOBI WILSON: Yes. The PwC engagement was around some work we were doing around risk management and getting an external eye to help us with how we were reforming our risk process and the EY engagement was around the development of our virtual health strategies. They were bringing some international expertise to the district to support with that.

The Hon. Dr SARAH KAINE: And the other contracts that you refer to—they were not with the big four. Were they all smaller in scale?

TOBI WILSON: They're all significantly smaller in scale. One of the challenges when we've gone back to our financial recording is, I suspect, that a number of these are actually contractors rather than consultants. There are a couple in there that I recognise as consultancies but I think there're some inaccuracies in what we've been able to pull together in our financial records.

The Hon. Dr SARAH KAINE: Could I ask about that? What kind of guidance are you given from, say, NSW Health, or Procurement in particular, about the definitions and where you place contractors and consultants in your accounting?

TOBI WILSON: There's quite a clear guidance paper that's circulated through NSW Health but actually does come from the Procurement Board which provides that definition of the difference between consultancies and contractors and provides some working examples for us to work through. As I said, I think there are some opportunities for us to improve how we align that.

The Hon. Dr SARAH KAINE: I was going to say, yes, there still seems to be some ambiguity there from what you—

TOBI WILSON: Yeah. I think this exercise has highlighted that there are some opportunities for us to be more diligent around that. I don't see too many concerns from what I can see in our records around our ability to record contractors as contractors. I suspect there's some spend that we're recording as consultancies which isn't consultancy as per that definition.

The Hon. Dr SARAH KAINE: While we're talking about NSW Health, what kind of reporting back do you give with regards to the use of consultants—that kind of governance requirements in terms of reporting your use?

TOBI WILSON: There's certainly an oversight over our procurement processes centrally. Depending on certain thresholds we'll run that through HealthShare and they would have an oversight over that process. Beyond that, it would depend on the specifics of what we're talking about.

The Hon. MARK BUTTIGIEG: So just on that, in terms of that reporting mechanism, that's obviously somewhat of a passive approach. Was there any interaction between the Procurement oversight board and in terms of feedback on that reporting, or is it just, "Here's the paperwork. Tick, tick, tick—all good"?

TOBI WILSON: In what regard, sorry?

The Hon. MARK BUTTIGIEG: Well, my colleague just asked you a question about the reporting process and you just said that there's an extensive reporting process higher up the chain. Do you ever get any feedback from those bodies as to the compliance, the conflicts, the use of money—all that sort of thing—or is it just kind of a reporting process which happens without any sort of interaction or feedback?

TOBI WILSON: We would certainly get feedback around compliance and the process. Regarding the use of money, that would be a management decision around that so we wouldn't expect that that group would be providing oversight on that. That would be more taken up through the broader performance framework that exists around how we're tracking financially overall.

The Hon. MARK BUTTIGIEG: So there's never any questioning as to the efficacy of the use of consultants vis-a-vis internal resources? Is it an active dialogue, or are you just given autonomy to do it?

TOBI WILSON: There's an awful lot of questioning internally around how we do that, as I have demonstrated with our spend in the last financial year, where we spent \$361,000 out of an annual expenditure budget of over \$2 billion. It's not a big number that we are spending on this. There's an awful lot of diligence. I feel very accountable to my workforce that if I'm choosing to spend money on this then I need to be able to

justify that in front of our frontline staff, so I don't believe that there's not an accountability that sits there and that we're just making those choices—

The Hon. MARK BUTTIGIEG: Sorry. Those proportions you just outlined—could you state them again?

TOBI WILSON: It's \$361,000 of consultant expenditure, and our general ledger in financial year 2022 had an overall operating expenditure budget of \$2 billion.

The Hon. MARK BUTTIGIEG: But that annual budget would include all manner of things, wouldn't it? Capital works, recurrent expenditure—

TOBI WILSON: No. That's our operating expenditure.

The Hon. MARK BUTTIGIEG: So is that just the wage bill?

TOBI WILSON: It's everything you need to run our health service, our local health district.

The Hon. MARK BUTTIGIEG: Yes, but if we're comparing apples to apples here, wouldn't it be more logical to compare what the potential alternative resource would be, which would presumably be internal labour resource for this expertise? Let's assume that you have the resource. Then presumably that would be a smaller budget, wouldn't it, than the \$2 billion you are talking about?

TOBI WILSON: I don't believe so. We only engage consultants when there is a defined need for that, so either it's a—

The Hon. MARK BUTTIGIEG: No, no. I'm just trying to get a proportion of the relative resource expenditure vis-a-vis, say, the wage bill. Do we know what the wage bill would be?

TOBI WILSON: Generally, somewhere between 65 and 70 per cent of our expenditure is wages, so \$1.4 billion or \$1.5 billion would be our wage bill.

The Hon. MARK BUTTIGIEG: So the point would be that the \$360,000 is such a minuscule proportion that, based on those headline figures alone and given the scrutiny you're saying occurs, it is more than justified.

TOBI WILSON: I'm suggesting that we don't enter into this lightly and that we make those decisions with a great focus on what we are actually trying to achieve. The only time we would engage in a consultancy is because we need the expert skills that they potentially could bring because we don't have those skills internally within our organisation or because we are looking for alternative advice that would be able to supplement what we know internally.

The Hon. WES FANG: Could I just interrogate that a little bit further? In relation to that \$360,000-odd spent on consultants for the 2022 financial year, do you know what advice was provided and what skill set was required to be brought in from an external consultancy? In that instance, how much would it cost to employ those skill sets into the health district? That's the first part of the question. The second part of the question is what would those skill sets do if they were employed by the health district at times when that part of the work is finished? Obviously, there is a discussion around whether we have that work done internally or whether it's done by consultants. There are two philosophical trains of thought here. It's a specialised piece of work that requires resource that isn't employed by the health district. How much would it cost to have that person employed? What would they do if they weren't doing that work? And, then, what are the skill sets that were required that you didn't have, hence the consultants? Are you able to expand on that?

TOBI WILSON: For the two that I have called out specifically, for the work that we were doing around risk—again, this comes back to what we could realistically expect to be able to employ within a health service, acknowledging the work that we do. We know that risk professionals in a competitive market generally attract salaries that far exceed what we could offer internally, so we use the consultancy to provide a targeted level of support for those people that work in that risk space within our organisation. I don't believe that, in that example, there is an alternative where you could actually employ somebody. We would not be competitive in the marketplace and able to attract people to do that. Similarly, with the EY piece in the virtual health space we went to market multiple times trying to bring somebody into our organisation and we are just not competitive with what we would pay compared to other organisations. As a result, we need to use other ways of bringing that knowledge into the organisation.

The Hon. WES FANG: If I was to summarise the response, in effect, it is cheaper in those instances to have external organisations do the work because to employ people (1) you are not competitive and (2) it results in a cheaper cost to the taxpayer to have it done that way—a small amount of work over a limited period of time—than having that person on the books for the year, for example, that you would employ them normally?

TOBI WILSON: Yes. I think the other thing to mention is that we are very clear with how we structure this so that there is a transfer of knowledge through that process back into the organisation. We do not do consultancies and then let them walk out the door. In the case of the virtual health space, we have now got quite a clear plan, a business case of how we are taking that forward, and we are making significant moves in that direction, as is much of health in that space.

The Hon. Dr SARAH KAINE: Could I take you back to the figures? Last financial year, \$360,000-odd—correct me if I am wrong, but that would seem to be less if you averaged out the amount from 2015 that you mentioned.

TOBI WILSON: Yes.

The Hon. Dr SARAH KAINE: Are you able to give a bit of an explanation of when there might have been peaks in the consultant spend and the nature of it? Were those peaks characterised by large contracts or a proliferation of more contracts?

TOBI WILSON: So there certainly was an increased volume of consultancy spend towards the start of the period that we were talking about, and we dove into some of the work around PwC. There is a peak that is called out in our data in FY21 where I think this Committee mentioned that they had identified a \$5 million spend. We have gone back to that data and actually found, again, an inaccuracy in how there was an accounting treatment applied in that space. There is a \$3½ million accrual in that line which is not related to consultancy which inflates that number, so that number was about \$1½ million in that time. Again, that was particularly focused around work that was undertaken predominantly around the review of our medical imaging services. A group called Paxton Partners came in and reviewed those for us and then we made changes to those services and that was what that accrual was for. It was about increasing access over the weekends and increasing the number of staff that we were employing. They were able to come in and help us with working through that model. It was a particularly complicated model within our district. We needed some external help, and they brought that expertise for us.

The Hon. Dr SARAH KAINE: That \$19 million, did that account for that accrual?

TOBI WILSON: That includes that accrual. I am just giving you the straight numbers that exist in our reports.

The CHAIR: Can I ask how much in total you have spent? And I ask this about PwC because your board is interesting in that it has always had somebody who has been connected with PwC sitting on it. How much have you spent on PwC work from the district, whether it is consulting, contracting, outsourcing—whatever the case. How much has been the total spend since 2011?

MICHAEL STILL: Mr Wilson can help with the total.

TOBI WILSON: Can I take that question on notice?

The CHAIR: If you could and let me know what that proportion looks like compared to other consultants from other consulting firms along the same line, that would be great.

The Hon. PETER PRIMROSE: Can I ask one following on from that and it is to whoever considers it appropriate to answer. Do you have a formal policy on employing consultants? Is there a written policy document that the organisation has, or particularly the board has, to say under what circumstance it will employ consultants?

TOBI WILSON: We would have documentation that would support the process around how you would do it but I believe that is not what you are asking for.

The Hon. PETER PRIMROSE: If you don't have that, then you have documentation about the process?

TOBI WILSON: Yes.

The Hon. PETER PRIMROSE: Would you be able to provide that to the Committee?

TOBI WILSON: Yes. It is consistent with NSW Health policy.

The Hon. PETER PRIMROSE: I understand that. Does that document include a process for confirming and checking the qualifications and training of those who come in as consultants?

TOBI WILSON: I would need to take that on notice.

MICHAEL STILL: We do get the CVs of anybody proposed to be on the team from the consultant as part of their pitch.

The Hon. PETER PRIMROSE: So you would feel comfortable then, in relation to all of those people who come in as consultants, that they would have qualifications and expertise to be able to undertake the work that you are asking and paying them to do?

TOBI WILSON: Yes. We would, certainly—part of that selection process is around the expertise that they bring and the ability. They need to be transparent with us through that process to define who is going to be involved in the piece of work and, as Michael says, what skill set they have around undertaking that. We absolutely go back and negotiate that through that process.

The Hon. PETER PRIMROSE: Who does that assessment?

TOBI WILSON: There is an evaluation panel that is convened around every one of these that undertakes that work.

The Hon. PETER PRIMROSE: Who is on that evaluation panel? What sort of positions would be on them?

TOBI WILSON: There would be senior people within the management structure. Generally, it would have at least one executive—normally the executive that is sponsoring that piece of work—a representative from finance, a representative from procurement, some other subject matter experts as appropriate.

The Hon. SCOTT FARLOW: Just to clarify, not a member of the board—is that correct?

TOBI WILSON: Definitely not a member of the board. The chief executive has the delegation.

The Hon. MARK BUTTIGIEG: Mr Still, the Chair's earlier line of questioning outlined what appeared to be quite an extensive conflict of interest, at least in perception. The conflict of interest hierarchy that I am familiar with usually also includes a perception of conflict. Can you outline to us whether or not that policy actually exists in terms of a perception as well? The point being that a member of the general public whose taxpayer dollars are being spent on what looks like a very close relationship where PwC is in fact embedded in the department—that is what it looks like—and perceived to be potentially soliciting work. Is that something that would satisfy your conflict of interest policy?

MICHAEL STILL: Recall here that the process and the decisions for these consultancies are made by management, not by the board. If the board was to run these processes and choose consultants then it may be that a much stricter process around potential conflicts of interest or perceived potential conflicts would have to be undertaken.

The CHAIR: Are you saying that management doesn't report to the board on these things, that the board doesn't have the ability to intervene when management makes a decision? Is management left to its own devices?

MICHAEL STILL: That would be putting it far too strongly. Management is reporting to the board on its process. We make sure that the governance of the procurement is handled appropriately. As Mr Wilson said, there is a process that comes via the ministry for all of this. But if you're asking, "If they come for acknowledgement that McKinsey is going to be appointed, can the board say no?" no, the board doesn't interfere.

The CHAIR: But the buck stops with you, doesn't it, when it comes to governance?

MICHAEL STILL: Governance.

The CHAIR: If you were to perceive a conflict of interest or to think that there was something going on where one firm was perhaps being preferred to another or, for instance, if one of your board members sitting on committees was perhaps going to influence a decision to do something that's going to require a consultant, surely the buck stops with you in terms of the appropriate governance?

MICHAEL STILL: Yes. You'll see from the papers that there is a very rigorous process around choosing the consultant, and it does not include any board member.

The Hon. MARK BUTTIGIEG: On any objective basis, I would have thought that that particular sequence of events, which the Chair outlined previously, would have at least been a serious breach of a perception of conflict of interest. Was that ever reported to the ministry or the department as a breach of that perception and therefore—

The Hon. WES FANG: What's a breach of perception of conflict?

The Hon. MARK BUTTIGIEG: There's a thing called a perception of conflict of interest, not just a material conflict of interest.

The Hon. WES FANG: And what's a breach of that?

The Hon. MARK BUTTIGIEG: What I'm suggesting is that if that is part of the department's policy, and that was breached, then that should have been reported to someone.

MICHAEL STILL: The board doesn't report to the ministry.

The Hon. MARK BUTTIGIEG: So the board has no communication with the people who appoint people to the board?

MICHAEL STILL: The Minister appoints the board.

The Hon. MARK BUTTIGIEG: I understand that. But if you're in charge of governance, then is there no communication between your administration of that governance and the people who are appointing to say, "This is perhaps not a good idea"?

MICHAEL STILL: Perhaps I could just get some clarity around this, I'm afraid. The people who are appointing—are you thinking of the ministry or the Minister?

The Hon. MARK BUTTIGIEG: Whoever appoints the people to the board surely has to be informed that there is a potential breach of conflict of interest, otherwise what is the point of having the policy?

MICHAEL STILL: Because it's up to the board to administer the policy. I don't think there is any need to tell the Minister when there might be a perception of a conflict. I don't think there is any need for that.

The CHAIR: Are you saying you never spoke with the Minister about any potential for the conflict of interest to be actualised in the case of Ms Stubbins? There was never a discussion?

MICHAEL STILL: Not with the Minister, no.

The CHAIR: In the minutes in June 2014, it states that the board chair—which I understand was you at that time, was it not, Mr Still?

MICHAEL STILL: I will check.

The CHAIR: It reads:

... the Board Chair will discuss the governance of her continuing to attend Board meetings, or the part of Board meetings which deal with the PwC appointment with the Ministry of Health and the Board ...

So clearly you did think that it was—

MICHAEL STILL: I must have done—can you just give me the date again, there?

The CHAIR: That is in the June 2014 minutes. It was clearly significant enough at that time. And I think this is what this comes back to. We had this discussion where we went through the minutes, Mr Still, and it was very clear that this had been an ongoing concern for the board around the conflicts of interest. When I have asked you about Ms Stubbins' continued attendance at meetings and the apology rather than stepping down et cetera, you've told me that these are errors in the minutes. Are you really expecting us to believe that there are so many errors in these minutes that you have signed off on and the board has signed off on?

MICHAEL STILL: I don't think there are so many at all, no.

The Hon. SCOTT FARLOW: Well they didn't actually spell Prince of Wales Hospital correctly, so it doesn't look like they're that great.

The CHAIR: Sorry, Mr Still.

MICHAEL STILL: I don't think there are so many errors. I can't recall going to see the secretary, but it may well have been that I said to the secretary that it looks like PwC are one of several parties that might do some work, remembering she was at PwC too.

The CHAIR: Exactly.

MICHAEL STILL: It might have been just been for information's sake and probably just to possibly assure everybody that the proper governance was in place.

The CHAIR: You said before that you were looking back at the minutes—at that period of time, I think one year and two months, that Ms Stubbins was recorded as being an adviser to the board. I asked you about that, and my recollection is that you said that she was involved in providing some training to the CFO, or providing some advice to the CFO. Is that correct?

MICHAEL STILL: Some coaching, yes—not to the board.

The CHAIR: Was that the extent of her involvement?

MICHAEL STILL: Yes.

The CHAIR: Are you aware that she was also a member of the finance and performance committee until the end of 2016?

MICHAEL STILL: Well, no, because if she wasn't on the board, then she wasn't on any committee.

The CHAIR: I'm looking at the attestation statement that you signed for the local health district between July 2016 and 30 June 2017, so it is the 2016-17 financial year. It refers to Ms Stubbins, as an adviser, being a member of the finance and performance committee. It then says, "Term finished on 30 November 2016." She was a member. It says, "During the financial year, the finance and performance committee comprised the following membership ..." And then it has—

MICHAEL STILL: She would not have been at any finance performance meeting or received any material at any time that she was not standing at the board.

The CHAIR: Can I ask you, Mr Doy—you were chair of the finance and performance committee at that time—do you recall Ms Stubbins being at those meetings?

JONATHAN DOY: No, I don't recall her being in any of the meetings.

The CHAIR: Why would she be listed as a member of the finance performance committee in the attestation statement, saying "term finished on 30 November 2016", the term of her membership of the committee? This self-attestation is pretty much the only thing we can rely on when it comes to the governance of the board. Are you saying that this statement is incorrect, Mr Still?

MICHAEL STILL: What I can say is that whenever Ms Stubbins was not present at the board because she'd stood down over these perceptions or when she had resigned, she would not have been present at any committee meeting or received any materials.

The CHAIR: On the face of the minutes, you agree that she should step down in May 2015. She is still present, recorded as present, at board meetings until August 2015, and then she is recorded as an adviser for the purposes of the board minutes. Now we find out that she was a member of the finance and performance committee that was directly involved in the work with PwC at the same time that she said that she had stepped down in order to do the work for PwC on the other side of it.

MICHAEL STILL: Yes, that is certainly an error.

The CHAIR: How do you think that looks?

MICHAEL STILL: Pretty poor. It's an error.

The CHAIR: Which bit is an error?

MICHAEL STILL: That she was a member of the committee. She was not a member of the committee at any time that she was not standing at board or after she'd stood down from the board.

The CHAIR: So the attestation statement is an error?

MICHAEL STILL: It must be.

The CHAIR: Are there other errors in your attestation statements?

MICHAEL STILL: I do not know.

The CHAIR: That's a pretty big error.

MICHAEL STILL: I don't know.

The CHAIR: You're asking us to believe that the attestation statement is an error and that numerous parts of the minutes are also errors.

MICHAEL STILL: Certainly there are elements of the minutes that are likely not correct in the way you put them, yes.

The CHAIR: It's not the way I put them; it's the way that the minutes are. They are very clearly painting a picture of a conflict of interest—or we'll call it a potential conflict of interest—being disclosed, the board noting it as an issue, saying it's going to speak to the ministry about it, and then sometime later, after there have been periods of absence and apologies and all the rest of it, finally the board agrees, "Yes, you really ought to step

down." Then we still have the involvement of Ms Stubbins deep within your organisation until the end of November 2016, a year and a half after she's going to step down.

MICHAEL STILL: There are several things about that. There were different pieces of work. Each of those pieces of work were whole unto themselves. We did not expect at the end of any of those pieces of work for further work to be necessary, and therefore didn't see it as necessary that she leave the board entirely. But when it became clear that there was a much bigger piece of work to do, then it was clear that she should stand down, and she raised that. She was the first to raise that. She did say that she would continue to help the CFO; I do not know when that ceased.

The Hon. Dr SARAH KAINE: Mr Still, could I ask a general question here? Throughout all this period that we've been talking about and the circumstances that the Chair has outlined and the interconnections between the board and the area and consultancies, particularly PwC, at any stage did the board or any instrument of governance seek to review your governance mechanisms and processes? You're declaring quite a lot of confidence in them. Was there any benchmarking or any attempt to check that your perception of the veracity of your processes was indeed correct?

MICHAEL STILL: Externally, not to my recollection. Certainly internally in the in-camera sessions of the board, there was always a conversation about the appropriateness of what was going on, but that applied to all manner of things, not just this. I would say not externally, to answer your question.

The Hon. PETER PRIMROSE: Can I just ask one question? Who signs off on the minutes?

MICHAEL STILL: Many times during this long period I would've been travelling and the deputy chair kindly offered to help the secretariat draft the minutes in an appropriate way, and then they went out to board members.

The Hon. PETER PRIMROSE: Including yourself?

MICHAEL STILL: Yes, including me.

The Hon. PETER PRIMROSE: Who signs off on them?

MICHAEL STILL: It's me. I sign them as a true and correct record at the following meeting.

The Hon. PETER PRIMROSE: So you believe they were true and correct records at that time?

MICHAEL STILL: Yes.

The CHAIR: Each one that we've presented to you today is signed by you, aren't they, Mr Still?

MICHAEL STILL: They all are.

The CHAIR: These are a lot of—

MICHAEL STILL: I think all of them are. I was not present at one meeting. For instance, I don't think I was present at the meeting where Mary Foley attended.

The CHAIR: Was that April? April 2014, I think that one is.

MICHAEL STILL: I think it is, yes.

The CHAIR: You're there in March, you're there in April—the one with Mary Foley—and you're there in June. Or is that 2014? In any event, this is a quite concerning lack of governance procedures, when we look at this many errors in just a couple of years—just the ones that we've happened to look at. Does that concern you, Mr Still?

MICHAEL STILL: It always concerns me. There are some elements of error there, for sure. That's very disappointing. The errors that are there should not be translated to a lack of governance over the essential issues, however. You're exploring, as I understand it, the governance of Ms Stubbins being on the board at all, whether she was at board meetings at appropriate times et cetera. I think that the governance around that was well discussed and fairly strong.

The CHAIR: You are asking us, though—and, again, it comes back to the statement Mr Buttigieg made. This is public money being spent on these consultants.

MICHAEL STILL: Yes.

The CHAIR: The only assurance, disclosure and transparency that we get are the minutes that are put on your website. The minutes clearly disclose a very concerning issue to do with conflict of interest, on the face of it.

MICHAEL STILL: I think they show—

The CHAIR: Yet what you're saying, I think—and correct me if I'm wrong—is that we are supposed to accept that all of those minutes and records are not correct.

MICHAEL STILL: No, that's putting it far too strongly. I think the minutes reflect that Ms Stubbins was not present at meetings when PwC or any work possibly given to PwC, as described by management at the table, was discussed. When contracts were awarded to PwC, she had stood down. When there looked like being a larger piece of work awarded to PwC by management, she resigned.

The CHAIR: I think you must be reading different minutes, Mr Still. The minutes I have read have a mention of PwC work at meetings that Ms Stubbins is recorded as being at. We have an attestation statement that says she was a member of the finance performance committee, despite not even being a board member—

MICHAEL STILL: Clearly that's an error.

The CHAIR: —while she had stepped down to work on PwC work for the district. This is what it says on the face of these minutes.

MICHAEL STILL: It clearly is the case that she can't be a member of a subcommittee if she is not on the board or if she has stood down. That is clearly the case. Unfortunately, it's an error. She did not work on the PwC work. She did not stand down so that she could work on that.

The CHAIR: That's what it says in the minutes. That's what it says in May 2015.

MICHAEL STILL: Yes, I know.

The CHAIR: So is that an error as well? When she said that she would like to take an active role in the PwC work, that is an error too?

MICHAEL STILL: They are the minutes. All I can tell you is that she, to my knowledge, did no work. She was part of a different part of PwC. The only thing that she undertook to the board was that she would make sure that the best people in PwC were put on the job.

The CHAIR: What is the point of these minutes if they are all wrong? I don't understand why—this is what we have, both the minutes and the attestation statement.

MICHAEL STILL: She must have said that. They are the minutes.

The Hon. MARK BUTTIGIEG: Mr Still, can you see that to a person outside looking in—and I put ourselves in the shoes of the taxpayers, which is what we are all here for—it looks like people are going through the motions for aesthetic purposes to create a perception that everything is okay, but it is actually not because there is an embedded relationship between PwC and the department? That is what it looks like.

MICHAEL STILL: I can't comment on any relationship with the department but I can assure you that there was strong governance around Ms Stubbins being on the board and any work awarded to PwC by management.

The Hon. PETER PRIMROSE: In terms of strong governance, you're saying, however, that even the most basic element, which is minutes of decisions and discussions, contains numerous errors that you've signed off on?

MICHAEL STILL: We did not make a decision to award a contract to PwC; that's purely management. The point around her being on the board when she stepped aside and then when she resigned is the board's work. I think that the minutes broadly reflect the concern of Ms Stubbins and the board that she not present a perceived conflict of interest, and I think that was achieved.

The CHAIR: It looks even worse when you think about it. There's an agreement that she ought to step down from the board because of what is agreed to be a conflict of interest or "This is going to breach something so we'd better take some action; she's going to step down." You've told us that the decisions around consultants' contracts and who gets appointed is the responsibility of management.

MICHAEL STILL: Yes.

The CHAIR: And yet in that adviser position, you've said she's in the ear of the people in management who are actually making the decisions to appoint the consultants. It's almost more of a conflict of interest when she steps down and becomes an adviser than when she's sitting on the board. How did you let this happen? If you were so concerned about the governance, why is it not recorded in the minutes? Wouldn't you be very, very keen to show everybody that this was above board?

MICHAEL STILL: I did write a note to the board about this; I can't recall the date. Perhaps it was in the middle of 2015, about the position of Ms Stubbins. I think that was fairly clear. But there was the finishing, if you like, of some coaching for the CFO.

The CHAIR: Do you think it would be useful for you to provide us with that board letter?

MICHAEL STILL: I think it's in the minutes somewhere. Let's find it.

TOBI WILSON: It's not in the minutes but we can—

MICHAEL STILL: We can provide that.

The CHAIR: If you provide that on notice, it might be useful if we can try to clear this up, because at the moment it's looking pretty bad for the board governance and also for Ms Stubbins. This is very much an example of what we're seeing as being endemic when it comes to consultants.

The Hon. PETER PRIMROSE: Also, when that document is provided, can we get the notation of the deliberations and decisions of the board in relation to the perception of that note?

MICHAEL STILL: Certainly. I think what happened was that when it was discussed at one of the meetings in the middle of the year, the result was that I would pen a board memo. I think that was presented in the papers for the following month.

TOBI WILSON: I think you can trace that through the board papers as they currently stand. There's reference to Mr Still drafting a paper. We can provide the paper that was drafted. And then the outcome of that is when Ms Stubbins stepped down from the board.

The CHAIR: Except she doesn't, because we still have her in the minutes. Is there anything you can do to assure us that the minutes are incorrect? Are there any other bits of documentation that can show us that she actually did step down in May as opposed to what the minutes say on the face of them?

MICHAEL STILL: We will have to take that on notice. She's not recorded as having said anything, obviously, because she wasn't there. We will give that some thought and see whether we can provide something more for you.

The CHAIR: Thank you. Are there any other questions? I think that's all. Thank you very much for your time. In relation to questions taken on notice and any other supplementary questions, the secretariat will be in touch. There will be 21 days to respond to those.

(The witnesses withdrew.)

MR RICHARD ALCOCK, AO, Chair, Western Sydney Local Health District Board, sworn and examined

Ms LORETTA DI MENTO, Deputy Chair, Western Sydney Local Health District Board, sworn and examined

The CHAIR: I now welcome our next witnesses. I invite you to make a short opening statement, if you want to. There is no obligation but, if you have one, please do.

RICHARD ALCOCK: Chair, I just wanted to say how much we recognise the importance of the matters that the Committee is considering. We fully appreciate—in our roles, day to day, as chair and deputy chair—the importance for the State as a whole of the transparency, accountability and good governance of all State instrumentalities. So thank you for the invitation.

The CHAIR: I will start with some questions and then pass over to the Government members. You've had a lot of consultants and ex-consultants on your board over the years, more so than some of the other local health district boards. I know that when the reforms were first brought in, in 2011, and then we had the activity-based funding reforms in 2013-14, there was talk by the relevant Minister about the need for boards to have financial expertise. What do you think consultants bring to local health district boards?

RICHARD ALCOCK: Chair, the composition of the boards, as set out in the enabling legislation, is really looking for a balance of skills. The balance is made up of those, firstly, who have experience in health administration, finance and business; secondly, clinical governance; thirdly, an association with community; and finally, some involvement with universities or research institutes. So what the Ministers seek to do is, first of all, to give effect to the legislation, but also to bring a balancing of skills. Certainly, in the Western Sydney Local Health District we are looking to balance all of those four attributes in the appointments that are made.

The CHAIR: Your district has the second highest recorded spend of all of the districts, since 2011, on consultants. Why do you think that is?

RICHARD ALCOCK: Chair, I can only speak for the period in which I have been on the board, which is from 1 January 2017. If we may, what we would like to do is to provide written details to your Committee on the work of consultants whilst I've been on the board. I'll ask Ms Di Mento to make a few comments as well because she's in a dual role, which she'll describe. But certainly during the past couple of years there hasn't been a significant use of consultants. When I say couple of years, let's say four years or so. We would be pleased to provide specific detail to the Committee.

The CHAIR: Thank you. I did notice that there was quite a reduction in the past couple of years and I wondered how much of that was down to that definition between consulting and contracting. I think it's \$88,000 in the past year—or \$8,000, or something—and previously it had been in the millions. Can you explain why that figure decreased so markedly?

RICHARD ALCOCK: First of all, could I just reiterate that the decision to appoint a consultant or a contractor—indeed any counterpart to a contract is a decision of the chief executive—that is part of the statutory delegation under the Health Services Act, and our role as a board is to ensure that the frameworks that sit above the operation and control of the district which is the responsibility of the chief executive are appropriate in their governance effect. So the actual use of consultants is within the delegated authority of the chief executive. Our chief executive, unfortunately, wasn't able to be with us today, but certainly will be available in the future if the Committee would like to seek further information.

The CHAIR: Thank you.

RICHARD ALCOCK: The reasons why consultants have been used at any time are really within the absolute delegation to the chief executive.

The CHAIR: Just one last question and then I will pass on to Dr Kaine. The Qudos Bank Arena vaccination hub project that the Western Sydney Local Health District entered into with PwC—what was that recorded as? How much did that cost? What was it recorded as in the accounts?

LORETTA DI MENTO: I can answer that, if you like.

RICHARD ALCOCK: Yes, sure.

LORETTA DI MENTO: Just by way of background, I'm deputy chair of the board and also chair one of the subcommittees for Western Sydney Local Health District—the Finance, Performance and Assets Management Committee—and I've been a member of the audit and risk committee up until June of last year, and I still attend that on a regular basis as a board observer.

The Hon. Dr SARAH KAINE: Sorry, from when, Ms Di Mento? When did you start on that committee?

LORETTA DI MENTO: I started on that committee in June 2019, six months before being appointed to the board, for a period of three years. I can just clarify that, from our audited financial statements from June 2022, for the 12 months leading up until that date, there's a total contractor spend of \$8.7 million recorded in that. A large proportion of that will be the contract with PwC for contracted services for Qudos. That information is in progress in terms of being put together by our teams, as I understand, but it's in the vicinity of about \$7.1 million for that 12 months and there'll be a small component that carries over into the 2023 financial year.

The CHAIR: So that was put down as contracting because it was more in the nature of outsourcing rather than advice work?

LORETTA DI MENTO: That's correct. We were purchasing resources for all sorts of activities for Qudos. It was a significant operation that—we've called it, internally, military style. There was so much that needed to occur to be able to vaccinate over 300,000 people in the short space of time that we did, so it involved all manner of data management, logistics, booking systems and the like. So, PwC, among others, were able to provide some of those resources for us.

The CHAIR: I think the average person doesn't know that that vaccination centre was being run by PwC.

LORETTA DI MENTO: I wouldn't say it was being run by PwC.

The CHAIR: PwC would say it was being run by PwC.

LORETTA DI MENTO: That's certainly up to them.

The Hon. Dr SARAH KAINE: They got paid a lot of money for it.

LORETTA DI MENTO: That's not how it was structured.

The CHAIR: That's okay. The only way that I found out about PwC's involvement was that they were crowing about it on their website. There are lots of quotes from the Western Sydney Local Health District talking about—we have Jasmin Ellis, General Manager of Integrated and Community Health at Western Sydney Local Health District saying, "Going to PwC saved us." This is on PwC's website, but I was unable to find any information from the Government or the health district with similar announcements about PwC's involvement in the Qudos arena. Was that a deliberate decision?

RICHARD ALCOCK: Chair, we haven't seen the material to which you refer. We could take that comment on notice.

The CHAIR: Yes, and perhaps if you look at it on the web—it's got a delightful title of "A community of solvers delivering The New Equation in COVID care", which is great consulting speak. Then they have a picture of the Qudos arena, and then they go on and on about what a great partnership it was with Western Sydney Local Health District, with the CEO, Graeme Loy, giving lots of kudos to PwC for their work at the Qudos arena. It struck me as interesting that we hadn't seen any communications come from the local health district or from the Government in relation to that. Was that a deliberate decision?

RICHARD ALCOCK: Chair, we obviously can't speak for PwC, and it was important, as you will recall, that there was no differentiation of one vaccination centre to another. They were all NSW Health vaccination centres. There was no designation of one centre being led by any particular party. It was a military-style operation. There were extremely large numbers of people who came together to deliver those vaccination services. If we may, could we please provide the Committee in writing with some details of from where that workforce was compiled? I am sure you will take confidence from the greater detail about the number of people in large numbers that were involved.

The CHAIR: That would be very useful.

LORETTA DI MENTO: And across various organisations, can I just add. The likes of Baxter, Qantas, others were involved in that. There were several parties that assisted.

The Hon. Dr SARAH KAINE: My question was to that. You have somewhat answered, because it was about the large jump in the spend on contractors, which I had in front of me, and that is partly then explained by the PwC engagement. The answer to my question may partly come from you on notice, but I would like your initial response. You've said that PwC didn't run the Qudos hub, but is that to say they were providing the human resources? Were they the recruitment arm? I am struggling a bit, knowing what PwC does, to understand the operational aspects of the work that they would have engaged in.

RICHARD ALCOCK: Dr Kaine, it's a reasonable question. May we give you a wholesome response in writing, because there were a lot of people? We are happy to designate from where people came and what their roles were. We hope that once you've got that greater information it will give you adequate context.

The CHAIR: Are you also able to tell us how many other consultants were approached for that work, or was it just PwC?

RICHARD ALCOCK: Chair, I would prefer not to make an error. If we may, we'll quite promptly give you full details of from where a large number of people came. We've all been to a big stadium. You know how many people are required in every aspect of logistics and safety and service. There are a large number of people.

The Hon. Dr SARAH KAINE: I appreciate that, Mr Alcock. Part of my motivation, so that you are aware, is that we've heard a series of witnesses already talk about ambiguity in how contractors and consultants are classified. I am curious as to how that was done in this case.

RICHARD ALCOCK: Yes, sure.

The Hon. Dr SARAH KAINE: That is part of the motivation—understanding that ambiguity and seeing what ends up on which part of the balance sheet. I know it sort of precedes both of you but, in terms of spikes in spending, in 2016-17 there seems to be quite large expenditure on consultancies. I know you've said you'll give us details. But is there any information you can provide now as to what projects were being undertaken in those years that might've required the large spend? It's close to about \$9 million over those two years.

RICHARD ALCOCK: Dr Kaine, we really want to make sure that any information we give you is accurate. If we may, we will respond in writing because, as you say, those arrangements preceded our involvement on the board.

The Hon. MARK BUTTIGIEG: Could I take you to those figures that you articulated earlier? You'll have to refresh my memory. But my recollection was that there was quite a dramatic drop in the spend on consultants in the last FY. Is that right?

LORETTA DI MENTO: Yes.

The Hon. Dr SARAH KAINE: In the last four or five—since 2017.

LORETTA DI MENTO: I've got some figures I can share with you directly from our audited financial statements. For the 12 months ended June 2022, consultants spend was \$15,000; contractors were \$8.7 million, as I previously referred to. In 2021 consultants spend was \$86,000 and contractors in total was \$995,000. That's for those two years.

The Hon. MARK BUTTIGIEG: Sorry, say that last one again—the contractors?

LORETTA DI MENTO: It was \$995,000 in total for all contractors spend for the district.

The Hon. MARK BUTTIGIEG: Would it be a fair enough statement to say that that definitional demarcation between contractors and consultants would have to be fairly uniformly applied across different area boards so that in effect—let me cut to the chase—we could compare different local area district figures accurately because the definition is applied uniformly across all health districts?

LORETTA DI MENTO: I can speak to our classifications and the fact they're subject to the external audit. Sitting on the audit and risk committee, I do have an insight into that because we go through the detail of the annual financial statements each year and have the Audit Office attend all our meetings. In terms of their reporting to us, they would disclose to us in their final reports if they had any concerns over disclosure deficiencies and the like. Nothing along those lines has come to my attention. From my point of view, with that external review and our internal procedures, I think we've met the definition for classifying the expenses.

The Hon. MARK BUTTIGIEG: But that definition between when a contractor is a contractor and when a consultant is a consultant—that comes from where?

LORETTA DI MENTO: I'll take that on notice in terms of the detailed definitions and guidance that our executive team would have, which likely filters through from the ministry in terms of guidance and why the—

The Hon. MARK BUTTIGIEG: From the ministry? So you would expect that other local area health districts would have the same definitional parameters, yes?

LORETTA DI MENTO: As I said, I'd expect that to be the case but I could take on notice the specific guidance that they have for us—for that to be provided.

The Hon. MARK BUTTIGIEG: In terms of your wage spend, we heard on previous evidence this morning that it's roughly 60 per cent of the total recurrent expenditure, which they quoted as about \$2 billion from memory, so \$1.2 billion roughly in wages. Would that be similar for the western area health district?

RICHARD ALCOCK: Could we please be accurate in the information that we give you? We don't have that precise number.

The Hon. MARK BUTTIGIEG: Sorry, for the purposes of the question, it's not necessary that I have precise numbers. I am just after some ballpark proportionalities. You would have an idea, wouldn't you, of the rough wage bill?

LORETTA DI MENTO: Yes. It's a bit over 60 per cent, as you say, of the total expenses.

The Hon. MARK BUTTIGIEG: What would the total recurrent expenditure be?

LORETTA DI MENTO: Again, taking the Chair's point that we need that to be confirmed—but it was approximately \$2.4 billion in expenses for 2022.

The Hon. MARK BUTTIGIEG: So we're talking about \$1.3 billion, maybe \$1.4 billion, ballpark. The proportion of use of consultants in the western area health district has dropped dramatically. I think the evidence we heard this morning from the south-eastern one was \$360,000. You're saying it's dropped down to \$80,000. Was there a particular reason as to why it dropped so precipitously in your area?

RICHARD ALCOCK: Again, could we please have the opportunity of giving you an accurate answer in writing?

The Hon. MARK BUTTIGIEG: Sure.

The Hon. Dr SARAH KAINE: Mr Alcock, I ask a follow-up question, taking on a theme that my colleague raised earlier about instructions from NSW Health. When you were engaging PwC for the vaccination hub, that was a large contract with a large amount of money. I just wondered what the layers of oversight and governance were with regards to approvals, discussions, ministerial imprimatur—what was the approval process for that large spend on that contract?

RICHARD ALCOCK: Dr Kaine, may we please give you this information in writing? It was a very compressed period of time. I think the number of days between the request to stand up the vaccination centre and opening the facility was about two weeks. We did go through proper process. If I may, what we'll do is we'll set out for you in writing what process we followed during that two-week period.

The Hon. PETER PRIMROSE: Just briefly—and hopefully you won't need to take this one on notice—in terms of board processes, I presume one of the first things that would happen at your board would be the adoption of the minutes of the previous meeting, is that correct?

RICHARD ALCOCK: Yes.

The Hon. PETER PRIMROSE: So the minutes are circulated beforehand, board members read the minutes and then I presume there's a motion something like "That these minutes be adopted as a true and correct record"?

RICHARD ALCOCK: Yes.

The Hon. PETER PRIMROSE: Okay. Included in those minutes, then, would be summaries of all the various reports that were considered at the previous meeting?

RICHARD ALCOCK: What we do in our minutes is to indicate topics, issues of particular relevance for discussion and outcomes. We don't adopt what I would call narrative-style minutes, which is a record of every aspect of what is put before the meeting and discussed. We tend to have highlights and subject matter and outcomes as the basis of our governance.

The Hon. PETER PRIMROSE: And then you as the chair would sign off on those?

RICHARD ALCOCK: Yes, that's right.

The Hon. PETER PRIMROSE: In relation to the actual reports that are received at the board meeting from various departments and from the executive, what's the resolution? Let's say there's a report from the finance committee or the audit committee. Presumably that would go to board members and then there would be a resolution moved by someone at the board, presumably that that report be adopted?

RICHARD ALCOCK: The minutes of committee meetings do come to the board meetings, but they come as documents of record of that committee. They are finalised by the chair of that committee. When they come to the board, we don't have a process of adopting minutes that have been, in effect, adopted by the underlying committee.

The Hon. PETER PRIMROSE: So the motion would be that they be noted?

RICHARD ALCOCK: No, we wouldn't even have a motion on them. It would be part of the agenda that there was a discussion of any matters of interest in those minutes. To the extent there was a discussion coming out of those minutes, that would be recorded in our minutes. But we do not pass a motion to adopt minutes that have been approved by a board committee—

The Hon. PETER PRIMROSE: Or even noting. Okay.

RICHARD ALCOCK: Yes.

The Hon. Dr SARAH KAINE: Mr Alcock, I understand you've been on the board since August 2016. Is that correct?

RICHARD ALCOCK: Yes, that's right.

The Hon. Dr SARAH KAINE: I just wondered if, across that time, you could outline any changes in governance or in reviews of governance, particularly around the engagements of consultants or contractors, including how the board interacts with NSW Procurement and NSW Health. Have there been any changes in that time—2016 to 2023—that you can recall?

RICHARD ALCOCK: Dr Kaine, that's a very big question over a long period of time. The board does not engage with the NSW Health procurement board. That would be a matter, by exception, for the chief executive, if there were matters that required the approval of the ministry. We haven't engaged because we're not looking at contracts with NSW Health procurement board. Obviously there have been changes to the board composition since I became chair. We continually refer back to the template in the legislation about the composition of the board: seeking to balance skills, manage succession and ensure there's diversity across the composition of our board. I would say it's a continuum. It's a continuum of continuous improvement too. We are continuing to seek to do a better job. I think that process is continuing today.

The Hon. MARK BUTTIGIEG: This devolved procurement framework that is administered by the Ministry of Health has the oversight, and it's the CEO who does the appointments and the decision about contractors and consultants? That means the board doesn't really have any oversight of the qualitative nature of those engagements. Is that right?

RICHARD ALCOCK: Just to confirm, under the legislation the management and control of the district is delegated to the chief executive. The role of the board is to ensure that the frameworks of good governance are effective. I'll ask Ms Di Mento to run through with you how, from an oversight perspective, we seek to ensure the good governance in the implementation of the management of the district, one component of which is in the engagement of contractors.

LORETTA DI MENTO: There's various ways in which we will look to make sure these frameworks are in place and are effective. It really is a cascading system. We start with the series of processes and policies that are in place for all employees, in terms of the code of conduct and all the things you'd ordinarily expect. We move on to things like annual attestations and governance requirements that we have from our committees. Particularly on the audit and risk committee, one of the things we spent some time on is understanding how the organisation has satisfied itself that it's met all the requirements it needs to. Then we move on to things like our internal audit function, which periodically works its way across various areas of the organisation and tests that those controls are in place and, from time to time, other external reviews occur. There are a series of things that we see in place. We are looking constantly, as Mr Alcock mentioned, in terms of continuous improvement and seeking the experience of independent members and others that serve on our audit and risk committee.

The Hon. MARK BUTTIGIEG: Thank you for that. That particular piece, or aspect, of the governance is, would it be fair to say, more of a mechanical piece, in the sense that it deals with conflicts of interest and the sorts of things we were talking about this morning in the earlier line of questioning? Is there any interaction between the board and the procurement board in NSW Health as to those functions, or is that just all left to the board?

RICHARD ALCOCK: There's a different interaction. Ms Di Mento has mentioned the annual corporate governance attestation statement. That brings together all aspects of the operation of the district across the seven standards of governance, which are part of the NSW Health governance compendium. That process does involve a whole of organisation bottom-up which ultimately concludes with the chair and the chief executive providing an umbrella attestation. That attestation is provided by 31 August each year to the Secretary of NSW Health.

The Hon. MARK BUTTIGIEG: Does part of that attestation include an economic analysis of the use of contractors and consultants, or is that more an economic decision of the CEO based on their discretion?

RICHARD ALCOCK: The CEO is making decisions every day on the appropriate use of the funding that we receive from the ministry and ensuring that that is done consistently with NSW Health policies on procurement and all of the other policies, codes of conduct and the like that are relevant to the district.

The Hon. MARK BUTTIGIEG: As part of that process, is the CEO required to give an analysis behind the decision-making or the parameters, if you like, or a template approach to, "In this case, we'll use consultants X, Y and Z; in this case, we'll use contractors A, B and C, and this was the rationale behind it"? Is there any reporting around that, or not really?

RICHARD ALCOCK: Could I take that question on notice? There is a continuum of reporting by the chief executive to the ministry and I would like to give you a considered response.

The Hon. MARK BUTTIGIEG: Sure.

The CHAIR: Just one final thing on the Qudos arena vaccination hub—I understand you're going to come back to me with more detail on notice, which is very much appreciated. Just as part of that, could you provide information as to where the vaccine supply was secured from? I understand that PwC had a Federal contract for vaccine supply at the time. I am particularly interested in whether the vaccines were then tied in at Qudos to the contract that they already had for supply, and whether that gave them an advantage over other contractors or outsourcers. Could you come back to me?

RICHARD ALCOCK: Certainly, Chair. Supply chain integrity of vaccines is obviously highly sensitive and I think it's unlikely that PwC would have been part of supply chain of vaccine. We will come back and answer your question.

The CHAIR: That would be great. My understanding is that the contract was for securing vaccine supply, so I'm not sure how that was done but that was the way it was phrased. Just coming to this issue of conflicts of interest—I don't know if you were listening to the South Eastern Sydney Local Health District board members tell us what their process is around recording conflicts of interest but, from your board's perspective, is there a central source of that information? Is it only ever what's recorded in the minutes that then goes into another book, or is there another source where members can disclose conflicts of interest?

RICHARD ALCOCK: May I just clarify, these are conflicts of interest or interests relevant to board members?

The CHAIR: Or potential conflicts of interest for board members.

RICHARD ALCOCK: Sure. I think we do the normal thing in governance terms. There is a register of interests. After the acknowledgement of country in every meeting, I as chair ask does anyone have any updates of their declarations of interest. If there are any, which is occasional, then that is noted at the meeting and the register is updated, and the register is provided in the electronic board pack for every board meeting.

The CHAIR: This is not in your board minutes, but I've read through a number of local health district board minutes now, and there is often reference to the register being circulated and then asking for updates. Would we be able to work out what had been disclosed from the board minutes themselves, or would we have to go to the actual—are there any potential conflicts of interest that could have been disclosed but weren't reported in the minutes?

RICHARD ALCOCK: Not whilst I've been chair.

The CHAIR: Thank you, that's very useful. I'm curious about the information and skills flow between local health districts. For example, if you brought in consultants to help you with a particular piece of work, are there any structures for sharing that work across to other local health districts, or would those other health districts have to source their own advice? Is there any official sharing of that sort of skills and expertise?

RICHARD ALCOCK: Chair, if you would like to hear from our chief executive, he will give you that information directly. As board members, we don't become quasi-executives, so there is no instance where board members or boards would be—our board is solely meeting to consider the business of Western Sydney Local Health District, so there would be no flow from a board member to another district of matters that we would be addressing.

The CHAIR: Just so you know where I'm coming from, what I am trying to look at here is, with this devolved structure of governance where we have each local health district responsible, effectively, for their own financial situation, whether that has discouraged collaboration when it comes to using consultants or whoever on an economy of scale rather than just at the individual local health district level. Does the board ever get advice or look at what other districts are doing and say, "That is quite an interesting bit of work; I wonder if we can use some of that"? Or is there a very strict separation between local health districts?

RICHARD ALCOCK: The Bureau of Health Information is publishing, on a quarterly basis, the operational performance of every local health district. So it is usual, certainly for the health care quality committee of our board, to be looking at comparative performance. Otherwise, I think we'll have to take the question on notice, because I am not aware of any sharing. That may well occur, but it's a matter for our chief executive.

The CHAIR: As a hypothetical example, say a consultant had provided a revenue-raising initiative for one district. If you wanted to also embark on a project looking at different ways of raising revenue, would you have to start from scratch with another consultant, or would you get a discount from that consultant for the work they have already done somewhere else? Is there any of that happening, or is it purely that you all operate as though you're individual entities?

RICHARD ALCOCK: I'm sorry, we really need to come back to you in writing because Loretta and I just don't know.

The Hon. MARK BUTTIGIEG: On the operation of the board and potential conflicts of interest, I understand the minutes are the official reflection of what decisions are made and proceedings. In between those meetings, though, it wouldn't be unusual for board members to have discussions about operational matters in preparation for meetings or subject-matter discussions, would it? Surely those conversations go on.

RICHARD ALCOCK: We've been quite disciplined that the only place in which operational matters of our district should occur is at our board meetings and should be led by our chief executive. So we don't have corridor discussions between individual board members. To our mind, that is the essence of poor governance.

The Hon. MARK BUTTIGIEG: Is that articulated anywhere in writing—in the charter or board minutes or anything like that?

RICHARD ALCOCK: It's a principle. It's a convention. It's a principle of good governance that you discuss Western Sydney Local Health District matters either in board meetings or board committee meetings. You don't discuss them elsewhere.

The Hon. MARK BUTTIGIEG: Do you think it would be, perhaps, an idea to document that sort of discipline so that people know that they are only to discuss things in board meetings and make decisions there, given what we've heard on evidence this morning regarding board minutes?

RICHARD ALCOCK: Every board member of our district signs a confidentiality deed as part of the induction process and that is a universal continuing obligation.

The Hon. MARK BUTTIGIEG: Is it explicit about the confidentiality being only at board meetings, or is it just a general confidentiality agreement that they're not to discuss board matters with third parties?

RICHARD ALCOCK: I'd have to look at the deed of confidentiality but the general principle is you're only discussing board matters in the context of board meetings.

The Hon. MARK BUTTIGIEG: Would you be able to table a copy of that confidentiality agreement for us?

RICHARD ALCOCK: Yes, sure. I'm sure we use the standard NSW Health deed but we can certainly provide that.

The Hon. MARK BUTTIGIEG: Thanks.

The CHAIR: There were a number of recommendations made by the Auditor-General in 2019 in relation to the governance of local health district boards. There were a number of findings and recommendations in relation to the relationships between the board and the chief executive, and the Chair and the chief executive, and looking at the fact that the Chair is appointed by the Minister, but then you've got also the executives being appointed by the Minister and not the board. Looking at what those relationships were, did you take on board any of those recommendations, or was there a process where that report got discussed at a board level?

RICHARD ALCOCK: Chair, could I take that question on notice because I'll have to reflect my recollection. Certainly, something as significant as an Auditor-General's report on composition and operation of boards would have been something that we considered, but I just can't remember when.

The CHAIR: Thank you. I'm asking you these general questions just to inform us as to what the process would probably be at other sort of local health district boards as well.

RICHARD ALCOCK: Sure.

The CHAIR: Just another one of that ilk: I understand that in New South Wales Government departments there is a labour hire cap—basically a cap on the spend that you can make when it comes to government sector

employees—and that this has led to a bit of a reliance on consultants once you get to your labour hire cap. Given that the health structure is devolved into local health districts, so a lot of staff are sitting at that level, are you aware of whether that labour hire cap applies at a local health district level?

RICHARD ALCOCK: No, I'm not.

The CHAIR: Could you perhaps come back on that one?

RICHARD ALCOCK: Our context is we have a service agreement, we have a budget that's associated with that service agreement and the chief executive makes recommendations on the funding to deliver the services that we contract to provide NSW Health. That service agreement comes to the board and is part of the statutory approvals of the board, and I don't recall whilst I've been Chair any discussion of labour caps.

The CHAIR: That's very useful. Are there KPIs attached to that service agreement in terms of other non-financial things that the board needs to do?

RICHARD ALCOCK: Yes, there are. It's a publicly exhibited document, signed each year.

The CHAIR: Thank you. Are there any other questions from other Committee members? No. I think we will end it there. Thank you very much. That's been incredibly helpful. To the extent that questions were taken on notice or there are supplementary questions, the Committee secretariat will be in touch and it will be a 21-day time frame to respond. Thank you very much.

(The witnesses withdrew.)

(Short adjournment)

Ms KRISTIN STUBBINS, AM, Acting Chief Executive, PwC Australia, affirmed and examined

Mr NATHAN SCHLESINGER, National Health Industry Leader, PwC Australia, affirmed and examined

The CHAIR: I now welcome our next witnesses. You have the opportunity to make a short opening statement, if you like. If you choose to do so, please keep it to a couple of minutes.

KRISTIN STUBBINS: Thank you, Chair. I welcome the opportunity to appear here today to share PwC Australia's perspectives on the important issues being considered by this inquiry. At the outset, I'd like to acknowledge the questions that were raised in last week's hearing and this morning regarding my role as a board member on the South Eastern Sydney Local Health District. I'm pleased to have the opportunity to clarify my role on the board and answer any questions you may have. I was careful to follow the appropriate guidelines during my time on the board. I have been acting CEO at PwC Australia for six weeks, so there may be some questions here today that I need to take on notice. I also want to acknowledge the news over the weekend. We announced a new CEO, Kevin Burrows, from overseas. He's pending immigration clearance. I will remain as acting CEO until he arrives, and I'm committed to a smooth transition. My focus is on our 10,000 staff members.

We've also reached an agreement in principle to divest our Federal and State Government consulting businesses to Allegro Funds, a Sydney-based private equity firm. We've taken this step because it is the right thing to do for our public sector clients to ensure continuity of service and to protect the jobs of the many talented people in our government business—over 1,500 jobs. PwC Australia will make no financial gain from the transaction. PwC Australia is an Australian owned and operated business that employs 10,000 people nationwide, including almost 5,000 across New South Wales. We are really proud of the work we do with the New South Wales Government. Our teams work incredibly hard in a competitive market to deliver value to the New South Wales Government and, by extension, the people of New South Wales, and we bring to bear specialist expertise and skills. In particular, we are proud of the work our teams did at an unprecedented time during the COVID-19 pandemic, including helping to stand up the Qudos Bank Arena mass vaccination centre in just nine days.

It's also important to acknowledge that we don't always get things right. We deeply regret the breach of confidential Federal tax policy information that happened around eight years ago, and I deeply apologise for that. We failed the standards we set for ourselves as an organisation, and I apologise on behalf of our firm. We have made changes to our firm relating to this matter, and we will make more. In the six weeks since I took over as acting CEO, we have commenced a detailed accountability investigation, supported by two legal firms, that will be completed shortly, and appointed Dr Ziggy Switkowski, AO, to lead an independent review of the firm's governance, accountability and culture. We committed to appointing two non-executive directors to PwC's governance board, and yesterday we announced the divestment of our government business, as I just mentioned.

Chair, at the beginning of this opening statement, I acknowledged the questions regarding my role in the South Eastern Sydney Local Health District. Let me be clear: At all times I have acted with the utmost integrity. This included recusing myself and stepping down where appropriate. I accepted an unpaid position on the board to help the health district to drive better outcomes for taxpayers and patients, and that is what I believe my fellow board members and I achieved. I'm driven by public service; that is why I took the position. Thank you, Chair, and I am happy to answer any questions you may have.

The CHAIR: Thank you very much. If we could start, then, with that announcement yesterday—is that announcement an admission that PwC simply can't conduct government business in an ethical manner?

KRISTIN STUBBINS: No, it's not. It is an announcement that looks at the situation and what is best for our people today and to ensure continuity of service to our government clients. That is the reason we did this. There will be no question around management of conflicts at all in a completely separate business.

The CHAIR: What are the terms of this separation then? On the face of it, it looks very much like a PR exercise, as an excising of the growth that is causing the problems of the cancer. Rather than actually dealing with the issues that brought the current scandals to light, you are simply carving all government business out of PwC. How are we supposed to take that seriously as a valid measure of PwC reform and seeing that you have actually learnt something from this?

KRISTIN STUBBINS: This is a very serious measure. It is a very big strategic move by us to divest a significant part of our business at no financial gain or profit to PwC. As we have previously publicly said, we started to look at the ring fencing of this business to address the perceived conflicts but, after careful consideration of that, the ring fencing, which is basically operational and financial separation, we decided that that did not go far enough and we did make the difficult decision to divest our government business completely. The divestment will create two completely independent firms, ensuring that there is no disruption to vital services to public service clients. And, as I have mentioned, there are 15 jobs at risk here that we are committed to making sure are protected.

The CHAIR: I ask you again, is this an admission that PwC simply cannot conduct work for the government in an ethical manner under the current structure?

KRISTIN STUBBINS: No, it is not.

The CHAIR: In terms of this separation, does this mean that PwC will do no work with government at all? That is, no government client work?

KRISTIN STUBBINS: We are still in the process of determining whether there will be some aspects to work through. For example, there may be some external audit work that we do that remains within PwC. But the vast majority of the government work will be done by the new entity.

The CHAIR: For instance, the actuarial work that PwC currently does for icare, would that be part of this new company or would it stay with PwC?

KRISTIN STUBBINS: We are still working through the details of this and there will be more announcements to come. We have just announced an intention to dispose of this business yesterday and we have exclusivity with Allegro, as we have mentioned. There will be more announcements to come on the details.

The CHAIR: Are any of the partners going to what I understand is being called Bell for now, the new entity, the same partners who were involved in the tax leak?

KRISTIN STUBBINS: I do not believe so, no.

The CHAIR: Do you know?

KRISTIN STUBBINS: No-one directly involved in the tax confidentiality matter will be going, no.

The CHAIR: So you know who those people are?

KRISTIN STUBBINS: That has already been announced in the press, the four individuals who are at the heart of the tax confidentiality matter.

The CHAIR: But not the broader group of people who were on the email distribution and who were potentially involved?

KRISTIN STUBBINS: Would you like me to clarify that?

The CHAIR: Yes, please.

KRISTIN STUBBINS: As you can appreciate, it is very, very important that due process is followed when we do such a serious investigation in relation to things like a confidentiality breach. And so we have named the four individuals who were directly involved with the confidentiality breach. Then there were some other partners who were directed to go on leave, and we are working through a detailed process to investigate at the moment any accountability that needs to be taken. There were 63 other people who received confidential information, but most of them—and we are just working through the investigation, but most of these people had no context that confidential information was being shared. Can I just state that there were people—junior people, in the tax practice, executive assistants, a range of different people—who received that information. So surely it is appropriate that we follow due process. Once that due process is finished and the investigations are complete—we have engaged two external law firms to help us with this investigation—we will name anyone who has done anything wrong.

The CHAIR: There are the four named partners. There are the 63 other potential people who, as you say, have an investigation being conducted to ascertain whether or not they should also step down or be named. Are any of those 63 people, where an investigation is still ongoing, going to be moved to this new entity, Bell?

KRISTIN STUBBINS: No-one who has done anything wrong in terms of our investigation outcomes will be moved to this entity, no.

The CHAIR: You can't guarantee it right now but presumably before it happens?

KRISTIN STUBBINS: We're still working through the details of what is going to be in and out of the new vehicle.

The CHAIR: The assurance that you gave to the New South Wales Government on 1 June in relation to none of those people involved in the tax leak being part of the work that PwC is currently doing for the New South Wales Government, was that including that broader group of 63 as well as the four or is it only in relation to the four?

NATHAN SCHLESINGER: I'm happy to take that. Yes, that's correct.

The CHAIR: So basically all of them?

NATHAN SCHLESINGER: Yes. At that point in time we felt it appropriate, whilst this investigation was ongoing, to provide that assurance, yes.

The CHAIR: Were any of them working on that work before you gave that assurance at any point? Had they been taken off actively?

NATHAN SCHLESINGER: I'm not sure. I can take that on notice for you.

The CHAIR: Thank you. Are you going to the other firm, Mr Schlesinger?

NATHAN SCHLESINGER: Me personally?

The CHAIR: Yes. Will you be part of that Bell group?

NATHAN SCHLESINGER: To be honest, Chair, my focus has been coming here today, and I'll certainly need to put some thought toward that following today, yes.

The CHAIR: The announcement did refer to not just government services but also health, and it was confusing. Does that mean that notionally your department or your group would also go to this new entity?

NATHAN SCHLESINGER: Yes. The work that PwC does for public health services—so health services run by the Government—would be in the scope, yes.

The CHAIR: Do you think that this is a model that the other big accounting consulting firms should also follow?

NATHAN SCHLESINGER: It's not really my place to comment on what the other firms should or shouldn't do. As Ms Stubbins has noted, we have taken this action on the basis that we feel it's the appropriate step to take, but you'd need to ask the other firms that.

The CHAIR: Did the global partnership suggest this to PwC Australia as a way to, as I said before, excise the growth that has become the problem area here in order to save the rest of the organisation's government work across the globe?

KRISTIN STUBBINS: No. This transaction was completely led by PwC Australia.

The CHAIR: Let's leave it there for now. Can we go back to the other issues that have been plaguing—

The Hon. Dr SARAH KAINE: Excuse me, Chair. Should we complete one area at once or one line of questioning?

The CHAIR: We worked on time, but that's all right. Let's go over because you might want to continue with this line of questioning, and then I'll take that minute again later.

The Hon. Dr SARAH KAINE: I think you should finish, Chair.

The Hon. WES FANG: Yes, a minute has gone. It is 30 seconds now.

The CHAIR: I'm going to ask a very quick question in this last 30 seconds. Does PwC hold investments in any of its clients? What level of investment does PwC Australia have in shares or other businesses?

KRISTIN STUBBINS: As would be reasonably common, we do occasionally have investments in businesses. They're not clients, but there would be investments in businesses that were aligned to our business.

The CHAIR: I will now pass over to Dr Kaine.

The Hon. Dr SARAH KAINE: Thank you, Chair. My apologies for the confusion. Ms Stubbins, how can PwC prove that there haven't been any breaches of trust of sharing of information that has occurred in the work or advice on the vast amount of work you've done for the New South Wales Government? How can you prove that to us?

KRISTIN STUBBINS: I might ask Nathan to comment.

NATHAN SCHLESINGER: What I would firstly say is that the work that we do to ensure that the high standards that we hold for our partners and our staff, in terms of conflict management and confidentiality and ethical behaviours—clearly, on occasion, we haven't done well enough, and I think that is well documented. We will continue to strive to do better. To the question of how do we provide that assurance—areas like conflict management and confidentiality and ethical behaviours are part of our code of conduct.

As you would imagine, we have a range of policies and standards within our business to address that. We train our staff and our partners continually through each year. And where those standards aren't upheld, we have a consequence management framework which will lead to either dismissal or financial penalties or other issues. So, with all of those things, it is our intention that those standards are upheld. In signing engagements and contracts with the New South Wales Government, the terms of those engagements also include things like treating confidential information appropriately.

The Hon. Dr SARAH KAINE: Thank you for that, Mr Schlesinger. How much comfort are we to take from that description you have just given, given the way that PwC provided—or didn't provide—questions to the tax office and other authorities that sought information about the issues that have been well canvassed in other areas? How are we to take any comfort from some kind of internal process and culture that you referred to that seemed not only to allow for such problems to arise but also, it would seem, in some sense to cover up some of those instances as they occurred—certainly not to be as forthright as you could be on those.

KRISTIN STUBBINS: Look, as I said in my opening statement, we deeply regret and I deeply, deeply apologise for the confidentiality breaches that happened back in 2015 and the lack of effective response to that in our firm. I completely acknowledge that. That did occur, as I said in the open letter, in a small part of our tax practice. We have no reason to believe that any of these issues relate to the New South Wales Government at all. But obviously, if we did have specific instances, we would deal with those instances, as Nathan said, through our consequence management process and notify the relevant people.

The Hon. Dr SARAH KAINE: Could I ask a bit more about the consequences? As far as I could see in looking at your Senate inquiry submission, it seems to be that it is managed largely through the performance review process. It would seem to be that perhaps bonuses might be jeopardised. Aside from the four people who are no longer at PwC—and you've said that there are some people who have been stood aside—could you explain what other consequences there have been for others, without necessarily naming them? But also how often are these sanctions applied and what is the scale of them?

KRISTIN STUBBINS: With respect to the tax matters particularly, as I mentioned, I became the acting CEO six weeks ago—a bit over six weeks ago. We commenced a very, very detailed root cause analysis at that time. As I mentioned, I think, in my opening letter, we expect the results of the investigation into the confidentiality matter to be completed shortly. We have been doing a very, very thorough investigation involving help from two external law firms and so we will expect to announce consequences. You will see that publicly and they will be severe. I would also just note that we are also engaging with and cooperating with external regulatory authorities as well, as part of those investigations into the tax matters.

The Hon. Dr SARAH KAINE: Thank you.

The Hon. MARK BUTTIGIEG: Could I just explore this sale to Allegro. Is there any financial relationship between PwC and Allegro in either a financial interest or any contractual arrangements pre-existing?

KRISTIN STUBBINS: Not that I'm aware of.

The Hon. MARK BUTTIGIEG: The idea is that PwC sends a signal to the market that they're quarantining this business off to Allegro, presumably for brand reputation or restoration, which is understandable, with a book value of \$1, meaning that the business is essentially worth nothing. Presumably Allegro can see some upside on this given the existing contractual relationships with the New South Wales Government. How will that work unless PwC can guarantee that beyond those 63 partners there haven't been other employees who have been privy to that sensitive information who are now going across to Bell?

KRISTIN STUBBINS: We will make sure that all staff and partners included in that transaction have not done the wrong thing in terms of these tax matters. Anyone who has done the wrong thing when we complete our investigations we will announce, and those people will not be going across to Allegro as part of the Bell transaction.

The Hon. MARK BUTTIGIEG: You're confident that when that happens you can guarantee that all those employees going across will be totally oblivious to what happened previously and not privy to any information?

KRISTIN STUBBINS: As I said, this is a highly complex matter that has involved an investigation that has taken weeks, okay? There will be the results of a detailed investigation announced shortly. If you can put yourself in the position of a young person who gets copied on an email and does not understand any of the confidential information that might have been shared, then those people will be effectively cleared through this process. We will announce anyone who has done the wrong thing, and those people will not be going across for this transaction.

The Hon. MARK BUTTIGIEG: What do you say to those employees who might be thinking, perhaps logically so, "If I go across to this new entity, do I have a choice?"—that's the first question—and secondly, "If I do and Allegro can't grow that book based on the reputational damage then where's my employment security going forward?"

KRISTIN STUBBINS: This whole transaction is designed to protect a significant number of jobs, 1,500 jobs, and so we believe the best opportunity for those people is to go across to the new entity to work with the new entity with absolutely no risk or perception of conflicts because it will be completely separate from PwC.

The Hon. MARK BUTTIGIEG: But to tease that out a little bit, there is no guarantee in these sort of transactional parameters, if you like—the specifics of the sale. Are there employment guarantees in place at Allegro?

KRISTIN STUBBINS: We've just announced the intention today to work with Allegro. Those details will be forthcoming.

The Hon. Dr SARAH KAINE: Ms Stubbins, if I could go back to something you just mentioned then in your answer to Mr Buttigieg, you mentioned that the investigation had been ongoing for six weeks. Why did it take so long for you to have an internal investigation when the issues to do with Mr Collins have been on deck for a number of years? Why is it that it's only now? Because you're talking as if there was some intense time pressure that has suddenly borne down upon you, but you've known about these issues for some time. Could you explain that a bit, please?

KRISTIN STUBBINS: Yes. The issues with respect to the confidentiality agreements haven't been known way back to 2015. I think we first learned at PwC that there was even a confidentiality agreement in place in March 2021. However, the deep root cause analysis and deep investigation into this, looking at all of the aspects that I've talked about in my open letter, including the cultural aspects, really only started six weeks ago.

The Hon. Dr SARAH KAINE: Do you expect the New South Wales Government will continue all of its contracts with this new entity or this new structure?

KRISTIN STUBBINS: That's a matter for the New South Wales Government to comment on.

The Hon. Dr SARAH KAINE: What do you think would be a fair level of scrutiny to expect should those continue or should there be New South Wales Government contracts in the future?

KRISTIN STUBBINS: Again, I believe that's a matter for the New South Wales Government and the new entity.

The Hon. SCOTT FARLOW: Thank you very much, Ms Stubbins, for your attendance today. PwC is a partnership structure. In terms of how the new entity is working, how many partners will be transferring across?

KRISTIN STUBBINS: That's still being worked through. It will be over 100.

The Hon. SCOTT FARLOW: Will those partners retain any ownership in PwC at present?

KRISTIN STUBBINS: No.

The Hon. SCOTT FARLOW: So they will all divest across to Bell?

KRISTIN STUBBINS: Yes.

The Hon. SCOTT FARLOW: As you foreshadowed in your opening statement, in terms of your own involvement with the South Eastern Sydney Local Health District, I was just wanting to know how it was that you came to be appointed to that board in the first place?

KRISTIN STUBBINS: I was appointed in the normal way. I think there was an application or an expression-of-interest process, and I was appointed by the Minister of the day, which was Minister Jillian Skinner.

The Hon. SCOTT FARLOW: What motivated you to apply to be a part of that board?

KRISTIN STUBBINS: I am devoted to serving the community. I have been recognised for that. I do many things to contribute my time. I sought to take an unpaid position as a board member because I thought I could do some good, with my financial expertise, for the taxpayers of New South Wales.

The Hon. SCOTT FARLOW: Your background is in the audit practice. Is that correct?

KRISTIN STUBBINS: That's right.

The Hon. SCOTT FARLOW: So you had no involvement in the health practice at that time?

KRISTIN STUBBINS: No, I have had some involvement in the health practice. There was a time when I was involved in the health practice and actually leading our health business from around 2010 to 2012.

The Hon. SCOTT FARLOW: That predated your time on the board?

KRISTIN STUBBINS: It did, but it gave me the expertise from both a financial and a health perspective to feel I could contribute.

The Hon. SCOTT FARLOW: With respect to your time on the board, there has been some discussion about work that was won by PwC during your time on that board. Do you want to provide some information to the Committee with respect to the steps that you took during that period?

KRISTIN STUBBINS: Yes, I will. Whenever I became aware of any work that was a potential for PwC to be appointed on, I either recused myself or stood down, dependent on the circumstances. I know that there is a minute in the 27 May 2015 minutes that talks about me playing an active role, for example. I did not play an active role. I regret not correcting those minutes. When it did become clear that PwC would have an ongoing role, I stepped down from the board fully. There was some engagement in 2014 that I thought would be a relatively short engagement. It turned out to be longer. I was recused for that whole time. I came back to the board for a very short period of time, thinking that work would be over. The management team who procured this work informed me that there would be more work to come. I was the one who said, "I must stand down from the board," and I did that in August 2015.

The Hon. SCOTT FARLOW: After you stood down from the board, did you then involve yourself in any of the work that PwC was doing for the health district?

KRISTIN STUBBINS: Not at all.

The Hon. SCOTT FARLOW: Did you have any financial benefit for that work that was won by PwC from the health district?

KRISTIN STUBBINS: Not directly. I am a partner at PwC, which was, obviously, declared as the reason for the conflict or perceived conflict.

The Hon. SCOTT FARLOW: Just turning back to some of the commentary that was made by the Chair of the board to the Committee earlier today, I think he indicated that, from his recollection, your involvement in that was saying that you would get the best people at PwC to be involved in that project. Was that something you did? Do you think it's appropriate to have made that assurance to the board?

KRISTIN STUBBINS: I can't recall making that assurance. I was deeply committed to the health district, so if I felt that the right team wasn't being put forward, I would definitely have noted it. But I don't recall that specific assurance. I did make an assurance around a mentor role that I had with the CFO, which I had had through the whole period of my board engagement. That mentoring involved very high-level discussions around the role of a CFO and certain strategic matters. It was nothing to do with the PwC work and, again, no payment was made to me. There was a board minute on 18 August 2015 that was presented to the board at the 26 August meeting that clarifies all of these governance arrangements. I believe it was referred to in the previous session. I do have a copy of that minute if you would like to have it, Chair.

The CHAIR: Yes, please.

The Hon. SCOTT FARLOW: Returning to Allegro briefly before I hand over to my colleague, is the vision for Allegro to be co-located with PwC or is it the vision that Bell, in being transferred to Allegro, will be in different premises and completely separate from PwC?

KRISTIN STUBBINS: Obviously, we've only just announced the intention to do the transaction. But assuming it does go ahead, there would be separate locations.

The Hon. WES FANG: The chair of the health district earlier indicated that the provision of the consultants was the remit of the CEO as opposed to the board, in effect. Did you have any hand in advocating for or attempting to convince the CEO of the merits of PwC over any of the other firms that might have been tendering for the work?

KRISTIN STUBBINS: No, I don't believe so. Not at all.

The Hon. WES FANG: Did you have conversations with the CEO or any of the executive team at the health district around those contracts?

KRISTIN STUBBINS: No. I made sure that when the decisions were being made around any of the contracts—and, of course, I only became aware of them if they were notified to me—I was not involved in any of those discussions.

The Hon. WES FANG: Presumably, as a member of the board, you would have to have been made aware that the contracts were coming up and that PwC was interested in perhaps tendering or applying for those contracts. So you would have had some pre-notice that they were either coming up or were to be potential issues that were being put to you, either through your role at PwC or via the board, in order for you to be able to declare that there was a conflict of interest and recuse yourself. In relation to when that was occurring, how did you manage your internal risk within PwC as opposed to managing the risk through the board position?

KRISTIN STUBBINS: All of my actions with respect to the South Eastern Sydney Local Health District were taken in my capacity as a board member. When I became aware of any discussions at all, I either recused myself or stood down, as appropriate. I've already stated that. We do have a conflict management process within PwC. If there were any discussions happening, I would have been alerted to that and, similarly, made sure that that was communicated with the health district.

The Hon. WES FANG: I guess we know now, though, that that internal PwC conflict of interest program isn't exactly robust, is it?

KRISTIN STUBBINS: We do have conflict management procedures. Obviously, the tax matters that have been very publicly recorded relate to some very specific instances around the confidentiality agreements that were in place. That's not to say that we don't have work to do. We obviously accept that we need to improve our systems and processes. The fact that those particular confidentiality breaches remained uninvestigated or unreported for so long is of deep concern to me, and that's why we're doing all of the things that I outlined in the opening statement.

The Hon. SCOTT FARLOW: Has that tax team done any work for the New South Wales Government at any point in time in the past 10 years?

NATHAN SCHLESINGER: I'm not aware, but we can absolutely take that on notice. That team was an international tax team.

The Hon. SCOTT FARLOW: That's what I would have thought.

NATHAN SCHLESINGER: I'd be surprised, but I'm happy to take that on notice.

The Hon. SCOTT FARLOW: Thank you.

The CHAIR: Finishing off then, Ms Stubbins, in relation to that board appointment that you had, did you work with Dr Foley when you were at PwC in the health group?

KRISTIN STUBBINS: Yes. Dr Foley, when she was at PwC, was the chair of our national health practice. So I did work with her at that time as well.

The CHAIR: So you knew each other?

KRISTIN STUBBINS: We knew each other, yes.

The CHAIR: Did she suggest that you step onto the board? How did you become aware that there was a vacancy on the board?

KRISTIN STUBBINS: No, Dr Foley didn't suggest that I step onto the board to my recollection at all. I mean, obviously it was a long time ago. I don't recall that. What was happening at the time was that health districts were being created and there was a need for people with expertise to go onto these boards to help them with their finances—and this district really did need help with its finances—and for other areas. So the people who were appointed to the board were appointed by the Minister, not by the secretary, which Dr Foley became.

The CHAIR: When you were in that health group, were you part of the group that advised NSW Health on the new health structure that created these boards, or the precursors to these boards?

KRISTIN STUBBINS: Just to clarify, we did one or two pieces of work, which involved the execution of the policy—effectively project management and execution. We did not, to my knowledge, advise on the actual policy itself or the structures.

The CHAIR: In the note that you've handed up and in your statement before, you were talking about that meeting in May 2015 where the board agrees that you should step down. But in your statement just previous, I think in response to one of the questions that was asked, you said that you stepped down in August 2015, which is also the date of the minute that you've passed up. Why were you still recorded as being a board member until

August 2015—and, by your own statement, you didn't step down until three months after this conflict of interest and the agreement to step down had been made?

KRISTIN STUBBINS: As I recall, what happened was that I became aware in May 2015 that PwC was to be appointed to do some further significant work, at which time I said I cannot continue on the board and I will need to step down. I was in the middle of some unrelated complex work with the CFO. I transitioned that work and attended the next two meetings, I believe, and then formally stood down in August.

The CHAIR: Was it a mistake not to step down earlier?

KRISTIN STUBBINS: No, I don't believe so, in the sense that there was important work to transition. I did make sure that no PwC work was discussed at any of the meetings, otherwise I would have recused myself.

The CHAIR: You were only a board member for 2½ years, and for 1½ years of that you were either an apology or on leave of absence or whatever. Wouldn't it have been better for you to have stepped down and allowed someone else to take that spot on the board?

KRISTIN STUBBINS: If I had realised that there was going to be so much work needed and that PwC was going to be engaged in the way it was, I would have said that from the start, which is why I did end up coming forward and saying I must stand down.

The CHAIR: So then you became an adviser—and, again, in this note that you've handed up it was involved in mentoring the chief financial officer. We know from the discussion previously with Mr Still that this goes until the end of 2016, where you were an adviser. No payment was made; you were doing that just out of the goodness of your heart.

The Hon. WES FANG: Some people do that sometimes.

The CHAIR: Some people do do that, Mr Fang. So in that position, presumably you would have still been getting quite a lot of information about the operations of the district and the board.

KRISTIN STUBBINS: I think, as was acknowledged in the previous session, there was a lack of clarity around the minutes and the reason why I was recorded as an adviser. I was not an adviser, to my recollection, at all in the time that I had stepped down.

The CHAIR: But you were a member of that committee—

KRISTIN STUBBINS: No.

The CHAIR: —according to the attestation statement?

KRISTIN STUBBINS: Yes, but that's a matter for the health district to answer. I was not a member of the committee. But what I can say is that I did, personally, as I do regularly, mentor the CFO. It became a very busy period for me after the time I had stepped down, anyway. I do recall having a couple of meetings with the CFO about some of the more strategic and difficult, complex issues she was dealing with. Remembering at the time this is a very, very large organisation where you've got someone stepping up into a role and she just needed support. The PwC work that was happening at the time was completely separate, nothing to do with any of the discussions I had with her.

The CHAIR: Ms Stubbins, did you use any of the information and insights that you had gained at the South Eastern Sydney Local Health District and give that to the benefit of PricewaterhouseCoopers in any way when it came to them pitching for additional work from the health district?

KRISTIN STUBBINS: Look, I really don't think so. I honestly don't. I was very careful to follow the guidelines that the New South Wales Government sets out—

The CHAIR: Even in that adviser role, though, because that wasn't governed by those same rules, was it?

KRISTIN STUBBINS: I was not an adviser. Just to be clear, I mentored the CFO and I had a couple of meetings with her after I stood down from the board. I wasn't an adviser.

The CHAIR: Was your conduct in relation to the South Eastern Sydney Local Health District or your role within PwC at the time made the subject of a referral to ICAC?

KRISTIN STUBBINS: I have no knowledge at all of any referral to ICAC. I think the Chair also said that this morning—no knowledge.

The CHAIR: Thank you. I understand nine partners were sent home as part of the PwC tax scandal. I know that four of them have been named. Who are the other five?

KRISTIN STUBBINS: As I've said already today, we are nearing completion of a detailed investigation into the tax matters as it relates to the confidentiality breaches. When the investigation is complete, anyone who has done anything wrong will be disclosed.

The CHAIR: But that's very different to the 63. There was sufficient evidence about those people that you have taken that step to send them home. Why can't you tell us the names?

KRISTIN STUBBINS: Our investigation is still ongoing. We will shortly be announcing any names of anyone who has done anything wrong.

The CHAIR: Don't you think that the Australian public have the right to know who those nine people are?

KRISTIN STUBBINS: The Australian public will have the right and will receive the names of people who were associated with this who have done anything wrong.

The CHAIR: In the meantime, we're to take your assurance that there have been no other leaks and no other ethical breaches by these people?

KRISTIN STUBBINS: They are not—the nine that you're referring to are not working at all.

The CHAIR: Mr Buttigieg?

The Hon. MARK BUTTIGIEG: Ms Stubbins, can I just take you back to this Allegro business. Were you involved in the negotiations for the sale?

KRISTIN STUBBINS: I am the Acting CEO and obviously have endorsed the sale. I have not been involved in the detail.

The Hon. MARK BUTTIGIEG: How many employees are going across? Is it 1,500?

KRISTIN STUBBINS: We haven't finalised that yet, as we're working through the deal. It will be in excess of 1,500.

The Hon. MARK BUTTIGIEG: Why do you think Allegro would take on such a massive liability, given the brand damage that's occurred at PwC transferring those employees across?

KRISTIN STUBBINS: I think that's not a matter for me to comment on.

The Hon. MARK BUTTIGIEG: But you oversighted and signed off on the negotiations, didn't you?

KRISTIN STUBBINS: I am the Acting CEO, I take responsibility. But the motivations of Allegro and their risk decisions are for them to answer.

The Hon. MARK BUTTIGIEG: You guarantee that there's been no sort of ex gratia payment between PwC and Allegro?

KRISTIN STUBBINS: I'm not sure what you mean.

The Hon. MARK BUTTIGIEG: What I mean is that there's been no transfer of any financial interest, shares or money from PwC to Allegro that's not apparent on the face value of the one-dollar book sale?

KRISTIN STUBBINS: As I've said, there'll be no financial gain as a result of this sale. We're still working through the sale itself—

The Hon. MARK BUTTIGIEG: No, no financial gain to PwC; I understand that. My question is—

The Hon. WES FANG: I suggest you actually let her finish her answer before you—

The CHAIR: Order!

The Hon. MARK BUTTIGIEG: I was clarifying the question.

The CHAIR: If there is a point of order, you can say "point of order".

The Hon. WES FANG: Well, you can clarify it after the witness has finished answering.

The CHAIR: Order!

The Hon. MARK BUTTIGIEG: The question is not whether or not PwC has gained a financial interest; the question is has Allegro gained a financial interest other than the \$1 sale price.

KRISTIN STUBBINS: That's a matter for Allegro to comment on in terms of the opportunity that they see for this business. But I would just say that we believe by having two completely independent firms there will

be no disruption to client service. We play a vital role in providing services to government, but also we are making sure that approximately 1,500 or more staff have job security.

The Hon. MARK BUTTIGIEG: To go to the job security again, how confident is PwC that that job security will be for some sort of perpetuity, given the dubious nature of that book value? You have just sold it for \$1.

KRISTIN STUBBINS: We are confident that the transaction is a good one and offers the best opportunity for our staff to thrive and succeed.

The Hon. MARK BUTTIGIEG: Can I ask you about the line of questioning that the Chair pursued earlier. There was some ambiguity around whether or not there would still be actuarial services, I think, to icare from PwC. Are there any other areas where PwC could potentially be involved in work for the New South Wales Government that we are not aware of, notwithstanding the quarantining off?

NATHAN SCHLESINGER: With regards to the new business being set up?

The Hon. MARK BUTTIGIEG: No, PwC as the entity left behind after the transfer. Are there any other areas of government business that PwC will still be concerned in, tangentially or otherwise?

NATHAN SCHLESINGER: It is the intention to move over to this new business the work that PwC Australia to date would have been doing with government. I think as Ms Stubbins noted earlier, there would be probably one area around statutory audits that need to occur, which I think we will be discussing over the course of the coming days and weeks as we finalise that transaction. But to my knowledge that is the kind of only area that we will need to work through.

The Hon. MARK BUTTIGIEG: So, statutory audits—what about local government?

NATHAN SCHLESINGER: Local government would be in what we are calling the perimeter of the new business, as government entities. But again, we have just announced it yesterday. We need to work through some of these details over the coming days and weeks.

The Hon. MARK BUTTIGIEG: So at this point in time the Government doesn't actually know for sure whether or not PwC will retain any consultancy work?

NATHAN SCHLESINGER: What we announced yesterday is that the consulting work that we do for government, as of today, will be moving into this new entity.

The Hon. Dr SARAH KAINE: Can you remind me of the date on which the four partners were released?

KRISTIN STUBBINS: Are you talking about when they left—

The Hon. Dr SARAH KAINE: When were they stood—the first four.

KRISTIN STUBBINS: When they left PwC? Is that what you are asking?

The Hon. Dr SARAH KAINE: Yes, please.

KRISTIN STUBBINS: The four partners who are at the heart of this who are no longer with PwC—their retirement dates, the dates that they left the firm, range from 30 June 2018 through to October 2022.

The Hon. Dr SARAH KAINE: And the other partners who have been stood down—when was that effective? I am sure you said it but I just want a reminder.

KRISTIN STUBBINS: We have, as has been discussed here, asked nine partners to go, or we have directed them to go on leave, while our investigation is completed. That happened a few weeks ago in May.

The Hon. Dr SARAH KAINE: Prior to, I guess, the extent of the issues of Mr Collins coming to light and the Tax Practitioners Board releasing information late last year and early this year, what were the practices around and conversations around confidentiality arrangements and codes of conduct? What were partners and others required to understand, training they had to undertake prior to, let's say, when you started your investigation?

KRISTIN STUBBINS: As I think Mr Schlesinger has already indicated, we do have, obviously, professional requirements and then PwC requirements. We have a strong code of conduct, we require confirmations from our partners and staff, we do training. I would like to mention, obviously, this issue around the confidentiality breaches specifically happened in our tax practice, so since the time of these breaches there have been a number of changes made. We established a policy panel to review all complex matters. We put in place additional mandatory training with respect to complex tax advice and confidentiality. Then we did an independent external review of the effectiveness of our tax governance and controls. That was done by a former

second commissioner at the ATO. So we have done numerous things to tighten up on our processes since the confidentiality issues first started to emerge.

The Hon. Dr SARAH KAINE: You seem at pains to note that this particular breach was in your tax area. Am I to assume from that that in the other areas you have some kind of proactive auditing process about confidentiality that gives you a greater level of assurance that this type of behaviour hasn't been displayed in other areas? Why is it that you're more confident in those other areas?

KRISTIN STUBBINS: Look, we are continually improving. As I said just now, even in our tax practice, where this breach happened, we've made significant changes in recent years. However, I acknowledged in my open letter to the Australian public that we had not handled this issue with the tax confidentiality breaches appropriately and that went to the leadership of our organisation. So we do need to step back and really look at our culture, our governance and our accountability. We've accepted that. We are leaning into that. Dr Switkowski is in the midst of his review. We look forward to making the results of his review public when they come through. But in terms of, for example, our assurance practice, we have very strong processes in place. We have an audit quality advisory board that is an independent board that looks at our audit quality. And we have regular—I mean, you call them audits but regular checks that happen each year around our quality management system.

The CHAIR: Can we see the terms of that review, the terms of reference for the—

KRISTIN STUBBINS: Which review, sorry?

The CHAIR: For the Ziggy Switkowski—sorry, I can never say that word—internal review into the tax leak.

KRISTIN STUBBINS: Yes, you can.

The Hon. WES FANG: In relation to procedural matters, when the transfer occurs across and the new entity starts operating, I imagine that there will be circumstances where there's perhaps ongoing or current projects—or even projects that are being currently tendered for—that may be awarded to PwC that will be required to transfer across with the entity. How will that occur where perhaps a contract is currently being serviced by PwC but, given the very nature of that contract, it's then going to be transferred? How are you going to manage that? The clients being government, how are you going to ensure that the same quality of work that's available from a firm that's got the resources of 10,000 employees is still going to be delivered by a smaller entity that's been transferred across with 1,500?

KRISTIN STUBBINS: There will be a whole workstream set up around this particular area and there will be numerous workstreams. This is the normal practice when there is a divestment of a business. All of those matters will be worked through and the appropriate assurances will be given to government. I'm sure that the team will work very collaboratively with the stakeholders in government to make sure that happens appropriately. We've just announced the intention to do this transaction. It would be the normal process now that there is a lot of detailed work that happens to make sure all of the operational aspects are covered, as you say.

The Hon. WES FANG: With relation to time frames and actioning this announcement today, what do you envisage will be the timescale that's required? Are we talking months, years or weeks?

NATHAN SCHLESINGER: The intention, as of today—and we'll obviously be informing and keeping our New South Wales government contacts up to date as much as we can, but the intention is to work through to a transaction outcome at the end of July and then have the business transferred by September. If we can do that sooner than that, we will. We've got a team working very hard. But you have our assurance that we will keep New South Wales government, through NSW Treasury, up to date on how that is progressing.

The Hon. WES FANG: In relation to the nine partners that are currently on leave, I'll say, there's been some questioning about why they're not named at the moment when perhaps others have been. I'm very cautious about witch-hunts and understand the concern that you have around perhaps naming members. In the circumstance where you've already taken the opportunity to identify four of the people who were involved at the primary, I guess, partners that have been engaging in that conduct, are there question marks around how much other engagement these nine have had? What's the differentiation between the two parties? Are you just not sure and, therefore, you want to be doubly sure, or is it that you are actually just seeking to further that investigation?

KRISTIN STUBBINS: This is a comprehensive, detailed investigation, as you can appreciate, and we need to get it right. When the investigation's complete, which will be shortly, we'll be naming all of those people who did anything wrong and there will be appropriate accountability. But just to be really clear, when we've looked at this we're not just looking at people who might have been deeply involved in the matter itself; we're also looking at leadership and governance accountability as well. It's very important that we take a holistic view of this

and we make sure that accountability is taken by those who need to take it, both in terms of top of house as well as people who were directly involved in the matter.

The Hon. WES FANG: When you say released shortly, it will be a number of weeks and it'll be before the divestiture of the government business?

KRISTIN STUBBINS: Yes.

The Hon. SCOTT FARLOW: I wanted to put one thing to you which was raised earlier for your comment. The Chair put to the chair of the South Eastern Sydney Local Health District before that it wasn't an exception, in terms of PwC, that partners were on boards. I think the chair may have outlined that of the 800 or so PwC partners, about 660 were on boards. I guess there was an inference, in an sense, that it was the business model to have partners on boards. I am interested in your comment with respect to that.

KRISTIN STUBBINS: The boards that would have been referred to are all not-for-profit boards. We have a strict process around which boards partners can go on. But it's part of our culture to want to do community service. Most partners like to bring their expertise to boards. It's actually recognised in the New South Wales government guidelines that expertise is needed on these boards. The 660 are not government boards; they are not-for-profit boards. It could be the local cricket club. It could be something bigger in terms of the arts. It is not-for-profit boards more generally, and we make sure that the appropriate processes are followed there.

The Hon. SCOTT FARLOW: Is there a policy in place at PwC that effectively allows or promotes board involvement? For instance, is there a time allocation that's provided or the like, or some form of encouragement in your KPIs to be part of a board?

KRISTIN STUBBINS: Partners work very hard. There is no time allocation. It's expected that if you take on a board role, you dedicate the appropriate time to it and you make sure that you do all of your firm responsibilities at the same time. Certainly we believe that in terms of giving back to the community, it is an important thing to do for partners to devote their expertise. Those roles are unpaid roles. Certainly it is not a business model at all to try and generate work.

The CHAIR: Just on that, I used to work in law firms and we went on secondments all the time. One of the things that we would do on those secondments, or additional roles that we held, was to come back to the firm and share our general knowledge. There was never an assumption that it was simply for the goodness of your heart. Sure, it's nice to do work in the community, but when you are sitting on a board role, especially a government board role, you are clearly gathering information that's going to be useful for you in your career. Are you seriously saying that these 666 partners, who are sitting on up to 900 boards across Australia, are not benefiting in any way from that—that the firm is not benefiting from that knowledge that resides in their heads about those organisations?

KRISTIN STUBBINS: Remembering that, as I said, most of these organisations are not-for-profit entities that an individual is passionate about. They're delivering community service because that's what they're passionate about. It's not about generating work. It's not about a business model. This is about giving service and we believe that's aligned with the PwC purpose.

The CHAIR: You are very lucky to have such benevolent people.

The Hon. MARK BUTTIGIEG: The excising of the government business from PwC—does that include State-owned corporations?

NATHAN SCHLESINGER: Like I've said, we've announced an intention to undertake this divestment. We need to do work over the coming days and weeks to determine exactly what is in and out of those perimeters. We will be keeping the New South Wales Government up to speed as much as we possibly can and as much as they need us to.

The Hon. Dr SARAH KAINE: I have one point of clarification. Ms Stubbins, I wanted to clarify—it might have been misheard by me—when do you understand Mr Collins signed his first confidentiality agreement with Treasury?

KRISTIN STUBBINS: I'm not actually sure when he first signed his confidentiality agreement but PwC did not become aware of it until March '21.

The Hon. Dr SARAH KAINE: PwC doesn't hold a repository of agreements that partners or others sign when they're engaged by a client?

KRISTIN STUBBINS: We do now, but we didn't have a record of Mr Collins' agreement.

The Hon. Dr SARAH KAINE: Have you retrospectively gone back to get that repository populated?

KRISTIN STUBBINS: We have obviously, as I said in our open letter, tightened up our policies and procedures since all of this has come to light. That work was well underway before I became the acting CEO.

The CHAIR: Unfortunately, that is all we have time for. You are incredibly busy people and we are grateful for the time you have spent here with us today. I will remind media representatives that although they are able to take photos and video within this room, they must not do so in the parliamentary precinct outside of this room. Thank you very much for your attendance.

(The witnesses withdrew.)

(Luncheon adjournment)

Dr TERESA ANDERSON, AM, Chief Executive, Sydney Local Health District, sworn and examined

The Hon. JOHN AJAKA, Chair, Sydney Local Health District Board, sworn and examined

Dr MARY HAINES, Member and Deputy Chair, Sydney Local Health District Board, sworn and examined

The CHAIR: Dr Anderson, you were in all of the board minutes that I read over the weekend.

TERESA ANDERSON: Yes, I was. I'm very old.

The CHAIR: Are you the most experienced local health district chief executive that we have?

TERESA ANDERSON: No, there's a small group of us who have continued to hang around.

The CHAIR: Very good. Do you have a short opening statement?

JOHN AJAKA: No, we're happy to proceed to questions.

The CHAIR: We've heard a lot about the distinction between consulting and contractors. I think we've pulled out how much consulting work you have paid for from the district since 2011. Do you have a number that also includes things that would be labelled "contracting" or "outsourcing" that's gone to consultant firms?

TERESA ANDERSON: I'll have to take that on notice, but we use between \$2 million and \$4 million a year on contractors. That would include when we get someone in to do a valuation—when they come in and work within the district, according to the ministry's definition. That is different, obviously, to consultants. That includes when we get in contractors to do plumbing et cetera. Although Sydney Local Health District employs amazing staff within our capital infrastructure and engineering team, from time to time when we are doing works we will need to get in some additional people. That certainly also increased during COVID, when we were with Sydney Local Health District, as you know. We ran the special health accommodation in the quarantine program and the Sydney Olympic Park vaccination centre. We did use contractors for some of the security and cleaning et cetera where we weren't able to employ staff.

The CHAIR: One of the questions that I asked the previous witnesses, but unfortunately they didn't have their chief executive in attendance, was in relation to how much sharing of work there is amongst the different local health districts. Say a consultant has done a really good bit of work for one local health district—how do you get your hands on that in a more cost-effective way? Does that happen?

JOHN AJAKA: Thank you, Chair. I'm happy to start that and hand over to the chief executive. Firstly, there are times where the chairs of all of the local health districts do get together and meet, and during those meetings, on quite a number of occasions, the Minister and also the secretary of the department will attend. Chief executives are also invited to attend from time to time. Of course, specific topics will be spoken about and some ideas will be shared. In my two years as chair, I am not aware of a specific situation where another chair has come to me and provided me consultancy-type reports that I've been able to access. But there are occasions where, for example, our district will undertake certain work and share that information with other districts and vice versa, and the chief executive can comment in relation to those.

TERESA ANDERSON: I think one of the things that is not understood is how much NSW Health works together, and I think anyone looking at what happened during the COVID-19 pandemic—it became more evident about the collaboration that occurs across the system. Being someone who has been around for a very long time, I can say that there are really good systems and processes in place that enable that sharing. All of the chief executives get together with the ministry, the secretary and the deputy secretaries each month for about a day and a half, and we talk around a whole range of things that we are all doing and share ideas about what we've done and what we plan to do, and that does include, sometimes, what we've done within consultancies.

But if I look at the work that we have done around the patient experience, you will note that in 2017 we had an increase in the use of consultants, and that was when we engaged KPMG to help us with the outpatient transformation program. That was, really, initially focused on Canterbury Hospital, which is a very special hospital with a very large CALD community. At the time we had 145 community languages; it is a very multicultural community. We wanted to make sure that we provided the very best experience for our patients and consumers, and we wanted to see what other industries were doing. We used the results of the BHI report in terms of how we manage outpatients, and we felt we could do better and that maybe we should be learning from other industries, not just from within Health. So we did engage KPMG. They did a really great piece of work with our team, and it was very much also about capacity building. It wasn't just about them telling us what we were doing; it was working with our staff.

We also engaged nationally and internationally, including with Disney, to see how they improved the experience of consumers. I have to say, in terms of assessing the outcomes of that—and that was shared. I am on the Ministry of Health elevating the person experience steering committee for the State, and we share those ideas about what we have done. Many of the ideas that we picked up to help in terms of outpatients we also used in the development of both the special health accommodation and also the Sydney Olympic Park vaccination centre. I think everyone knows that up to 12,000 people were vaccinated in a day and, given the number of people who went through that vaccination program, the experience was rated as very high, and one of the things that we looked at was every aspect of the person's journey and how we could improve that journey.

I believe that we can take a direct link from what we did in that piece of work with KPMG to—and they did not consult on the vaccination program. That was my staff, because we had done a lot of capacity building. But I think the Sydney Olympic Park vaccination centre, again, is a really great example of collaboration across the system. We set that up within 20 working days. That was a shell of a building with, literally, a cement floor, and we were able to leverage off our expertise but also all of our partner local health districts who provided staff. I'm very grateful to other government agencies—all of our colleagues within Department of Customer Service—who all came on board and assisted us because we had to significantly increase our staff in order to be able to do that.

The CHAIR: Having read through your minutes, they are also notable in that you have a very good performance rating—the highest performance level under the Health ministry's guidelines or criteria at the time in every month, I think, from inception, as far as I can tell. Is that correct?

TERESA ANDERSON: That's correct, yes.

The CHAIR: Which is very impressive. When the activity-based funding got introduced between 2012 and 2014, when that model came in, what were the additional pressures, particularly on the board members, to be able to understand the financial operations of the district?

TERESA ANDERSON: We did a lot of education. The ministry established at the time an activity-based activity task force—sorry, it changed its name a few times so I'll have to take on notice what the name was—but that task force spent a lot of time with local health districts. We had to develop implementation plans and report back to both the board and the ministry in relation to that and, as you saw from the board minutes, we have a very robust financial risk and performance committee where we go through in great detail, as well as the audit and risk management committee. It was multi-pronged, not just the board, but those governance structures that helped in terms of understanding where we were going. It has been a learning experience for all of us because, as you know, the Commonwealth has changed from time to time how our activity is counted, so it's been an ongoing learning experience for all of us.

The CHAIR: Thank you, and apologies for my choking.

JOHN AJAKA: Chair, if I could just add a bit to that?

The CHAIR: Please.

JOHN AJAKA: Obviously I wasn't there at the time but from the perspective of the new Chair, new board members, the amount of work that's undertaken with the Chair and the new board members from an education point of view, from an understanding point of view, is enormous. But the other aspect of it is the work that each board member undertakes as part of a different committee. Each board member sits on at least two committees, if not three. Each committee has at least two board members. I chair one of the committees and sit on another one. A lot of the board members will chair the other committees and it's that very micro, very forensic, work that is undertaken at the committee level. Then it all comes back to the board collectively. You can appreciate then that synergies are created, understandings are created, and each of the board members who sit on a committee are in a position to brief the other board members of what occurred. The audit and risk, and the finance committee are probably two of the best examples, but then you've also got all of the clinician-type boards et cetera where the clinicians are sitting there, also being able to advise, with the chief executive overseeing it all.

The CHAIR: The minutes disclose in 2012, I think February and June, and also in October 2014 there were briefings given to the board at those board meetings—from PwC in 2012 and KPMG in 2014, just as examples. When those firms came in to provide briefings—and I think both firms had come in to provide briefings on activity-based funding or aspects to do with it—was that information given pro bono? Was it on the assumption that there would be something afterwards? What was the nature of that sort of engagement for those briefings?

TERESA ANDERSON: My recollection is that that was actually part of the NSW Health engagement. I'll need to go back and have a look at the minutes and the engagements, but I'm pretty sure that that was the case. But I'll need to take it on notice.

The CHAIR: That would be really useful. The reason I kept reading your minutes was because there was a lot of very good information about what was coming from Health generally to the various boards, but I haven't seen the same disclosures in other board minutes. So I find it interesting. It did look like it was part of a program where they had been employed or commissioned by Health to go and give you that information.

The Hon. WES FANG: We'll have to get you some pompoms. You're like the cheer squad of this health district.

The CHAIR: Well, why not.

The Hon. SCOTT FARLOW: Compare and contrast.

The CHAIR: Yes. In terms of conflict of interest procedures, I've asked the other two local health district board members as well. In terms of how you record your potential conflicts of interest, are they all recorded in the minutes? Or is there a possibility that some things can be recorded on the register outside of the minutes?

JOHN AJAKA: I'm happy to start that. Including myself, we firstly notify any other positions that we hold. That's recorded in the register. And if there are any conflicts of interest, we notify that. And if at a board meeting a matter arises—for example, if something arises at the board meeting that I hadn't noticed or another board member hadn't noticed—then it will be disclosed at that meeting. If no new disclosures are required, or there are no changes to the disclosure, then it's simply as per the register. I myself have updated the register on at least three or four occasions in my two years. Whenever a new appointment occurs or an old appointment ceases, I notify the register, and I'm aware that the other board members do likewise.

The CHAIR: For example, Mr Ajaka, you started in July 2021.

JOHN AJAKA: Correct.

The CHAIR: At that point, did you put your disclosures into the conflict of interest register?

JOHN AJAKA: Yes. In a sense, when I first applied for a position on the board, of course I had my CV attached. The CV in itself had all of my appointments, et cetera, including my history and past employment. Then when I started, I filed the disclosure notice so that it was added to the register. Then I simply update it as something happens. Or, at the very latest, if something comes up at a board meeting, I notify at the board meeting.

The CHAIR: And that conflict of interest register is not publicly available, is it? Can it be inspected?

JOHN AJAKA: I'll let the chief executive answer that, but my understanding is that the register is held with the chief executive.

TERESA ANDERSON: That's correct. The secretary for the board is the executive assistant to the chief executive, who maintains the conflict of interest register. As the board chair said, there are recordings of those conflicts within the minutes. Having also reviewed them—not back to 2011. My apologies. I didn't do that on the weekend.

The CHAIR: You have a life, apparently.

TERESA ANDERSON: Yes. Going through the register, I think it would be fair to say that not every instance has been recorded. We've attempted to do that, but when I go through, there are a few that are missing.

The CHAIR: Presumably the other board members can inspect that register, but do they inspect that register?

TERESA ANDERSON: Yes, they do. We insist that they do that, and it's like the annual corporate attestation. We make sure we have all the documentation there and I require the board to actually check it out, not just read the attestations. They get all the documents and at least a couple of them go through those. Around an annual basis, Nerida will email out those conflicts of interest.

JOHN AJAKA: She's the EA for the chief executive.

The CHAIR: Mr Ajaka, when we look through the conflicts-of-interest disclosures in the minutes, it was disclosed, as an example, in September 2021 that you were the director of NSW Wheelchair Rugby League. In December 2022 it was disclosed that you had been appointed the CEO of Liverpool City Council. Were there other disclosures made prior to that which went into the register?

JOHN AJAKA: Yes. At the time I first became chair, I probably sat on about six boards and four charities. They were all disclosed in my CV. What appears subsequently in the minutes are the changes that may have occurred. For example, Liverpool City Council, December 2022—obviously that was never disclosed previously. It did not exist. It was disclosed as soon as it occurred.

The CHAIR: Were you a director of Cosmos Cosmetic Enterprises Pty Ltd?

JOHN AJAKA: At the time of?

The CHAIR: When you joined in July 2021.

JOHN AJAKA: I do not believe so. I believe that occurred subsequently.

The Hon. SCOTT FARLOW: It is of course open for you to take that on notice, if you so wish.

JOHN AJAKA: And I think that is the better way, so that I can be 100 per cent accurate. Let me take that on notice and come back to you.

The CHAIR: If it is helpful, I have got the ASIC register.

JOHN AJAKA: Please, if you have got an exact form there I will accept that as the date.

The CHAIR: I have an ASIC register that says you were appointed on 1 June 2021 and that you ceased to be a director on 8 December 2022. Does that sound right?

JOHN AJAKA: Absolutely.

The CHAIR: So would that have been disclosed or do you know if that was disclosed in the register?

JOHN AJAKA: Yes, the Cosmos would have definitely been disclosed.

The CHAIR: Was that disclosed on the CV when you were first appointed, or did that go as a separate—I am just thinking about the timing.

JOHN AJAKA: I would need to take that on notice, because I cannot recall when I put my application in to join the board. If, for example, I put my application in May, then the answer would be no, if I was appointed in June. If I put my application subsequent to that then, yes, it would have been.

The CHAIR: Given the scandal, I think it is fair to say, around Cosmos Cosmetic Enterprises—

JOHN AJAKA: I do not agree with that but that's your opinion, not mine.

The CHAIR: You don't agree, that's fine. Given the reporting in relation to Cosmos, the allegations of breaches of health standards in those cosmetic surgery clinics—there was a litany of *60 Minutes* episodes and anyone who's not eating their dinner at the time is free to go and watch those. There was a lot of heat on that company at that time. Did you think it was appropriate to continue to be a director of that enterprise whilst still being the chair of Sydney Local Health District, which has got such a great reputation?

JOHN AJAKA: I didn't see any conflict of interest, if that's what you're asking me. I didn't see any issue in relation to it. My role as a director was a role that purported to governance and a role that purported to legal. Obviously I am not a clinician; obviously I didn't undertake any surgeries. So I could see no conflict of interest in that regard. And it was fully disclosed.

The Hon. WES FANG: Point of order: Just looking over the terms of reference for this inquiry, whilst I appreciate that there are avenues that you can look at around the engagement of consultants et cetera, in relation to board appointees it seems to be slightly outside the scope of the terms of reference. I don't even think "any other related matter" would cover the questions that you are putting at the moment.

The CHAIR: Thank you for the point of order. I think I was relying on the "any other related matter", but I am happy to drop the line of questioning.

The Hon. WES FANG: There are issues around the employment of consultants, but this is completely outside that scope.

The CHAIR: Your point of order has—very rarely, I would say—been upheld.

The Hon. SCOTT FARLOW: Can I commend you on upholding it against yourself. That is even more rare.

The CHAIR: It is very generous of me. Does anyone else have any questions before I move on with some more general issues?

The Hon. Dr SARAH KAINE: I have one general question, Chair. Dr Anderson, we have heard evidence from NSW Health and other area health districts. I just wondered with regards to, for example, that big piece of work that KPMG did, can I ask what kind of post-project review or evaluation might have been undertaken, where that was directed and what the audience for that review would be?

TERESA ANDERSON: It was really embodied in the work that we did with them. The project led directly to the work that we've done around the Digital Front Door and the development of our Florence program. I have to say, to be very frank, COVID did get in the way of us doing the sort of evaluation that I would normally do with that sort of project. Having said that, as part of that project, we put in place an information system to be able to get simplicity, to be able to get direct feedback that was current from our patients. If you look at the Bureau of Health Information report on, for example, the emergency department, prior to 2017 when we did that piece of work and our results since we've done that piece of work, there is a significant improvement in most of the areas, albeit we've still got a lot of work to go because we still have those remnants, unfortunately, from COVID that have affected outpatients.

We're still not getting through the same numbers of outpatients because we do have to have some distance between our patients in waiting rooms et cetera. So there's no doubt that there has been an impact of COVID. Having said that, I think at any objective level we can see the proof in the pudding, and it did impact on how we looked at the vaccination program and the special health accommodation, looking at every patient experience and making sure that we not only looked at that health experience and the clinical care but looking at all of those things that wrap around the experience that patients have, albeit we still have a lot of work to do.

The Hon. Dr SARAH KAINE: To give a bit of context, in the Auditor-General's recent report into the use of consultants, one of the things that was called out was a lack of evaluation. I wasn't suggesting you didn't. I am genuinely interested, and I know Health wasn't part of—

The Hon. WES FANG: As opposed to the other questions you've asked today.

The Hon. Dr SARAH KAINE: Thank you so much for your contribution, Mr Fang. Very useful.

The Hon. WES FANG: That's okay. It usually is.

The Hon. Dr SARAH KAINE: You mentioned just then that this example wasn't your usual review because of COVID. Could you detail what a usual review of a consultancy project would look like?

TERESA ANDERSON: It depends on what it was. Another example would be that we also engage KPMG around the economic evaluation of the implementation of the robotic surgery program. One of the reasons we did that piece of work—and I will probably be shot for this—is that robotic surgery is often used as a way of marketing hospitals, particularly private hospitals. Most of the robotic surgery programs are in private hospitals, not in public hospitals, and the reason for that is a lack of evaluation, particularly economic evaluation, around whether or not it makes a difference from a financial perspective—we know it reduces length of stay—compared to usual treatment.

The evaluation wasn't specifically about whether or not KPMG did a great job; it was about what that program has done. That program has resulted in some publications, which are helping to inform where robotic surgery goes in the future and where are the areas that we need to focus on in terms of robotic surgery and where we don't. We haven't got all of the answers yet—and, again, that one was impacted by COVID—but we have published three papers in relation to that, and we think that's really important in contributing to the body of knowledge around the use of robotic surgery.

The Hon. MARK BUTTIGIEG: Dr Haines, can I just explore something with you? There is a Mary Haines Consulting here. Is that your firm?

MARY HAINES: That's my company, yes.

The Hon. MARK BUTTIGIEG: It states here:

Mary Haines Consulting (MHC) designs clear, focused strategies that can be implemented in the real world. Working with our clients' ...

It looks like that's a consulting firm, and it gives an example of the South Eastern Sydney Local Health District as a sort of exemplar happy customer. Was that conflict declared?

MARY HAINES: Yes. Thank you for the question. When I joined the Sydney Local Health District board, which was on 1 January 2017—I established my company at the end of 2015, end of 2016, and so the fact that I have a consulting company and provide these services in the areas of evaluation, research, strategy and implementation to Health and other government agencies, and indeed the university, was known, as part of my COVID, when I applied. And then it's always declared on a regular basis that I do that work. That particular contract with South Eastern Sydney Local Health District was signed in 2016, so it was signed before I joined Sydney Local Health District but, nevertheless, the same principle applies. I've always declared my consulting company to the district and, similarly, whenever I do work with government I always declare that I'm on the board of Sydney Local Health District—in both ways.

The Hon. MARK BUTTIGIEG: Okay. There is a little bit of a pattern that seems to be emerging in the evidence whereby consultancy firms, be it PwC or KPMG or, in this case, your particular firm, are sitting on Health boards. In one sense it is understandable, because there is subject expertise associated. Presumably that was the previous Government's justification. But, can you see how—

The Hon. WES FANG: So your Government doesn't have the same theory?

The CHAIR: Order! Mr Fang—

The Hon. MARK BUTTIGIEG: I'm asking a question, Chair. Is that a point of order?

The Hon. WES FANG: No, it was amusing. It's all right.

The Hon. MARK BUTTIGIEG: Maybe be quiet unless you've got a point of order.

The CHAIR: Order!

The Hon. WES FANG: I will take a point of order then.

The Hon. MARK BUTTIGIEG: Can you see that, from the public's perception, there might be a bit of a dubious perception on the aesthetic? In other words, we've got the people who are potentially benefiting from government money sitting on Health boards, dealing with public policy and health decisions which then may in turn benefit the company again. Obviously you've declared the conflict, but was that issue ever discussed on the board?

MARY HAINES: I don't recall that being discussed explicitly. But I would like to add that I have never done any consulting work for any company that I've sat on the board of, or any audit and risk committee. So I can see your general point but, in relation to me personally, I have never conducted consulting for any organisation that I've sat on the board of. And there are other hats that I wear, actually, that I always declare. I have other positions. I'm an adjunct professor at the University of Sydney, and I'm a senior adviser at the Sax Institute. It's all part of the package that comes with my appointment. It's one of the hats that I wear.

JOHN AJAKA: Could I add to that from the chair's perspective? As the chairman, I'm well aware of the various roles the deputy chair has. They have always been disclosed. The other board members are well aware of it. The chief executive is well aware of it. There would hardly be a board member that doesn't have other roles and other positions, and it's that different expertise that each board member brings. Dr Haines was only recently appointed as the deputy chair because of all of this extensive experience that she has and what she brings to the board.

The CHAIR: There are two sides to this, though, aren't there—as in two different aspects? There's the aspect of, when a person is sitting on a board, whether or not they are influencing the board's decisions in relation to the use of consultants. And then there's the other side of it, which is that the consultant, by sitting on a board within a government department or agency, has access to information that they wouldn't otherwise have—not just in relation to the workings of that particular district but, as we've heard, from briefings from government or letters from government around different things. Dr Haines, wouldn't you agree that that position, as a board member, is also helpful in terms of the work that you do that you are getting money for?

MARY HAINES: Chair, just reflecting on that, I would say it's part of my industry knowledge. It's very hard for me to disentangle what I know from sitting on the board or my university work or my Sax work. I can't say explicitly that there's been anything I've found out at Sydney Local Health District that has assisted with the more technical work that my company does. We specialise mainly in research and evaluation advice to government agencies. Helping them with their research strategies and reviewing their research programs is the lion's share of the work that we do—my consulting hat. It's very hard to disentangle what I've picked up in my whole ecosystem of the world in which I work.

The CHAIR: What percentage of the consulting work that your company does is for NSW Health?

MARY HAINES: I'm afraid I have to take that on notice. I didn't prepare because I thought I was here representing the Sydney Local Health District Board—

The CHAIR: That's okay. Clearly it's relevant.

MARY HAINES: —and the matters concerning them, not my company.

The Hon. WES FANG: You could almost say that's potentially outside the scope as well.

The CHAIR: It's not at all outside the scope. It's a consulting firm sitting on a board. Dr Haines, you were a senior manager at the health advisory practice at PricewaterhouseCoopers, were you not?

MARY HAINES: Yes, I was, from 2002 to 2005, and so I left PwC over 18 years ago.

The CHAIR: Did you cross paths at the time with Dr Foley?

MARY HAINES: No, I did not.

The CHAIR: I was distracted before. On the question about NSW Health contracts, from a quick search of your website, it does appear that there are a number of NSW Health contracts and a lot of work.

MARY HAINES: Yes, there are.

The CHAIR: If you could come back on notice, that would be great.

The Hon. PETER PRIMROSE: My question is hopefully a simple one to Mr Ajaka and Dr Haines. As board members, what do you see as your role in relation to the appointment of consultants?

JOHN AJAKA: I take that as, if I could use the term that's used extensively in this place, they're operational matters. They're matters for the chief executive. I'm not aware—again, in my two years, and I'm happy to be corrected—of a matter coming before the board about appointing a consultant. It's not part of our duties as board members or our function as board members. It really is a matter for the chief executive. I'm well aware of all of the probity issues and the governance issues of appointing consultants or appointing any contracts in relation to the Sydney Local Health District. We of course have all of the audit and risk matters that are attended to. We of course have our surveyors come out and undertake the audits each and every year for each and every hospital. They're the things that I will get invited to, as the chair, but the board does not get invited to those. That's how I see our role.

The Hon. PETER PRIMROSE: Would you agree with that, Dr Haines?

MARY HAINES: Yes, indeed. We do not provide advice about which consultants to procure and when to use them.

The Hon. PETER PRIMROSE: Would it be fair to characterise that as you having a totally hands-off role in relation to the appointment of consultants?

JOHN AJAKA: I see it like any organisation. You have a board, and then you have the chief executive and the executive who do the day-to-day, operation who do the operational, and managers who do the management matters. If the board is going to start interfering in the day-to-day management, then it's never going to work. The matters that come to the board are board matters. The matters that come to a board each and every meeting are those per the agenda, per the business papers, per the various committees that have already met with their minutes et cetera. They're the matters. Put in another way, the board deals with the macro and the management deals with the micro-aspects. That's the way it should be.

The Hon. PETER PRIMROSE: How would you respond to the suggestion then that the board really has no role in ensuring probity in relation to the appointment of consultants?

JOHN AJAKA: I don't agree with that—the exact opposite. If a matter was to come to the board's attention, obviously that would be dealt with. But, again, the board sets up and has a big impact on the policies; it has a big impact on how matters are dealt with. The committees do likewise. The audit and risk committee, which is chaired by one of the board members and has other board members on it—these are matters that the board attends to and deals with and ensures that all the right governance, probity issues are dealt with. The chief executive and I speak almost daily, where she will bring certain matters to my attention. If she believes that the board should be involved, or I believe the board should be involved, it will be added to the agenda. Our board meetings will go for three to four hours each and every time that we meet.

The Hon. MARK BUTTIGIEG: In terms of this conflict issue, someone declares a conflict—their company is gaining a significant proportion of financial benefit from the department of health and the conflict is declared. Who is the responsible person to ascertain the level of accountability on that? Or is it just that the conflict is declared, I've done what I had to do and there is nothing to see?

JOHN AJAKA: Let's go back to the issue of consultants, which is what this is about. That doesn't go to the board. But if a board member has declared an interest—if, for example, I declared an interest that I'm a director or partner of X, Y and Z, and that matter was being considered by the chief executive, obviously I would absolutely withdraw from having any involvement in it if at some stage there was going to be involvement either by myself, as Chair, or by the board.

The Hon. MARK BUTTIGIEG: In the case of Dr Haines, where does that declaration of conflict go to?

JOHN AJAKA: It's part of the register.

The Hon. MARK BUTTIGIEG: Who is the custodian of the register?

JOHN AJAKA: The chief executive is the custodian of it. She is well aware of it.

The Hon. MARK BUTTIGIEG: If there are any alarm bells, the chief executive could—

TERESA ANDERSON: Would escalate it. I think one of the things to remember in NSW Health is, as our board chair said, the board is there to ensure that we have got the appropriate governance in place and the strategic direction of the district. It is the chief executives that have delegations for expenditure of moneys. You will note that our expenditure on consultants is relatively small; however, every dollar that we spend, I have to say we take very seriously. Where possible, we always make sure we look to our own staff and work on our capacity. There are those four areas about why we use consultants, but we have a robust governance structure in place. We have a finance risk and performance committee meeting where we discuss the finances. We have our audit and risk management committee that has three independent audit committee members. We have a robust internal audit process. We have the New South Wales Audit Office also going through our annual financial statements and looking at every line item.

The Hon. MARK BUTTIGIEG: My apologies, Dr Anderson. I understand the paper trail, but I'm just curious to know where the buck stops. Does the board appoint the CEO?

TERESA ANDERSON: The board and the secretary appoint the CEO. It's not—

The Hon. MARK BUTTIGIEG: So, ultimately, the CEO is accountable to the board?

TERESA ANDERSON: To the board and to the secretary under the Act.

The Hon. MARK BUTTIGIEG: In that situation where a conflict is declared, you would imagine that, following that line of accountability, the board should have some responsibility for over—

TERESA ANDERSON: I would escalate it to the board chair and to the secretary.

The Hon. MARK BUTTIGIEG: So it only becomes an issue if the CEO decides to escalate it?

TERESA ANDERSON: Yes. And I can tell you that, as Chief Executive of Sydney Local Health District, if I have any concerns, then I absolutely escalate them. We have a very good line of communication with the Ministry of Health, and that includes to the Chief Financial Officer for the State. I'm also on the State procurement reform committee. We take very seriously these governance processes. We have, I think, very good oversight. I don't think there are very many organisations that have the New South Wales Audit Office spending quite so much time with them. As a chief executive, that gives me an assurance because, at the end of the day, when the proverbial hits the fan, I'm the one that everyone looks at.

The Hon. PETER PRIMROSE: I have a final question. Given your long experience with health, Dr Anderson, has there ever been an instance where a matter involving a consultant being used by a health board has been required to be reviewed, let's say, by the board at the direction or request of the general manager?

TERESA ANDERSON: No. Because there haven't been any concerns in relation to the consultants that we've used. As the chief executive, we have utilised the advice and recommendations. I have to say, I don't always take the recommendations of consultants. For the KPMG one, I think I took 10 of the recommendations. I didn't take all 14 because I didn't think we needed to. That's a decision for the chief executive.

The Hon. PETER PRIMROSE: So not one instance?

TERESA ANDERSON: No, there hasn't been an instance of concern.

The CHAIR: That's all we have time for.

The Hon. WES FANG: I'm very happy with the answers.

The CHAIR: Thank you so much for attending. To the extent that questions were taken on notice or there are supplementary questions, you will you have 21 days to put your responses in. But the secretariat will be in touch.

(The witnesses withdrew.)

Professor MARY FOLEY, AM, Individual, sworn and examined

The CHAIR: I welcome our final witness.

MARY FOLEY: I'm retired and have a number of different roles, none of which I glorify with the description of "position", if you see what I mean. I am an adjunct professor with Western Sydney University and casually teach there. I do other things as well, which I'm happy to fill you in on.

The CHAIR: Do you have an opening statement you want to give?

MARY FOLEY: I would like to, Chair. I thank the Committee and you for the opportunity to be able to speak with the Committee and to address you on some of the themes that are emerging with this very important review. As I said, my name is Mary Foley. I'm retired. I currently do some academic teaching in health policy at Western Sydney University. I also have a board role in digital health and a number of pro bono roles in public and not-for-profit health care. Over the past more than—I hate to admit—45 years, my career choices have largely been driven by my passion for good public policy in health and social services.

I don't want to bore the Committee but I started in the Federal public service in 1976, where I worked in health and social policy roles in Canberra. Then, in the early eighties, I moved to work in NSW Health for the next almost 11 years, initially in policy and services planning, eventually at deputy secretary level and finally as head of the office of health policy. In 1992, around the time of the birth of my second child, I accepted an offer to move to a private hospital and health services company to work on developing private health care within a public policy framework. In 2000 I joined the not-for-profit health sector, and in 1991 I was appointed CEO of St Vincents and Mater Health Sydney. There I had overall responsibility for public and private hospitals, including St Vincent's public hospital, and I relished the opportunity to work with an organisation dedicated to the values of social justice and compassion, and where public and private health services could work together to improve patient care and community health outcomes.

This was also at a time of enormous and growing pressures on public hospital services, and on the funding of health care generally. At national and State levels, major committees of inquiry were established, and I was increasingly being asked to develop policy papers and participate in public fora on health reform. Around 2008, as my term as CEO was coming to a close, I was approached by PwC about joining it as national health practice leader—an employee position as a subject matter expert. I saw this as an opportunity to contribute to national health reform. I joined PwC in late 2008 and was there for about 2½ years. In 2011 I was offered, and accepted, the position of Director General of NSW Health for a five-year term of office.

I have read the transcript of the Committee's proceedings on 15 June, and I am aware of the general tenor of the issues raised there, which I think has led to the invitation to invite me today. I fully agree that the use of consultants by governments is a legitimate area for scrutiny and review, and I appreciate the important work of this Committee. It's my view that, where it is appropriate to use consultants, it must be carefully managed and accountable, and that the expertise and skill within the public sector, and especially in vital service delivery areas such as health, must not be diminished.

Some specific points arise from the Committee transcript of 15 June about which I wish to comment very briefly, Chair, if I may. The first is at page 36. The Chair made reference to the scandal surrounding PwC at the moment. Of course, it's all over the papers again today. I would just like to make absolutely clear that that matter has nothing at all to do with me. Secondly, at page 41 and in some conversation around page 41, Dr Kaine commented that the crux of the issue is the devolved structure and that it does allow oversight and so on, and there was a conversation about that. I did just want to put a few clarifications to the Committee before we proceed. I clarify that the report that was referenced, that I prepared for the Minister on the governance of NSW Health, was not the source of the recommendations for devolved governance to local health districts. The report is my exercise of my duties at the time as agency head to advise the government of the day on the implementation of its policies.

The 15 local health districts and other structures had already been set up by legislation of the previous Government in 2010, and a process of major restructure was already well underway and taking place at the time of the change of government. Devolution to local health service boards was a condition of Federal funding of public hospitals under the national health reforms. The report that I was responsible for advises how to further progress the implementation already underway so as to implement the incoming New South Wales Government policies and to take account of the context of the major national reforms that were continuing to be negotiated between the Commonwealth and the States. The report was published on the Health ministry's website as one of many documents about these very significant changes, in keeping with the New South Wales Government's commitment to transparency in these matters.

Thirdly and lastly, at page 31 the Chair mentioned me as an example—and I am—of someone who has gone from a consulting firm to NSW Health. When the position was offered to me, and I accepted, I immediately resigned from PwC. In commencing with the ministry, I was careful to declare possible conflicts and to be advised on how any potential conflicts should be managed in accord with government guidelines. I left the Ministry of Health in 2016, having opted to not seek reappointment when my term expired. I did not return to full-time consultancy of any kind, and I took up academic teaching, which continues. In 2017 I became CEO of a digital health company, from which I retired earlier last year.

In conclusion, I wish to say that it was a great privilege to serve as Director General of NSW Health, especially in those amazing years of great bipartisan reform right across the health system of this country, and to work with thousands of dedicated and talented people who sustain our State health service here in New South Wales. It is they—and you've met some of them in the last session—who have ensured a strong and caring health system, which has served the New South Wales community so well and, of course, especially over the challenges of the past few years. Thank you, Chair, for the opportunity to make that statement.

The CHAIR: Thank you. You have answered some of the questions I was going to ask, which is great. You were the National Health Practice Leader for PwC Australia from 2008 to 2011. During that time, I understand that the overall structuring of the health system and that devolution idea was part of a broader national project, but in terms of the way it was implemented in New South Wales, were you involved at PwC in providing advice to the New South Wales Government?

MARY FOLEY: No.

The CHAIR: No advice at all?

MARY FOLEY: Not me, no.

The CHAIR: Did you have any contact with NSW Health in terms of providing services from PwC during that time?

MARY FOLEY: Me personally, no, not that I can recall. Obviously, PwC is a very large and complex organisation internally, so there would have been parts of PwC providing services to New South Wales, but my role as the expert in health policy was one where I'm not running those services. Those services all sit with partners—I was not a partner. Those services all sit with different partners in different parts of the business. My role was to provide the overall guidance about how PwC should be thinking about health care, the kinds of expertise it needed to be encouraging in the firm, identifying where the pockets of expertise were already across the firm and where they could be better coordinated and connected to support work for different clients. And then my own role was one very much of thought leadership and also, given my background and expertise, a particular focus on feeding into the federal reform agendas in a number of ways, both in terms of producing thought leadership documents generally, which was part of PwC contributing to the debate and holding forums. Also, there would have been some national projects which I worked on.

The CHAIR: Then you get the job as the Secretary for NSW Health?

MARY FOLEY: Yes.

The CHAIR: Who was advising the Government at that point on the implementation of that structure? I've seen a PwC report, I've seen a KPMG report, were they the—

MARY FOLEY: I don't know who was advising the former Government.

The CHAIR: No, sorry, we're talking about the 2011—

MARY FOLEY: Government? Well, what happened was—and this is my recollection; it's quite a long time ago—the incoming New South Wales Government had a very clear policy in this space. It had been published long before the election and it was in the context of the Garling review. Mr Garling, now Justice Garling, had been commissioned by the then New South Wales Government, back in '08, '09 or so, to review the health system because, as I said in my address, there was just this enormous pressure nationally on public hospitals and—

The CHAIR: Yes, but in terms of—sorry, if we can just skip forward to 2011.

MARY FOLEY: Yes, but this is absolutely crucial in terms—

The CHAIR: With respect, we're aware of the history, though, and how we got to that point.

The Hon. WES FANG: I'm interested to hear it.

The CHAIR: You can ask during your time.

MARY FOLEY: The fundamental issue that Mr Garling identified as the problem at the heart of things was that in terms of how things were set up at that time in the structure of NSW Health, it had resulted in what he called this huge schism as great as the schism of the Eastern and Western Christian churches back in the Middle Ages—and that was the terminology he used—between administration and the clinicians at the frontline.

The CHAIR: Sorry, I have very limited time. On that point, what Garling was suggesting—that we needed more clinician and local input—is not what ended up happening. What we currently have with the local health districts is very much responsibility being pushed down. Garling's report was about actually harnessing the expertise of people who are closer to patients. The 2011 restructure in 2012 was the opposite of that.

MARY FOLEY: I'm not quite sure, giving sworn evidence, how one has a policy debate on that subject. But I think there is one to be had and I'm happy, formally or informally, to provide some thoughts, so I would like to have the opportunity to collect those thoughts. I do not necessarily agree with your proposition as to how it was being set up at the time.

The Hon. WES FANG: I find I'm in the same boat sometimes.

MARY FOLEY: The point I'm trying to make is, my awareness of where the policies came from for New South Wales was that the incoming Government had written it themselves, drawing on Garling review policy and so on. It was about hearing this message about needing to be close to the clinicians and to community, and for them having a real say at the local level. Certainly when I became director general and met extensively to do that review right through the system I met with medical staff councils and other groups, who all put to me how enthusiastic they were for this model. It was also the same message coming through loud and clear through the national health reforms, which the Rudd and then Gillard governments pursued—

The CHAIR: With respect, we've gone well away from the original question.

MARY FOLEY: No, I'm getting to your question, because you said, "Who advised?" I don't know who advised the former Government in terms of the practical implementation steps and who was involved. I am aware of how we did it when we set up the implementation. It was largely done internally with some supplementation for practical expertise that we might have had a gap with—

The CHAIR: You don't recall.

MARY FOLEY: —when we had so much reform across there. In terms of when you say "advised", that has a connotation of telling them how to do things.

The CHAIR: It's not necessarily the connotation. There was a—

MARY FOLEY: Whereas, if I may, Chair—

The CHAIR: Sorry. We have limited time. You have already taken up a very long time with the opening statement.

MARY FOLEY: Sorry.

The CHAIR: I just want to ask you, there was money paid to consultants in relation to the structuring of the health system in 2011 and 2012 by KPMG and PwC. We referred to it in the previous hearing, so you would have seen it in the minutes. Do you recall those pieces of advice?

MARY FOLEY: I'm not sure which pieces of work are being referred to. What I'm aware of, in terms of what I needed to commission personally to undertake the duties I had to advise the Government how to implement their program, was I put together an in-house group. We've consulted extensively through the system. I wanted to have one external person on that with relevant experience. I felt very fortunate that he was available, because he'd just come back to Australia and he had just joined KPMG, but I sought for him to be—could we have him as him from KPMG?

The CHAIR: But he was a partner at KPMG during that time.

MARY FOLEY: Yes, absolutely. But paying KPMG for us to have his time with us on the working group to particularly provide his advice around—

The CHAIR: But is that not the same as employing KPMG?

MARY FOLEY: Sorry?

The CHAIR: You employed a partner from KPMG to be on the working group. Is that not the same as using a consultant or paying a consultant?

MARY FOLEY: Look, it is. But when you say, "Who was advising?" it implies that there's a sort of a whole open policy gap—

The CHAIR: It may imply that to you.

MARY FOLEY: —and you are seeking someone to advise and fill that. The point I'm trying to make is we wanted a member of our committee who had been involved in other jurisdictions, both in Hong Kong with a regionally organised system and also, most importantly, in Victoria, where activity-based funding, which was going to be a key piece, had been used since the early nineties. We wanted to have that on there to give us a commentary that as we in New South Wales amongst all our people put together how we thought this should work that we could have that input.

The CHAIR: But in anyone else's books that's a use of consultants, isn't it?

The Hon. WES FANG: Point of order: Talking over the witness is not helping Hansard.

The CHAIR: In relation to your point of order, it is within the member's rights to pull a witness back to the actual question. Can I just move you off this so I can go to—

MARY FOLEY: Certainly. Please do, Chair.

The CHAIR: I just want to ask about the—

MARY FOLEY: That was one. And the other one that I recall and because it was one that directly supported me was—you've got some practical project management support to help them keep track of, in an intelligent way, the various pieces of the implementation and to track and model that so that we could keep track of all the moving pieces. That was a straightforward role, which really was, because everybody was so involved with so many different aspects of the reform, we just didn't have a spare person to do that. And they're the ones I remember. I'd have to see the documents to know what other ones were there that might have been used more broadly in the ministry for particular pieces of work. I hope that answers your question.

The CHAIR: Sure. In relation to the issue of Ms Kristin Stubbins, who was on the South Eastern Sydney Local Health District Board, did anybody ever discuss with you the potential conflict of interest that she had?

MARY FOLEY: No.

The CHAIR: In the June 2014 board minutes, there's a reference to the board chair, who was Mr Still and still is Mr Still, discussing the governance of Ms Stubbins' continuing attendance at board meetings with the Ministry of Health. Was that ever brought to your attention?

MARY FOLEY: Not that I recall. It's a long time ago now, but I don't recall that particularly being brought to my attention.

The CHAIR: Were you aware at the time that Ms Stubbins was sitting on that board?

MARY FOLEY: Only in the broad sense that the process for appointing board members was, I thought, well described in the transcript last Thursday from Mr Minns from the ministry in terms of the process of people nominate or are asked to nominate, vetting and so on, and then a long list presented to the Minister and then appointed.

The CHAIR: You had worked with Ms Stubbins previously, though?

MARY FOLEY: I had—so very conscious of not taking any role in terms of who was or wasn't on those boards. It was for the Minister's selection.

The Hon. MARK BUTTIGIEG: Professor Foley, at a very basic level, you can see how a person—let's say, for example, I'm an employee at NSW Health. I might be a doctor. I might be a nurse. I might have academic qualifications. I might have 40 years' experience in the field. I'd be maybe looking at this pattern that has been emerging over the couple of days' evidence we've had and thinking, "There seems to be quite a little cosy arrangement here between board appointments and big consulting firms." They seem to be able to get spots on the board quite freely. Some of the declarations of conflict are found wanting. To the extent that they are, there doesn't seem to be any recourse. Can you see how the average person would look at this and go, "Well, surely there are people resident inside the hospital and the health system who are qualified to be on these boards without having that perceived conflict"?

The Hon. WES FANG: An oversight board should have their own employees? Is that what you're saying?

The CHAIR: Mr Fang—

The Hon. WES FANG: I'm just curious—

The CHAIR: —commentary and interjections are disorderly.

The Hon. WES FANG: Sorry.

MARY FOLEY: Well, I can't comment on how all of that has developed over the last seven years. My recollection was that, in establishing the boards and getting this new approach going—remembering that New South Wales in its history since 1929 only did not have boards in relation to public hospitals and other services for a period of I'm not sure how long in the first decade of this century. Going back to then saying, "How do we support boards and have all the right processes?" my recollection was that the focus was on having the right broad mix of representation as required in the legislation, getting good processes, getting good training, having to train executives how to relate to a board, having to train boards about what their roles were—

The Hon. MARK BUTTIGIEG: Sorry, Professor, the question was very straightforward and clear. Can you see how there would be a view from people inside the health system—permanent employees who might have 40 years' experience, as I said, and academic qualifications—saying, "Well, I could be on that board and I have no conflict whatsoever"? It's a very straightforward question.

MARY FOLEY: Yes. If the question is whether I could see someone saying that, yes, I can.

The Hon. WES FANG: Could I ask a question?

The CHAIR: I'll go to Dr Kaine and then I will come to you, Mr Fang.

The Hon. Dr SARAH KAINE: Professor Foley, as I understand it, the reforms that you detailed that came in about 2011-12 were about enabling a grassroots filtering of expertise. Post that era, during your tenure in the director-general role, what was the composition of boards in terms of those from the shop floor, so to speak, and outsiders? Was there a rule of thumb? Could you explain that a bit?

MARY FOLEY: Look, could I come back to you on that? I've been out of this loop for quite a long time so I'll have to go back and refresh my memory. Because the legislation specifies certain skills and there's also—I can't recall the detail about how employees are able to be on boards versus having people from outside and so on, so I'd have to refresh my memory on that to answer that question.

The Hon. Dr SARAH KAINE: There wasn't a general sense that in view of this move to localise, that wasn't necessarily reflected by a majority needing to be from that service or from that area?

MARY FOLEY: No, it was much more about from that community, and the focus on community and connecting to community.

The CHAIR: Mr Fang?

The Hon. WES FANG: Thank you. In your experience, a board is typically charged with overseeing an organisation, and the employees—the CEO down—are in effect tasked with the operational side of the business or entity, as it may be, depending on what the form is. But it's the governance that's the purview of the board. Is that typically how you would see, say, a health district operating?

MARY FOLEY: Yes. I think, in addition, it's important to note—and I think it has been mentioned by a number of other witnesses previously—the unique construction of the Health Services Act and how that works. The board's governance responsibilities are not set up in the same way as, say, a corporate entity, where the board is appointed by whatever means and then the board recruits the CEO, and then it's the board who has the authority for the entity and the board makes delegations to the CEO. That is not how this structure works. It works like many structures in government work, where you do have a board and it has a lot of the roles of a board in a corporate structure—which I think some of the previous speakers were much better qualified to speak to as to how that works—but the actual financial delegation rests with the CEO. The CEO has strong accountability back to the secretary and into that system of the health administration and so on. That makes for a different approach.

The Hon. WES FANG: In relation to the point that Mr Buttigieg was trying to progress in his questioning to you, where perhaps you have employees who would look to serve on a board which they themselves are employed under the umbrella of, do you think there's perhaps then a conflict that's as pertinent, if not more conflicted, than somebody from an outside organisation serving on a board and understanding the workings of it—that there may, through one way or another, be the entity which provides, then, a professional service?

MARY FOLEY: This is always something that has to be managed on governance boards. In governance boards in the public sector, particularly—university boards spring to mind, or the board of the ABC, are ones that I'm familiar with as a layperson—is that balance of external expertise and independence. The other issue is the independence, so you're bringing that scrutiny. Then having board members who've come from within the organisation is always a difficult one and has to be carefully managed. Any board I've been on of that nature

always goes to the Board of Fire Commissioners as the precedent, that each member of the board is there for the good of the whole. But it does mean that those things have to be managed carefully, because the external ones have to look at their conflicts of interests and what other hats they wear and so on, and the internal ones have to look that they're into the just pushing a particular agenda but looking at the agenda for the good of the organisation and what it's charged to deliver to the community.

The Hon. WES FANG: So in effect it's all about the management of that conflict of interest.

MARY FOLEY: It is.

The Hon. PETER PRIMROSE: If I can just quote from *The Guardian* of 15 June in relation to NSW Health's view of when you should use consultants. They stated:

... uses consultants when they bring specialist expertise on matters that are outside the normal work of the organisation, or when they provide additional resources to augment the internal team to work on issues that are critical and time-sensitive.

You would agree with that?

MARY FOLEY: Absolutely.

The Hon. PETER PRIMROSE: Whose decision is it that the organisation would have particular areas which are outside the normal work role of staff within the organisation? For example, if I'm a health service, someone would be making a decision to say that this particular type of activity is not one that we should be putting resources into through our normal staff, but over here we've got some consultants; we can use them and bring them in. Would that be a decision of the board?

MARY FOLEY: That would be normally a decision of the executive. They would need to be able to give an account of why they make those decisions to the board, depending on the nature, their size and scope and so on. But, yes, that's what the executive leaders in the organisation are charged to do, and to make those judgments within government policies and guidelines, and about the best use of the resources that they have at their disposal. That's going to be a matter of judgement within guidelines that should be open to scrutiny.

The Hon. PETER PRIMROSE: Ultimately, the resources of the organisation and where they're allocated by the executive team will determine whether or not you need consultants or whether that's something that can be done by staff who are internal to the organisation.

MARY FOLEY: Yes.

The Hon. PETER PRIMROSE: Thank you.

The CHAIR: There seems to be a significant number of people within NSW Health who have either come from PwC or have gone to PwC or other consultants. During your time as secretary, did you ever think that this increasing what others might term as a revolving door between consultants and Health was problematic? Were any procedures put in place to try and manage or reduce or limit the ability for information to be misused once people left Health, for instance?

MARY FOLEY: There is always the provisions under the Public Service Act and the employment arrangements about confidentiality when people are in the organisation, or about employees when they leave in terms of the movements back and forth. So, yes, that's always an area of concern, and to be managed. When I joined, and during that time, it wasn't as apparent that we had a problem of lots of consultants everywhere. There was a huge job to be done, and it really was about how to allocate the resources in-house and then where to supplement that. I certainly didn't find then that we were fretting about what you just described. The thing we did focus on was, when we did have consultants, to what extent was it something that was always going to be an outsourced skill, or was it something where we wanted it structured in such a way that our people could learn and so we could have it in house? Certainly, my own preference in any of the organisations that I have managed as a CEO or senior executive is always to go in house and to develop the in-house skills, and supplement only where necessary.

The CHAIR: Was there ever consideration given to the concept of gardening leave? For instance, in other industries like banking and law and other industries where the flow of information residing in someone's head can be problematic, they don't just rely on a confidentiality agreement. They say, "You need to have three months; we'll give you paid leave for three months before you go to another job." Was that ever considered as something that should happen within government positions?

MARY FOLEY: This is really in the area of—and I don't know whether it still structured this way, but in my time—the Public Service Commissioner, and the whole approach to employment in government. Certainly, it was something that was talked about in the public domain from time to time; I've seen talk about it over the years. That's very much a policy question for central agencies and the New South Wales Government.

The CHAIR: It's not something that was agitated for during your time?

MARY FOLEY: No, not that I recall, but if you speak to the relevant central agencies, they may have been thinking about it a great deal. It wasn't top of mind in terms of us in Health. We had a huge agenda to implement and that's where we focused.

The CHAIR: As part of those contract arrangements with consultants, did you have any sitting within Health, like physically located within the department?

MARY FOLEY: Not many that I recall. I know when we set up the project management office, once we were in implementation mode, and had government sign-off on our proposals—how to implement the policies—that we had a consultant seconded to run that, so that person had to be physically present several days a week. There are assignments of that nature that happen; that's the one I remember. I think Mr Minns and Mr D'Amato at the hearing on 15 June talked about the processes they have for managing that and that's what I recall—the same processes at the time.

The CHAIR: If you can recall, when you contracted a consulting firm and there was to be somebody seconded into the department, was the Government given a discount of some sort for that, to represent that secondment?

MARY FOLEY: No, I didn't handle the procurement personally, so again, it's a question for somebody on the procurement side.

The CHAIR: From your perspective, having worked in government and in consultancy and now in a private company, what do you think the benefit is for a consulting firm to have employees or partners sitting within government when they're undertaking work?

MARY FOLEY: Again, it depends on the nature of the work. My preference on either side of that fence is to have good separation, but sometimes that's not the case. I can recall, for instance, doing work in Canberra. Generally, the approach was that you'd be assigned, if they wanted you there, so that they could come and go and talk to you about how the work was going and so on. It would be a sequestered part of the department and you would have access on an access lanyard for that particular piece; you didn't have free range of operation within the organisation. If it's to supplement a team, of course that person has to work in the team. But my preference is, when you're getting in advice, that it's very much contained and focused to the piece that you want to solve the problem you've got rather than it having them generally there. My recollection is it's certainly in the ministry and that we didn't—my recollection of that time is all the people I worked with on a regular basis for these things, and they were 99.9 per cent people from within. Please don't ask me to do the maths on that.

The CHAIR: No, that's all right. We can get the figures elsewhere. Finally, on this issue, when we look at how the health districts have performed over the past 13 years and the continued reliance on consultants—even if we don't think about the consultants on the boards but I guess the amount of work that is still being outsourced or still being contracted to consulting firms—do you believe that that is an intended consequence of those reforms?

MARY FOLEY: Absolutely not. It was never thought about. That was not "we must do this so that". It was never either indirectly or directly referenced.

The CHAIR: What could we have done differently? We've heard a lot about how complicated the reforms were and how the activity-based funding reforms were really difficult. Even in former Minister Jillian Skinner's second reading speech on the reform bill there is talk about how there'll be a requirement for external financial advice. That would naturally be required at least in the short term in order for these reforms to be effective. What could we have done differently, I guess, to make it so that we wouldn't be so reliant on consultants?

MARY FOLEY: I don't know if it's appropriate to take it on notice, because I could come back to you with a considered article on it.

The Hon. SCOTT FARLOW: You're an academic now; you can do a thesis.

MARY FOLEY: I'm just not quite sure how to answer that because it's such a big question. I'm sure there it was lots of learnings that, presumably, over the years since then—and many of those have been applied. I'm sure how it works now is far more sophisticated than it was at the outset because we've all grown and matured. I think there are lots of lessons there, and just going back to the things the Auditor-General was saying in the hearing on the 15th, I really took to heart and agreed with that it's so important to learn. I think also in government that just because the democratic process means you have churn in governments, churn in Ministers, churn in policy—that we really build on and learn rather than repeat mistakes. I'm sure there are lots of different ways that could be improved. I'm happy to speak in any other way that's useful to the Committee on that subject, but you just asked me a very big question for the final question.

The CHAIR: Maybe we need to commission some sort of thesis. I think that would be useful.

The Hon. WES FANG: Maybe we could get a consultant to do it.

The CHAIR: Someone had to make that joke. I think that's all we have time for. Thank you so much for making the time to be with us and for answering our questions. There is no need to take that last one on notice because you should not be required to write a thesis. The secretariat will be in touch in relation to questions taken on notice and any other supplementary questions. There will be 21 days to respond to that. That concludes our hearing for today.

(The witness withdrew.)

The Committee adjourned at 15:00.