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 Friday 30 June 2023

The Committee met at 10:45.

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Mark Buttigieg
The Hon. Dr Sarah Kaine
The Hon. Peter Primrose
The Hon. Bronnie Taylor

PRESENT VIA VIDEOCONFERENCE

The Hon. Scott Farlow (Deputy Chair)

The CHAIR: Welcome to the third 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 lands 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 land and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us today or watching the live stream.

At today's hearing, the Committee will be examining the use of consulting services primarily, again, in the health sector. We will hear from the NSW Independent Commission Against Corruption, NSW Ambulance, HealthShare NSW, eHealth NSW and Health Infrastructure. Before we commence, I 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 evidence today, it does not apply to what witnesses say outside of their evidence at the 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 both Committee members and witnesses to speak into the microphones. Finally, could everyone please turn their mobile phones to silent for the duration of the hearing.

Ms GISELLE TOCHER, Acting Executive Director, Corruption Prevention Division, NSW Independent Commission Against Corruption, sworn and examined

The CHAIR: I welcome our first witness from the NSW Independent Commission Against Corruption. Ms Tocher, did you want to make an opening statement?

GISELLE TOCHER: Yes. Thank you for the opportunity to appear before the Public Accountability and Works Committee. As outlined in the terms of reference, this inquiry provides an important opportunity to improve integrity and transparency obligations of New South Wales government agencies in relation to their use of consultants. My opening remarks will deal with such matters and specifically focus on conflicts of interest. Conflicts of interest for government employees typically exist when a reasonable person might perceive that a public official's personal interests could be favoured over their public duties. Consultants can also have personal interests that a reasonable person might perceive could be favoured over their obligations to a government client.

In Operation Tilga, the commission found that a consultant had undisclosed personal and financial relationships with a number of security systems suppliers and also accepted cash payments in order to improperly assist them to win work with the government agencies he was advising. However, there is also a risk that consultants to government will experience other types of conflicts of interest through the existence of competing or incompatible obligations—for instance, when consultancies are engaged to provide expert advice which may benefit or protect their clients' interests. Similarly, consultants can experience conflicts of interest between obligations to government clients and their firm's commercial interest, for example, by using confidential information to obtain new clients. Another example is a consultancy sharing intelligence with clients about a regulator's attitude towards prosecutions that is not publicly known.

Additionally, consultants can experience conflicts of interest when auditing or reviewing an operational area of government that has relied on advice provided by their firm under a separate engagement. In such cases, consultants are incentivised not to cause any reputational risk to their own firms. Many consultants have at least some interest in keeping their paying clients happy and being considered for future work. This can create tension between providing frank and objective advice and telling a client what they want to hear. Unfortunately, in some rare cases, this tension can spill over into unethical or even corrupt conduct. Over-reliance on the same consultants can also create risks, as close relationships develop between managers and consultants. Part of the problem may be that some consultants and suppliers to government in general may not see themselves as having public duties or obligations. It should, however, be accepted that one of the reasons for engaging an independent consultant can be to manage a conflict of interest held by an employee. If properly managed, these engagements can improve integrity.

In New South Wales, all suppliers are expected to comply with the supplier code of conduct, which covers disclosing conflicts of interest and protecting confidential information. However, awareness and enforcement of the code should be a focus. Consultants should be engaged under government terms and conditions, not the consultants'. In relation to the provision of reports, this should cover at least conflicts of interest and the use of confidential information, including refraining from trading in government intelligence that is not publicly known; reliance on the report; disclosure of the report; and consequences for breaches of obligations. For certain high-risk engagements, an agency should vet, induct and train consultants in much the same way as staff. This could include instruction in how to identify conflicts of interest. After a consultancy discloses any potential or actual conflict of interest, consideration needs to be given to the management strategy. Any conflict of interest must be resolved in favour of the public interest. In certain cases, there should be a prohibition on consultancies undertaking work, for example, any engagement requiring a consultant to review their own firm's advice.

When confidential information is involved, an engagement should not go ahead without a governance framework being in place. An example of a component of a framework is establishing an ethics wall or information barrier within the consultancy, and requiring undertakings by consultants regarding confidentiality. The governance framework should be included in the contract. For high-risk contracts, a consultancy should be contractually required to perform periodic assessments and audits of the framework to ensure compliance. The Government should reserve the right to verify compliance within the framework by audit, investigation or other means. A consultancy's written advice report should also contain a statement affirming that they do not have a conflict of interest or that they have disclosed all conflicts of interest. Consideration should also be given to requiring consultants to disclose criminal action, settlements with regulatory bodies, and other breaches of standards when applying for work that can be assessed as part of the due diligence framework.

There should be escalating penalties for consultancies engaging in unethical conduct whilst engaged by the New South Wales Government. This could include termination of a contract, removal from a supply panel or debarment from government work for a period for serious offences, such as criminal offences. Consultants who

breach their obligations should also be required to present an assurance framework demonstrating the measures they have put in place to prevent further noncompliance of obligations before obtaining any future government work.

The CHAIR: There has been a huge number of pieces of advice and guidance that have been put out by ICAC over the past several years in relation to managing and proactively trying to prevent opportunities for conflicts of interest, corruption and other things. I was looking at two in particular: firstly, *Managing Conflicts of Interest in the NSW Public Sector,* guidance that was put out in April 2019; then the paper *Obtaining Independent Advice: Dos and Don'ts* that was put out in December 2021. Turning to the 2019 paper, what I found particularly interesting—but I'm not sure has necessarily been understood or implemented in the way that perhaps it could be, or given as much focus as it could be, within the New South Wales Government—is this idea of identifying and managing vulnerable units and branches. So it is looking at not just when there is a conflict of interest, not just disclosing it, but actively managing that conflict of interest to varying degrees, depending on the context in which it appears. Could you talk about that? This Committee has been looking most recently at, for example, the local health boards. Where could there be examples where extra controls might be put in place to manage conflicts of interest, and what would that look like?

GISELLE TOCHER: I think it should largely depend on an assessment of risk—particular types of work or areas that are considered high risk. Now, there is often a correlation between expenditure and risks. Something could be high risk because the contract is worth a large amount of money, but it really goes further than that as well. High risk could be anything involving the provision of an essential service that the Government normally provides—any advice relating to that, or an area where there has been controversy in the past, for example, or it has been the subject of complaint. In terms of frameworks, I think at the moment there is the New South Wales Government Supplier Code of Conduct, which is good. It requires suppliers to disclose conflicts of interest, and that's a very good first step to safeguard confidential information.

But part of the problem is that some suppliers may not recognise what a conflict of interest is. At first blush, it appears like quite a straightforward concept, but we do find people often struggle with it. It's particularly difficult for suppliers when you start getting into the area of competing obligations or incompatible obligations, because they may just see a conflict of interest as a personal interest where they personally profit, and not look wider at what the competing commercial obligations are at play here. I think it's very important that any requirements explain and define a conflict of interest, and broaden out the concept for suppliers and consultants to include competing obligations. In terms of a framework, I think it is really important to look at what is the confidential information involved, and to actually itemise that.

A common measure that is put in place to manage conflicts of interest for consultants is what's known as a probity wall—it used to be called a Chinese wall. It's an information barrier. Again, there are key components of that. It is about ring fencing certain information, but it's also really important that the firm or the consultancy has someone in charge who is important for policing those requirements, and it's clearly understood how it will work and how it's audited. For example, checks should really be conducted to alert certain high-risk activities, like who is downloading a lot of information that doesn't really make sense or doesn't really relate to the tasks they should be carrying out. Other measures could be making sure information can't in fact be downloaded, or requirements to destroy the confidential information once the consultancy is over. So it's not just about at the time, but there is the post-separation plan after the consultancy is over. Also, I think the Government needs to retain the right to audit these arrangements within a firm as well.

The CHAIR: There has been a lot of talk about this use of information that is gathered in one context and taken to another. We have seen at the national levels the current scandal regarding PwC. There is this idea of taking information that was learnt in a government contract context and taking it and using it for other clients. What about when you've got a consultant sitting within a government agency or a government department, either as a board member or as a person who is employed to do that work, and there is information not just given to them in a hard format, but information that is effectively residing in their heads? If they were to take that information and then use it for their firm to gain other work, whether it's with that same government client or whether it's with another entity, how do we manage that, and is that so much of a problem as when we are talking about that physical information?

GISELLE TOCHER: I think it's a problem. In terms of managing it, it really depends on how you categorise the information. There are different types of information. For example, you could have a specific piece of confidential information and there could be specific obligations in relation to that information that are placed on that person. It gets a little bit more difficult when we start getting into the realm of intelligence, so things like the Government's general attitude towards pursuing regulatory failures when that's not publicly known. That's a little bit more difficult to put your finger on.

I think, apart from obligations to not profit from government information, there's not a whole lot you can do about that more sort of intangible aspect. I do think in some really high-risk categories there's restraint on trade. So someone, for example, normally a government employee—if they leave they then can't go back somewhere else. But that's only in very specific high-risk categories. I think it would become quite difficult if you put those restraints on consultants, because then it may be hard to actually get someone to come in and agree to be your consultant if you need them.

The CHAIR: That's a fair point. That's right. Then effectively you're looking at someone who really should be an employee. If we could go back then to a consultant sitting on a board—so at the moment we do have a number of government boards where consultants and partners of consulting firms are sitting on those boards. Firstly, would you see that as a high-risk situation? Secondly, what additional steps should be taken, other than simply disclosing that you work at that consulting firm, to ensure that conflict of interest doesn't actualise into a problem?

GISELLE TOCHER: I think it goes beyond merely disclosing. I think you would have to declare an actual conflict of interest and recuse yourself if the board dealt with anything that could commercially advantage that firm. I also think that person shouldn't get access to information that may advantage that firm as well and should give a contractual undertaking they won't use that information as well.

The Hon. BRONNIE TAYLOR: When you say that someone should give a contractual obligation that they wouldn't disclose the information, can you elucidate what you mean by that?

GISELLE TOCHER: I guess I'm referring to when you actually engage a consultancy. If someone is sitting on the board, it may not be contractual. It may be a different type of obligation—but something in writing undertaking not to disclose that information or use it for commercial gain within their consultancy.

The Hon. BRONNIE TAYLOR: Just to clarify for Hansard, you've said that there should be something in writing when there is a potential for that to happen?

GISELLE TOCHER: Yes.

The Hon. PETER PRIMROSE: Along the same lines, I haven't seen a contract that's been used between a government agency and a contractor or a consultant. How often would it be the case that restraints and the other elements that you've mentioned are actually included in the contract—as opposed to things saying, "Look, here's a contract you sign. It's really important that you read it and then you should also go away and read all these other documents which talk about your obligations", which no-one would ever read? But I bet you they do read the contract that they actually sign and would get advice on it. Are these actually referenced in contracts?

GISELLE TOCHER: Unfortunately at ICAC we only see the bad examples, so I haven't seen a good example of that. The furthest I've seen is an attachment of a statement of business ethics, so that would be actually attached, or an annexure to the contract. But I think it's important for high-risk engagements to embed those provisions within a contract and not just embed them but sit down and explain to a consultant what the requirements are and what a conflict of interest means so it's understood what we're talking about here.

The Hon. MARK BUTTIGIEG: Does ICAC have a view or does it publish any papers or educative documents about when it is probably a bridge too far to have those conflicts in the first place regardless of any disclosures? In other words, if the relationship is so embedded and it's so tedious that there are a mountain of declarations that have to be made about conflicts, then it may be, from a public policy perspective, easier to not have the conflict by not employing a consultant on a local area health district, for example—using an example from previous evidence we've had. Does ICAC have a view on that?

GISELLE TOCHER: In our conflicts of interest publication, we do publish and look at the various ways to manage a conflict of interest. In the case of a serious conflict of interest, one management option is to divest yourself of that interest. That's one management option, but there are a whole lot of other management options as well, and I guess it depends on the riskiness of the situation.

The Hon. Dr SARAH KAINE: I note that ICAC itself does engage consultants. I think there was a fairly recent KPMG consultancy. In terms of comparison, what's the process that ICAC follows? What kinds of things are in your contracts? It might be instructive to understand that. I note that on the website, ICAC does talk about rigorous vetting, but I presume it's the other end as well and you have those clauses that you talk about. Could you give a bit of insight into ICAC's own process?

GISELLE TOCHER: I'm not really involved in engaging consultants for ICAC, so I may have to take that on notice, but we do have a very rigorous vetting procedure and that does apply to consultants as well. Because it's ICAC, you can understand it's quite broad; it looks at past conduct. Any history of past offences would be

highly relevant. What controls would be in place to safeguard confidential information—that's something that's obviously very serious at the ICAC.

The Hon. Dr SARAH KAINE: If I could ask then if you could provide on notice that process but also the types of clauses that my colleague was asking about that you would use—a template clause that you would use—in a contract about conflicts of interest et cetera. That would be most useful.

The CHAIR: Going back to that point about some circumstances where you just simply shouldn't accept the appointment, from a slightly different perspective, in your 2019 conflicts of interest guidance there is that conversation about how outside employment is a high risk, so that if you are a public official, like a member on a health board is—let me read from the guidance:

> In particular, agencies should require secondary employment disclosure and refuse to allow secondary employment where it is likely to conflict with the duties of an official who has financial delegations or influence over expenditure.

We're sort of looking at this from a different perspective because they're a consultant as their primary employment and then they've come onto the board. But on a board of a government agency, they are having influence over expenditure. Do you think that is a situation where really there should just be a statement that there shouldn't be people with such a conflict appearing or being on the board.

GISELLE TOCHER: I don't think I'd be in favour of making a blanket statement. I think you have to examine it on a case-by-case basis and specifically look at the riskiness of the situation. Some relevant factors would be: What's a person's role in the consultancy? How senior are they? How embedded are they in that consultancy? What's the nature of their decision-making on the board? For example, do they actually have a delegation? They probably wouldn't I assume if they're a board member. Are they involved in any way in determining scopes of work or who gets to quote for a consultancy? The nature of their decision-making, the nature of their influence, would be one factor to take into account, but I don't know that you could just have a hard and fast rule because it depends on the circumstances.

The CHAIR: Which makes sense. What about a situation where a consultant, for instance, is on a board and perhaps they're on the finance and expenditure committee—or whatever it happens to be where—although they may recuse themselves from the actual appointment of consultants and the choosing of consultants, if there was the sort of pre-work to requiring a consultant in the first place that they were involved in, could that be problematic in terms of building a case for bringing a consultant in in the first place? I'm not saying that's what occurred in any particular circumstance. It's easy to look at the rules and then to, I guess, work outside them. Would that be of concern? What should people be doing if they see that the work that they're currently involved in is likely to require a consultant's appointment later on?

GISELLE TOCHER: Just to make it clear, I don't want to comment on specific cases because I don't think that's really fair to the individuals involved and I'm not across the facts. Again, it's about assessing the riskiness of the situation, and one thing to take into account would be their level of influence over a decision.

The Hon. BRONNIE TAYLOR: Thank you very much for your time today. I'm sure you've been very busy, so you're good to come. I just want to flesh out a few things that you raised both in your introductory statement and in some of the answers that you've given. Mine will really relate to conflicts of interest. I suppose I'll start at the bottom and go back. It's that balance between having someone who has demonstrated expertise and experience, been able to have a meaningful contribution, to them also having then a perceived or actual conflict of interest. The balance of that is that, surely, once a conflict is declared, then it is no longer a conflict?

GISELLE TOCHER: No. I wouldn't say that. Once it's declared, it should be managed.

The Hon. BRONNIE TAYLOR: When you say that it should be managed—you referred previously to contractual obligations. You also said—correct me if I'm wrong, because I don't want to verbal you at all—that there should be some demonstration of that—some sort of, I presume, evidence in a document that actually shows what that conflict is and how it then will subsequently be managed?

GISELLE TOCHER: It's best practice, when someone declares a conflict, to have a conflict-of-interest management plan. That will work out the mechanisms you're using to manage the conflict. It may require recusal. Or, if it's considered low risk, it may not. It may be that the person's just not involved in certain aspects of that work. That should be in writing and signed by all the parties involved and regularly reviewed as well. That's not just the end of the story. You come back to that document, and you review that those measures have been put in place.

The Hon. BRONNIE TAYLOR: So then, too, if there is an obvious conflict of interest—I suppose what I just wanted to clarify as well was that you discussed and the line of questioning was a conflict of interest to have a monetary sort of value at the end of that potential conflict. If it wasn't necessarily a monetary value but that of—

I think you used the word "influence"—through that conflict, which is a serious conflict, then would often the easiest route to avoid potential corruption be to recuse yourself from anything to do with that declared conflict of interest?

GISELLE TOCHER: As a general statement, yes. But again I think we come back to how risky the conflict is, as a general proposition.

The Hon. BRONNIE TAYLOR: But, as a general proposition, yes, it is best to remove yourself if there is an obvious conflict of interest. That's really interesting. Thank you. I think that was it. Thank you very much. That was really very interesting.

The Hon. Dr SARAH KAINE: Thank you, Ms Tocher. My questions now are again using ICAC as an example. It might mean that you want to take some things on notice and come back to me. It's more as an example, while we have an agency here that should have very robust processes, to get some insight into that. So I expect that you'll need to take some on notice. I notice, in ICAC's reporting, how they report. One of the things we've been looking at here is often the confusion between the definitions of "contracting" and "consulting". I notice that, in ICAC's reporting and financial statements, it's actually a lot clearer about categories, as you would expect from ICAC. It's very clear about categories on which it has spent money. It lists things like cleaning, et cetera, other things that might otherwise come under other contractors. But I did wonder. There is quite a large jump in the use of other contractors in the last two financial years—almost double, not quite. I just wondered if we could get some explanation for that because it might help us with understanding again this confusion between contractors and consulting—if you could take that on notice.

GISELLE TOCHER: I will have to take that on notice.

The Hon. Dr SARAH KAINE: Of course. I appreciate that.

The CHAIR: If we could turn now to the 2021 advice on obtaining independent advice dos and don'ts. Just looking at the specific nature of consulting, they're thinly capitalised; they require constantly getting new contracts. There are entire departments within these consulting firms that rely on government work. Do you think that that in and of itself necessitates greater oversight to ensure that the advice they give isn't geared towards getting more work from government?

GISELLE TOCHER: I think that's definitely a risk and there is a number of things you can do about that. For example, any advice given should be in accordance with industry standards. For example, there's an Australian standard on auditing, so that should be followed. There should be an undertaking that that's a methodology from the Australian standard and will be adopted. I think a consultant should also make it clear in their report—if it's relevant—what assumptions they've relied on and also provide their working papers.

The CHAIR: In the previous two hearings that we've had there have been a number of statements around a reliance on the documentary processes—so whether it is simply recording a conflict of interest on a register or having a consultant who's coming into a government department signing a confidentiality agreement. You spoke before about how that's just not sufficient on its face and it needs to be, in the case of some sort of work plan for managing a conflict, a review process. What sort of substantive measures would you recommend to ensure that a conflict of interest isn't becoming a problem as opposed to simply just getting that person to continually attest that they're doing the right thing? What should government agencies be doing?

GISELLE TOCHER: I think the first thing is the conflict of interest management plan. Unfortunately, we don't often see those. So what we see, as you said, is someone declares something and it's considered. That's okay and that's a good first step but there needs to be a management plan. For very high-risk conflicts of interest I think part of that plan could be ring fencing information so that person—say they're an employee, they're denied access to certain information; it's locked down. That's one example of something you could put in a management plan.

If it's an actual consultancy that's been engaged and they have competing obligations—again, I think the people working for the government, that information and what they're doing should be ring fenced from other people within their firm. The common term is a probity wall for that and that should be for, again, high-risk engagements. That should be the subject of audit so the firm itself is required to get an independent auditor to audit its arrangements and the government also retains the right to audit. That's one example of a measure or how you could go about managing that type of situation.

The CHAIR: Yes, so there's kind of more significant structural issues.

The Hon. BRONNIE TAYLOR: Should the management plans for conflicts of interest that you've discussed be made public?

GISELLE TOCHER: Not necessarily. It's about who needs to know. So for certain high-risk or very senior positions, the more senior you are sometimes the more public they become. For example, local government councillors are required to declare conflicts of interest and the nature of the conflict, and that goes into the minutes of council meetings. So they're subject to that requirement. If it's an employee within an agency, I think it depends on who needs to know. Certainly the manager needs to know and the people dealing with the subject matter that's the source of the conflict, they need to know.

The Hon. BRONNIE TAYLOR: Getting back to a local councillor, which you used as your example. I suppose, for the case of integrity and for transparency and to manage those conflicts and to have those management plans, if it was a very public-facing role, it's beneficial to have those made public.

GISELLE TOCHER: As long as it doesn't itself deal with confidential information. You don't want to, for example, make a management plan public that highlights something that's not publicly known itself.

The Hon. BRONNIE TAYLOR: If it is information that would be relevant to the public to ensure transparency, then it's a good idea.

GISELLE TOCHER: Generally, transparency is a good measure, as a general proposition

The Hon. BRONNIE TAYLOR: I don't know if this is fair. You can answer it; you decide. I'm cognisant of the fact that within the public sector, we all have different areas of expertise and we can't expect the public sector to have expertise on everything. Obviously, that's why they would engage consultants in an appropriate manner. I suppose having those conflict-of-interest management plans and things being transparent is so important because we wouldn't want to lose expertise from consultants either so that we weren't having good decisions made. Is that a fair enough statement?

GISELLE TOCHER: I agree with your general statement that consultants provide a level of expertise that often the government doesn't have or it's not in the government's interests to have that on tap full time—for example, to go and employ someone permanently if it's just needed on a short-term basis.

The Hon. BRONNIE TAYLOR: Also more than if it's just short term but that high-level expertise. If there's something in policy development that's very critical to a certain thing where that expertise doesn't exist, then if the correct processes are in place—I acknowledge that sometimes they're not and sometimes things break down because we are all human and we are not perfect all the time. It would be a shame in terms of public policy perspective to not be able to use that expertise if it's available, as long as those conflicts are appropriately managed.

GISELLE TOCHER: Yes.

The Hon. BRONNIE TAYLOR: And that's in transparent management plans.

GISELLE TOCHER: Yes. And, as I keep coming back to, an assessment of how risky the conflict is to government. And, if it's too risky, maybe you don't use a certain consultancy. That's one management option, but not the only one.

The Hon. MARK BUTTIGIEG: Ms Tocher, on that point, I would imagine that logic would dictate that some of this could be calibrated based on the nature of the office. For example, there are a lot of uses of consultants—which is what this inquiry is into—which wouldn't necessarily be obvious to the public. So the degree of transparency, for example, is, I suppose, proportional to the amount of eyes on it. If you have a situation where you are declaring conflicts and it's on a myriad of boards, for example, which the public may not be availed of, then presumably the level of probity needs to be more severe, if you like, or more strict, given that what you're trying to do is declare a conflict and point out to the public that a conflict is there that they may not even be aware of. But, in terms of the declaration of a conflict for, say, a local councillor, which is more public facing, the very declaration of that conflict alone would pre-suppose a level of scrutiny by virtue of the public office, wouldn't it?

GISELLE TOCHER: It would. But in the case of councillors too, they have to recuse themselves of, for example, pecuniary conflicts of interest.

The Hon. PETER PRIMROSE: I go to the report that was tabled by the Auditor-General on 2 March. I will quote one section. It states:

> The audit found that agencies do not procure and manage consultants effectively. Most agencies do not use consultants strategically … and do not have systems for managing or evaluating consultant performance. The audit also found examples of non-compliance with procurement rules, including contract variations that exceeded procurement thresholds.

If we are at the point where agencies are not, for whatever reason, assessing the effectiveness of their consultants' work and whether they are doing the work properly, what can we do, given that those rules are pretty clear—because that's a requirement—to ensure that they're exercising probity and that there's no conflict of interest or other nefarious activity taking place? I'm not sure. The rules are clearly stated there in relation to something as

simple as, "We want you to do this." But they're not even checking whether they're actually doing the thing they are employed to do, effectively. How do we look at enforcing sometimes more obtuse concepts about conflicts of interest etc in contracts, or with others? Do you have any suggestions?

GISELLE TOCHER: In terms of embedding government requirements, that's probably an issue for NSW Treasury. I can tell you that the ICAC has specific training and it is free. Anyone can request it. We do often go to agencies and explain conflicts of interest. We have issued guidelines about this. Any agency is also welcome to come to us for advice, so we do have that advice function. But it may be that a whole-of-government approach is required in terms of embedding the actual requirements of agencies. There are also things like internal audits—what's on the internal audit plan for an agency. Sometimes that can highlight where there are particular problems as well.

The Hon. Dr SARAH KAINE: You mentioned the provision of training. Would it be possible to get a list of when and how often and which agencies have requested and engaged in that training over, say, the past five years?

GISELLE TOCHER: I could definitely get you a list because we do actually track all that information.

The Hon. Dr SARAH KAINE: That would be useful, thank you.

The Hon. PETER PRIMROSE: I think partly what we're looking at is that we can have a great scheme—and the work that you're doing is fantastic in terms of trying to achieve that—but how do we then go around enforcing it? There are many great booklets—and they're not all yours—and documents and websites, but I wonder how many of the people who need to read them actually do read them. Yesterday in the upper House we debated the issue of knife legislation. People shouldn't be carrying knives around for nefarious reasons, but we know that they do. Therefore, we move on and increase penalties to try to dissuade that. I am looking at how you actually get people to do what you say they should do in relation to consulting.

GISELLE TOCHER: I guess you need a multi-pronged attack. I think it is important we have the Auditor-General and reports like this—those reports receive publicity. There is the ICAC—we make findings of serious corrupt conduct, so I think that is important. I think the training that the ICAC does is important. NSW Procurement and Treasury have a role, too, in ensuring their guidelines are embedded in agencies. And agencies themselves have an important role to play too. A lot of agencies do have a governance department. They are very busy people in those departments, but they would have a role as well. I do accept that often the more difficult part is not saying what you should do, but making sure everyone does it. It's a constant challenge.

The CHAIR: Obviously ICAC is limited in how much it can do—it is limited by its resources and by other aspects. Are you able to give us an idea of how many referrals around potentially corrupt conduct just can't be investigated because you don't have the time or resources? Can you give us an indication of that?

GISELLE TOCHER: Just to let you know, it's only really the sort of really top end—about 2 per cent to 3 per cent—of allegations that result in a formal investigation, but that may not be a resourcing issue. For example, they may not actually suggest corrupt conduct, so that's why they're not investigated. It's part of a separate process, which I don't really want to comment on today—the ICAC has been seeking some more money, but I don't really want comment on that today.

The CHAIR: Understood. It comes back again to the points that Government members were making about the public being able to play as much of a role as possible in ensuring that we are holding public officials to account, in terms of transparency in particular. One of the issues we have raised so far in this inquiry is that we don't get to see the output of a consultant's work, on the whole. Would you support a recommendation that more of that work be disclosed and that we have a more transparent record of what consulting work is being done for who?

GISELLE TOCHER: I think, as a general proposition, often the consultants' reports have these disclaimers in them that do seem quite long and complex and generally do seem to limit the purposes for which the report can be used, so it can only be used by that agency—the commissioning agency—not another agency. Sometimes I wonder if that really works against a whole-of-government approach or if it's even necessary to be that restrictive—without commenting on a particular report though.

The CHAIR: They do seem to have crept into every report that I have read recently, and I guess maybe those disclaimers become a market standard. Perhaps that is something we could recommend we begin to push back on. Similarly, our e-Tender website—I understand that once those tenders are disclosed they fall off of our website after, I think, three months, as opposed to the Federal e-Tender website, which is a permanent record of those tenders. Similarly, would you support our e-Tender website being reformed to make that more of a permanent record so the public can play a role in oversight more effectively?

GISELLE TOCHER: Generally, transparency is a good idea. So as a general proposition, yes.

The CHAIR: Coming back out of the specifics on conflicts of interest, there is also discussion in the 2021 report on obtaining independent advice. There is also quite a bit of discussion about manufacturing a situation where an independent expert recommends a course of action that a public official was already planning on taking. Do you have any examples of that?

GISELLE TOCHER: Probably the main example that led to that publication coming out was Operation Dasha. In that case, the consultant didn't do the wrong thing, but we had a situation where a public official offered inducements to a consultant to change their report and the consultant said, "No." So in that case a public official was found to have engaged in serious corrupt conduct. Also, in relation to another consultant and another report, the same public official really overstepped the mark with pushing the boundaries of trying to change the consultant's report to the extent where it could no longer be considered independent. So I think it is quite reasonable for a public official, maybe, to test assumptions a consultant has made or ask for clarification or more information, but there is a boundary that can't be crossed: You can't tell a consultant what to say to the extent where it is no longer an independent report.

The CHAIR: I won't go into TAHE. I know that TAHE was looked into by ICAC, but there are certainly elements of that that are familiar. Are there any other aspects of the use of consultants that we should be on the lookout for in terms of recommendations to ensure that corrupt conduct does not occur in relation to their use?

GISELLE TOCHER: I think penalties for breaches of obligations is an important area as well. I know that, at the moment, a supplier, for example, could be suspended from the preferred suppliers panel. Western Australia has introduced a scheme—it's been in place for about 18 months—where a supplier can be debarred for a period of time for unethical conduct. However, with those sorts of schemes it's really important that natural justice is taken into account, and a supplier has a right of reply as well. So you do, legally, have to be a little bit careful with those schemes as well.

The CHAIR: There has been what I would call quite a revolving door between Health and consultants. One of the things that we have canvassed at a previous hearing is the idea of gardening leave for New South Wales senior executives—or whoever, really—to allow that period of time, say three months, of that information residing in people's heads from their government roles not being as relevant when they go into a consultants' firm. Is that something ICAC has a view on? Do you know of other jurisdictions that do that?

GISELLE TOCHER: We don't have a view on it. It's an option to consider. One challenge would be that most government agencies are short on money. Can they afford to have someone sitting there on gardening leave, paying for a position that's not filled, or backfilling the position and paying twice for the same position? That's a challenge there.

The CHAIR: It is hard because then you run up against the idea of stopping people from getting the employment they want, if you do that without providing the leave. I understand the limitations. Is there a role for the Ombudsman in policing some of this?

GISELLE TOCHER: You'd probably need to ask them. I don't really feel I could answer on their behalf.

The Hon. BRONNIE TAYLOR: Again, I don't know if it's fair, so just tell me. We have the ICAC to make sure that there's a regulator around this and around corruption. Is that not the point of that and the point of everything that you've said about transparent management plans for conflicts of interest? You used the ring fence and the probity wall. What I'm asking is that if that expertise doesn't exist somewhere, it's also a shame not to access and use it for the best public benefit, the best use of taxpayers' money and the best health outcomes—today is health-focused. The point then is to make sure you have those processes in place so that it doesn't end up giving you more work at the ICAC but that we get the really good policy results that we need.

GISELLE TOCHER: I would agree with that statement.

The CHAIR: I'll ask about the PwC proposal, or the potential deal that is being done with Allegro. When we had PwC in, there was basically almost an admission that those probity walls—I think they called them ethical walls—are not necessarily robust or can't be kept robust. Again, this may not be something that you can have a view on from an ICAC position, but in terms of these massive organisations and these massive consulting firms also having these other clients as well as government, do you think that, in practice, it is possible for them to have probity walls? Or do we really need to have a more structural division?

GISELLE TOCHER: The actual structural division—that's a matter for PwC. It's early days. We don't know how that's going to work. The emphasis should be on what the Government is doing and, if there is a structural division or a probity wall in place, how is that being checked, who is responsible for ensuring the wall

is in place and what assurance do we have that those measures are actually in place? The Government has got to look at its own role.

The CHAIR: And what are the consequences for that breach.

GISELLE TOCHER: That's right.

The CHAIR: From a New South Wales Government perspective, if the Government is not happy with the robustness of that wall, then it can be taking the action that it needs to take from a commercial perspective to, as you say, ban the engagement for a few months or whatever it happens to be.

GISELLE TOCHER: That's right. Or if there is a breach, to ask what the firm has done to make sure there won't be a breach again, for example.

The CHAIR: As part of that deal, it has been reported that PwC is effectively saying that there will be around $300 million of government consulting work that would go to that new entity. Does that cause you concerns in terms of the confidence with which they believe that government work will be ongoing? I guess that brings us back again to this discussion of, by their nature, these departments within these consultant firms that are focused on government work are reliant on future government work for their existence. Do you think that that inherently creates a conflict of interest when it comes to the type of work and the advice that they are providing to government?

GISELLE TOCHER: I don't want to specifically comment on PwC because I don't think that would be fair. What we do say in that publication about the use of independent advice is that just one of a number of factors to take into account is how dependent a consultancy is on that government agency for its work. That may incentivise them, for example, to do certain things to ensure they continue to get work. It's always a good idea to, if you can, depending on the expertise required, rotate consultancies amongst firms.

The CHAIR: I guess that goes the other way as well in terms of a government's reliance on external consultants. If a government agency has taken steps to make itself reliant on consultants because it doesn't have the internal expertise, especially for work that is ongoing and recurrent as opposed to a one-off, does that create a conflict of interest and a potential for corruption?

GISELLE TOCHER: I guess it comes down to sound workforce planning. That sort of planning should underpin decisions to engage consultancies. When a consultant is engaged, I think there should be an argument or description around why they are being engaged and why the work can't be performed inhouse. I think that's probably a good check and balance as someone signs off on that, for example.

The CHAIR: That is very helpful. Are there any other questions?

The Hon. BRONNIE TAYLOR: Just because of your line of questioning, Chair, I will add another question. By the same token, with your answer to the previous question that if you are reliant on government work then maybe that's a potential for corruption, wouldn't it also be fair to say that if you do government work and you have an expertise in that but the work that has been provided has been of a very high standard with no conflicts declared, perceived or found to be true, then that actually is a positive thing as well?

GISELLE TOCHER: Yes, I would agree with that.

The CHAIR: Thank you very much for your attendance. That is all we have time for. To the extent that questions were taken on notice and supplementary questions are provided, you will have 21 days to respond. The secretariat will be in touch. Thank you.

(The witness withdrew.)

Ms CLARE LORENZEN, Acting Executive Director, People and Culture, NSW Ambulance, sworn and examined

Dr DOMINIC MORGAN, ASM, Chief Executive, NSW Ambulance, affirmed and examined

Mr BRIAN JACKSON, Executive Director, Finance and Corporate Services, NSW Ambulance, affirmed and examined

The CHAIR: I now welcome our next witnesses. You have an opportunity to provide a short opening statement, if you choose to do so.

DOMINIC MORGAN: We are happy to take questions.

The CHAIR: Very good. Perhaps we could start with a few basic questions. My understanding is that NSW Ambulance sits within the general consultants expenditure reported by Health at that parent level. Is that correct?

DOMINIC MORGAN: Yes, that would be correct. We are a division of the Health Administration Corporation under the Health Services Act.

The CHAIR: Do you have independent figures as to how much you are spending on consultants year on year?

BRIAN JACKSON: Yes, we do. I have them with us.

DOMINIC MORGAN: We do have figures.

The CHAIR: Are you able to provide them?

BRIAN JACKSON: Sure. We've got figures from 2014 to 2023—

The CHAIR: That would be useful.

BRIAN JACKSON: —keeping in mind, 2023 is not yet finished. So, 2014 was—I'll just go in millions—3.5 million; 2015, 3.6; 2016, 2.3, 2017, 1.7; 2018, one million; 2019, 1.3; 2020, 1.8; 2021, 3.4; 2022, 2.1; and to date, May 2023, 3.6.

The CHAIR: Great, thank you very much. Do you have contractor spend as well?

BRIAN JACKSON: Yes, we've got that. Do you want me to just limit it to the far right, just the recent years, or do you want the whole—

The CHAIR: If you've got them from 2014, that would be useful.

BRIAN JACKSON: Okay. Across the big four, Deloitte—I'll go in thousands this time—1,164; 2015, 909; 2016, 96; 2017, 28; 2018, 4; 2019, 52; 2020, 331; 2021, 367; 2022, 545; and 2023 to date, 1,238.

The CHAIR: Sorry, that's in thousands?

BRIAN JACKSON: Yes.

The CHAIR: So that's—

BRIAN JACKSON: $1.2 million.

The CHAIR: When we look at that $1.2 million in this year to date, just as an example, what would that consist of, in terms of that being a contractor spend rather than a consultant spend?

BRIAN JACKSON: That's the consultant spend, the 1.2.

The CHAIR: That is the consultant spend?

BRIAN JACKSON: Yes. I've only given you—the way that the accounting works, quite often you'll get contractor coded into consultancy, but this is the consultancy line if you picked it up out of our annual report.

The CHAIR: Okay. Was that just Deloitte or was that the big four?

BRIAN JACKSON: That was just Deloitte. Do you want to keep walking—

The CHAIR: Yes, very good.

BRIAN JACKSON: Okay. Pricewaterhouse, 2014 was 22,000; 2015, 15,000; 2016, 32,000; 2017, 62,000; 2018, 42,000; 2019, 125,000; 2020, 755,000; 2021, 1,356, so 1.356 million; 2022, 258; and 2023, 874.

The CHAIR: Thank you. Who else have you got?

BRIAN JACKSON: KPMG only come in in 2021, with 105; 2022 with 14; and 2023 with 61.

The CHAIR: Any EY?

BRIAN JACKSON: EY, we've got 2015 with 11,000; 2017 with 190,000; 2019 with 105,000; 2020 with 29,000; 2021, 77,000; 2022, 10,000; and 2023, 86,000.

The CHAIR: Thank you very much. Can we talk about that Deloitte one in 2023? Can you tell us what that's in relation to?

BRIAN JACKSON: It's in relation to the SWIFT Program.

The CHAIR: That's the 2,000 new paramedics?

DOMINIC MORGAN: Yes, 2,128.

The CHAIR: Can you talk us through the genesis of that program and what Deloitte, in particular, has contributed?

DOMINIC MORGAN: Yes, I can probably take the headlines of that. Essentially, if you look back through history, Ambulance has always struggled a little bit with conveying its resourcing needs to the broader system. Around 2016-17 we became aware that there was a significant difference between the level of resourcing that was being experienced in other jurisdictions relative to New South Wales, so we undertook a lot of work to really demonstrate and articulate to the system what the resourcing needs of the organisation were. Service planning undertook some modelling work to design what would be the resourcing necessary to achieve certain response performance standards.

Now, response performance standards are really important because they go directly to the number of lives we save. In other words, better than thinking of response times, think of hands on chests and defibrillators. That immediately means lives saved at the end. We knew that it was going to be a significant program and needed to be a significant uplift to the workforce to achieve these standards. We knew that we didn't have the internal expertise for something so specific and so large to actually put our best foot forward on the case, so we went to the market for those skills that could help us develop a business case around the internal service planning that we'd already completed—and that's an important point.

We engaged Deloitte to help us write a strategic business case in a format that was easily understood, to meet Treasury's needs. You can imagine that as an operational clinical service we know exactly what we need, but it needs to be in a language that's understandable by our Treasury funders and masters. And that's the expertise that Deloitte brought to the table. We used that strategic business case, along with some others that we developed, to submit new policy proposals to the New South Wales ministry of Health and, through the budget build-up process, we were ultimately successful in gaining $1.76 billion and funding for 2,128 additional paramedics and support staff, and 30 new ambulance stations.

The CHAIR: So Deloitte was preparing a business case. But the input to that, the decisions—I understand that all of those new paramedics are going to peri-urban areas, roughly Sydney, Illawarra, Central Coast and Newcastle. Was that a decision made by NSW Ambulance?

DOMINIC MORGAN: Correct. There were actually three business cases done at the time. The second one, which wasn't successful at the time but has subsequently been successful, was for 562 additional rural paramedics. The two business cases were split based on the way that service delivery is provided in New South Wales. If you think about the really big urban settings, whether they be regional Newcastle or whether they be Wollongong, they're all heavily affected by demand for services. It can take only comparatively small increases in demand—in the order of, say, 5, 6 or 7 per cent—and you need to put additional ambulances in the system to ensure that you can respond in a timely manner. That's slightly different to our really remote locations, where they may only be doing two or three jobs a day. But you have to have them. In other words, you could even double the workload in some of those areas and you wouldn't put another ambulance crew in. The model of it is quite different, and so the two business cases were arguing for slightly different things.

The CHAIR: And did Deloitte do that second business case as well?

DOMINIC MORGAN: They did.

The CHAIR: And what was the difference in spend between—did they quote for both separately?

DOMINIC MORGAN: They did.

BRIAN JACKSON: Yes. They are separate engagements.

The CHAIR: How much were each of the engagements?

BRIAN JACKSON: The engagement for the business cases was just short of $400,000. The SWIFT engagement is $1.8 million.

The Hon. MARK BUTTIGIEG: Can I ask a follow-up, Chair, on that? That's a very articulate and well-explained answer in terms of the use. Thank you for that. It clarifies a number of things. But essentially what we're saying is that you've got the government department Treasury talking to the government department Health, Ambulance, but we need someone to translate the micro-detail needs, which we're well aware of. It's almost like translating a language from one government department to another. If I were a taxpaying New Wales South person listening to this, I'd be thinking, "Surely someone resident in the Department of Health or Ambulance has the articulation to communicate with Treasury what they need." Now, I understand Treasury needs things put in black and white, perhaps econometric terms, so that it makes sense with the cost benefit whatever. But over time you would imagine that that expertise could conceivably be built up internally.

DOMINIC MORGAN: You've pretty much hit the nub of what the problem was: that we actually had been so lean for so long. There's publicly available data—and I think it's the report on government services—and it kind of talks about the level of operatives within ambulance services and corporate support, and we have always been very lean. Now, one of the problems is that less than 10 per cent is corporate workforce—finance people and culture. The rest of us are, frankly, out on the tools.

The Hon. MARK BUTTIGIEG: Front line, yes.

DOMINIC MORGAN: Yes. When we were going for an investment that was material and real and impacts people's lives every single day, everyone was pretty much occupied doing their day job, just keeping us going.

The Hon. MARK BUTTIGIEG: Fair enough.

DOMINIC MORGAN: With the two investments, the former Government and the current Government, we will grow by 50 per cent over the next four years. That will be a fantastic benefit for not only the community but our workforce, who have just been extraordinarily working hard over the last few years. But we really needed that kickstart. We needed that expertise.

The Hon. MARK BUTTIGIEG: I understand.

DOMINIC MORGAN: If I understand correctly, it's part of the tender process that they're required to do a knowledge transfer through—sorry, not with the business cases; it was the follow-on work, yes. But there is an eye to "How do we transfer the skills into the workforce as we grow?" because we do intend, as we grow our paramedic workforce, to grow that expertise in corporate workforce. What we have done over the last few years—because this does go to the heart of how we, as a community and government, assure ourselves that we have the best chance of ensuring best value for public moneys—is that we have established a dedicated contracts and procurement service within NSW Ambulance. That means that we do have internal expertise around making sure we comply with process. That gets us to a level of quality, but it doesn't get us to the level of expertise.

We have also brought in a dedicated corporate governance area that is really set up to design the whole system. When we're talking about fraud and corruption prevention, it's really from the lens of risk. Organisational structures only take you so far. So the corporate governance team that we've brought in helps us now to construct better-quality approaches to our corporate governance. Plus, the dedicated procurement resources give us the best chance to take advantage of the expertise of consultants.

The Hon. MARK BUTTIGIEG: I have one quick follow-up. Thank you again for a very clear, articulate answer. Is it your view then that over the longer term after this investment, the public would be better served in terms of bang for buck, if you like, by that rebuilding of the expertise? Your people, basically the people who would live and breathe it every day, via that expertise build up at the corporate level, can just tell Treasury directly what's going on, and that will translate into an internal cost-saving over time.

DOMINIC MORGAN: I think the direct answer to that is it's all a question of thresholds. There's no doubt that—I mean, you can see by the numbers that it's quite patchy of when we've used consultants, and we've used them for specific things rather than, "There's a consultancy budget." We use it for specific things that we assess we don't have the expertise for. Aeromedical, a highly complex regulatory environment—legal, all the likes—is something that is not a common skill set. I think what we'll find is that agencies right across the public sector will have times where there will be little need and little investment because they do have an internal capability. For example, in 2014-15, pre my arrival back in the jurisdiction, a lot of money was spent on aeromedical contracts and getting them set up because it is a very specific, niche thing. But over time it moves on.

Whether there is a place for higher level expertise at a peak cluster level, that is arguable. Certainly, it is something we would lean into when we are doing these projects, because fundamentally we're an operational arm and the return on investment of having those scarce resources sitting around and not being utilised doesn't help the taxpayer either. If there was a pool that could help with some of these higher order things, that has some merit. But I do think there will always be a place for some consultancy.

The Hon. Dr SARAH KAINE: Can I ask a follow-up, flip side question? Now you're talking about the potential if there were, say in Health, those resources that might be useful. Am I right in suggesting that Treasury at the time didn't have all the requirements they were asking for, anyone to assist you in being able to articulate what I understand was a strategic plan about the deployment of further paramedics? I'm intrigued about the other side. What was the Treasury capability and could that have been used?

DOMINIC MORGAN: I don't think I'm able to really comment on Treasury per se. What I would say is we have genuinely had phenomenal support in recent years. It has been trying and difficult, and that support has now rolled over equally into the new Government. I think it was that fundamental recognition that ambulances stopped being seen as the people that drive patients to hospital and instead as being a health profession that can actually be a phenomenal lever for managing demand for the whole health system. We're seen as an investment now; it hasn't actually mattered what colour of government. Once that recognition has come—and paramedics became a registered health profession on 1 December 2018—it has really just been green lights for us as an organisation. But with our backdrop, which is complex and time-consuming—it's a difficult time of change. Any organisation growing by 50 per cent has difficult times. We have some very junior crews out there and they struggle for experience and advice, but it's probably in the scheme of things a good problem to have.

The CHAIR: When you made the decision to use Deloitte to do the business case, was that because you wanted the case to be as compelling as possible, or because Treasury had said, "If you want to do this, you need to do it in this form?"

DOMINIC MORGAN: No, not at all. Look, to be honest, it was probably even my view. It was based on—it was a short, compressed time frame and window of opportunity. Previously I was aware of modelling approaches to resourcing. In effect what they do is look at the hours of cover you need to respond to emergencies and you convert that into human beings and rosters, in short. We knew the scientific approach to it, which is quite mathematical, was sound, but it was a case of then once we had that information, rapidly getting it into a format. We just didn't have the knowledge, skills and expertise in house within the window that we needed to. We probably could have had a go at it over a longer period of time, but it was just such a big program.

The Hon. Dr SARAH KAINE: Maybe it's the terminology, because in writing a business case—a business case is generally to convince someone else that something has to be done. I guess that's where the confusion for me lies. Was there the need? On the one hand, you're saying there wasn't the need to convince Treasury and others because there was support, and on the other hand writing a business case implies that you're needing to put forward the case for that decision.

DOMINIC MORGAN: To clarify my language, it was clear to me what the resourcing needs of the organisation were and, to be honest, if you asked any paramedic, they were well aware of the resourcing requirements of the organisation. But every case has to stack up on its merits. In terms of how Treasury sits down and decides on the priorities of NSW Ambulance versus a renal dialysis unit in Gosford—you'd have to have the wisdom of Job to be able to make those decisions when you're not an SME. So therefore, obviously they have to have a process where they can recognise certain things as representing the best value for government. A good example would be return-on-investment calculations or net present value. That's a language that Treasury can understand, whilst us service delivery operatives are sitting back here going, "But this is actually going to save lives."

The CHAIR: That seems incredibly frustrating, though. You've got the expertise, as you say. I have spoken to many ambos who have the expertise and paramedics who know exactly how a rostering system should be run and what they need—and you're being very diplomatic—but you found yourself in a situation where just putting forward that information yourselves wouldn't be accepted. You needed a Deloitte letterhead in order for this to be taken seriously. Again, you're being diplomatic, but is that not the case?

DOMINIC MORGAN: No, I wouldn't accept that. It was simply a recognition that a financial analysis, in a language that is compelling, that delivers the quantitative metrics that another government agency can recognise—and evaluate against all the other priorities of every other chief executive who's trying to put forward a position—has nothing to do with the Deloitte letterhead. It was just a compressed time frame and the skill set that we had internally, based on the time frame, we had to pull it all together.

The CHAIR: That's the business case, which is $400,000. You said there was also that $1.8 million. Was that the modelling that was done? What was that $1.8 million then?

DOMINIC MORGAN: So after we got the investment for SWIFT, you can imagine, it was quite apparent to me that an investment of that size one day is going to be audited by the Auditor-General. So I needed to make sure that, from the first day of funding, we had the expertise to track the benefits realisation of this project, hold them for a period of time, knowledge transfer, exit and then we put our own team in to manage the whole of the next four years. Partly, in a previous life, Clare was actually the executive director of strategic implementation, so she was the first cab off the rank to pull all of this together. I think we were told on, like, 3 June that we had it, and we had the first mega course in by the 5 July, or near enough to. So it was rapidly going, and we were under a period of severe pressure at that juncture. So we didn't—

The CHAIR: That's project management, that $1.8 million? That's like a project management role?

DOMINIC MORGAN: Yes. So a whole team came in, established a project management office, developed the metrics of how we actually can demonstrate back to government that this is a good, value-for-money investment. And the key point of that is there was always an exit strategy to that team, and you're already recruiting for our team to take it over. I think we've extended them for a little bit because we got the commitment to the additional 500 rural paramedics. The 500 rural paramedics, I should say, are crucial to us managing fatigue and demand within those rural areas. Many of our rural stations still work on a model where they work on call. This leads to single-officer responses and it leads to people having to leave their homes at night to respond to emergency calls. So we are forever grateful that both of those programs have been funded because it will make a genuine impact on people's longevity in this job. You can't do 30 years on call and not think it's going to have an impact on someone's wellbeing for the long term, at high rates.

The Hon. SCOTT FARLOW: Dr Morgan, just picking up on that $400,000 project, I take it that that was part of a budget bid process, was it?

BRIAN JACKSON: The $400,000 itself is not subject to a budget bid. We absorbed that within Ambulance.

The Hon. SCOTT FARLOW: In terms of that program, Dr Morgan, you were outlining that this was effectively a process for you to be able to validate the importance of what you were suggesting in competition with every other agency within government. In looking at some of the other agencies of government, I suspect that they would have perhaps better internal capabilities when it comes to potentially breaking up some of these bids and resourcing it in an economic analysis than what NSW Ambulance would have. Would that be correct?

DOMINIC MORGAN: Not really sure I can comment more broadly on other agencies. What I do know is historically we were lean. That's fair commentary. We were lean for corporate support. I think the big difference is that, when you're lean, you can do the day stuff reasonably well, but the higher order skills and opportunity for growing significant investment was perhaps a bit lacking. By using the investment internally, we were able to get that business case, which builds us the capacity to better articulate our needs to the whole of system in a language that can be understood.

The Hon. SCOTT FARLOW: Would you say that that provided value for money in terms of NSW Ambulance and the benefits that you received out of it?

DOMINIC MORGAN: Absolutely—every single dollar. Yes. If you just think about the steps that an organisation has to go through—and I've sometimes said this to groups that I've presented to. Every chief executive knows what their priorities are, you would hope. Then we had to convince NSW Health that it was their biggest priority. NSW Health had to convince the Minister that it was his biggest priority. Then he had to convince the Cabinet that it was their biggest priority—and the ERC. And eventually it gets funded. How many ways that could've gone wrong—but because we did invest and we did put our best foot forward and it was a bit of a moonshot, this organisation and the community will be very well served over the next term of the Government through that process. For us it was a very good investment. Do I think it's right and proper to question and probe the use of consultants? Absolutely it is. But in this particular example I can't think that there would've been any approach that we would've done that would've given us a better shot to get the funding we needed.

The Hon. MARK BUTTIGIEG: It's an interesting question. Because it occurs to me that the way you've described it is this kind of Treasury way of looking at the world, which is very analytical focused and net present value—all these sorts of terms. Perhaps it is hard to translate from people who are living and breathing it into that language. Isn't there a danger though that, by that very structure, you can set up a bit of an arms race for consultants? For example, in the example you used before—which I understand is simplistic but very practical and helpful—of the trade-off between extra ambos or the dialysis machine, you could have a situation where one arm of Health is employing consultants to compete with your consultants to make the case when, if you had

someone at the top of that Health peak tree that you mentioned before saying, "Well, basically what it means is that, if we get the extra ambulances and it costs $200 million, we're going to save 50 lives. If you put the dialysis machine in, it's going to save two lives. Therefore, you should give us more ambulances." Is that too simplistic or is that fair?

DOMINIC MORGAN: I like the thinking. But it probably is a little bit—because I'm articulating this from an operational service delivery area perspective, there is a broader lens over all of NSW Health. We are actually a reasonably joined-up system. You'll hear shortly from HealthShare, who provide across all of Health support and a level of expertise around, for example, procurements and things like that. Not specifically just the consultant side, but they bring an expertise that we can tap into for any level of procurement. We can say, "Here are the technical specifications of what we require", and we can get assistance from HealthShare in terms of putting a really comprehensive and well-developed procurement plan to the market. That is an internal expertise that HealthShare brings to the whole-of-health system. But I think your question is could you do more? Arguably, again, there's a spectrum of when it's worthwhile to bring scarce subject matter expertise in house versus it's a comparatively rare event and you may go to the market to procure it.

The Hon. MARK BUTTIGIEG: I was just concerned about the multiplicity of agencies perhaps being engaged in this arms race to get the prettiest presentation—sorry, that's somewhat demeaning, but the most effective presentation so that they can get their chunk of the pie, when if this was all coordinated internally, you could probably dispense with that arms race.

DOMINIC MORGAN: I think you'll get a more informed answer from HealthShare shortly. What I can say is this was a clear business decision of NSW Ambulance to procure a service. It wasn't as a result of them going out and lobbying and putting forward what can they do for you. We knew what we needed, we had a short compressed time frame, we knew the expertise we required and we specifically went to the market for services.

The Hon. BRONNIE TAYLOR: I'm sorry I missed the beginning and if I repeat myself, but I just wanted to thank you all for coming. I know how busy you are and I also just wanted to say thank you so much, particularly to all of you with the really difficult challenges you've had in recent months. It's been enormous on the NSW Ambulance service. You step up every time and you make us all very proud. I just wanted to say thank you for that and also to thank you for your evidence today. I'm sure—not to contradict the Chair—that it's not just diplomatic; it's transparent and it's honest and we really appreciate that.

Mr Morgan, I wanted to flesh out a little bit more about—and it goes a bit to what the Hon. Mark Buttigieg was saying as well. You articulated it pretty well yourself, but you talk about the fact that every department feels that theirs is obviously—I know how passionately you feel about the NSW Ambulance service and I know how strongly you advocate for that. I know that from my previous position that I felt the things in my portfolio were the most important. But it was about being able to actually demonstrate across all government priorities and then what that allows you to do with that decision—if you so make it, which is your decision to make—that it almost applies more of a level playing field across because it's an independent expert assessing something for cost and for benefit when you're competing against a train or a ferry or a hospital or more ambulances or more paramedics. Would that be an assessment that you would agree with? Please completely disagree if—

DOMINIC MORGAN: No, I actually do. The reason being is I think you have to have a system. There has to be a system whereby you can transparently demonstrate to the taxpayer, ultimately, that project was picked because of this. In our world we know that we can calculate. We know from the international research that your chances of surviving an out-of-hospital cardiac arrest deteriorate by 7 per cent to 10 per cent for every minute that we're delayed. And so when you can actually improve response performance, get hands on chest and defibrillators on people's hearts and do that earlier, there is a reduction in the mortality and disability that comes from that—more people survive. And you can cost that in terms of the amount of productive economic years that they would have gone on to live for had they survived the event. To some degree, as a clinician, all I know is shocking a heart's a good thing. But as a chief executive, my responsibility is to actually have the skills to articulate the economic benefit to people that have to have a comparative view of apples across apples. That's kind of my job. In this particular case, with SWIFT, I used the resources or we used the resources at our disposal to put our best foot forward in a language that could be assessed on its merits.

The CHAIR: Are we able to see the modelling that was done as part of that?

DOMINIC MORGAN: Yes.

The CHAIR: That would be fantastic. Thank you. I just wanted to ask about the program office. At the moment, that is staffed with Deloitte. Is the idea that there is going to be a transfer of knowledge across and that that will then reduce the need for Deloitte to be in that office?

CLARE LORENZEN: I'm happy to take that question on behalf of the team. I was actually the executive director of strategic implementation, overseeing all things related to the SWIFT Program. For that, that included the Deloitte component of that work as well, as well as supporting the internal capacity of the workforce too. It was actually a shared model back in the days when we first received the funding, so it had already started from that shared model perspective. Deloitte were heavily involved in the design of that governance framework that the chief executive has already described. Then, already since the beginning of that contract, they've already started to wind back their level of service provision. That was already agreed through the request-for-tender process as well.

The CHAIR: That's the regional. Does that include the rural as well? Is that all happening at the same time?

CLARE LORENZEN: This is in relation to the SWIFT Program, which is a $1.76 billion investment in Ambulance—

The CHAIR: The peri-urban?

CLARE LORENZEN: Yes.

DOMINIC MORGAN: We haven't technically got the budget—that's not till September—for what we refer to as rural structural reform because it's all about bringing in the night shifts and putting more cover on duty. But, obviously, we need to do this as a seamless package. It'd be completely crazy to have one project trying to get recruitment numbers from one part of the organisation, a different project trying to get another group. So we're thinking we'll manage the two together, but we're in the planning to do that, and that's why we'll keep them till November.

The CHAIR: We've got the peri-urban. We've got the rural. Was there a regional piece? Or does it basically cover—

DOMINIC MORGAN: Peri-urban actually is Hunter zone 1, zone 2—the greater Hunter area. It's the Central Coast, and it's northern Illawarra. Peri-urban is just the areas that are our zones. We have 18 zones; 11 of them we classify as peri-urban. They're the ones that are really the largest population bases—the ones that are heavily impacted by demand, reducing response performance. The other seven zones are the ones—an example might be Narromine. Narromine might do four jobs a day—if they're listening now, they'll probably tell me it's double. But they'll do a certain number of jobs per day. But, if they did two more, mathematically, it's a 20 per cent or 40 per cent increase in workload, but it doesn't impact on their ability to respond. That's why the rurals were under that 562 rural structural reform.

The CHAIR: What's that called? Is there a project name for that?

DOMINIC MORGAN: Rural structural reform.

The CHAIR: The statewide rostering improvement project—are consultants involved in that one?

DOMINIC MORGAN: They are. This is again a case of—we have a certain level of internal expertise. The original project director, who, I believe, has now been appointed as the permanent—

CLARE LORENZEN: Yes. We have an associate director of rostering that's internally employed by NSW Ambulance. We recently permanently employed that position to support the delivery of not just this program but, essentially, ensuring the consistency of rostering across our organisation so we can actually deliver the most appropriate deployments to the whole of New South Wales.

The CHAIR: Who were the consultants involved in that one?

CLARE LORENZEN: PricewaterhouseCoopers.

The CHAIR: When were they engaged?

BRIAN JACKSON: October '22. It was 28 October '22.

The CHAIR: How long is that engagement going for? When does it end? How much does it cost?

BRIAN JACKSON: Currently, Chair, it's to end October 2023, and the cost of the engagement is $1.1 million, so $1,074,000.

The CHAIR: And what are they doing, exactly, on that then?

CLARE LORENZEN: They're actually providing our SME experience in terms of the program delivery again, so not dissimilar to what Deloitte has been doing for our SWIFT Program—so, again, standing up the

capacity to do the internal transfer of knowledge. At this point in time, we have a number of internal staff working on that program so we can ensure the successful roll-off of PwC.

The CHAIR: Something like the employment restructuring that's happening as part of that program, I understand, is that the kind of thing that PwC would have advised on, or is it that the decision was already made and they're just doing implementation?

CLARE LORENZEN: The decisions are made by the organisation in relation to what's required. PwC actually provide that—the arms and the legs behind development of materials, for example. But it's actually our internal people who are leading the decision-making and then also the consultation process.

The CHAIR: And are there consultants involved in the employment contracts that are, I understand, being renegotiated across Ambulance?

CLARE LORENZEN: No. I know the consultants aren't directly involved in that at all.

The CHAIR: Apologies, Dr Kaine.

The Hon. Dr SARAH KAINE: No, it's more my apologies. It reveals my ignorance of it. If you could just explain a bit more. You spoke about the consultants with the knowledge transfer and enabling. I don't actually know what they're doing—what knowledge is being transferred—so if you could very briefly explain what it actually is, as opposed to those other aspects, that would be helpful.

CLARE LORENZEN: Yes, sure, not a problem. So the essential aim of this program is to develop a statewide system of rostering to ensure that everyone that's undertaking roles in relation to rostering can be implemented in the same way anywhere across the State. At the moment the experience of our workforce is if you work and live in a particular area, you may have a particular experience with your rostering profiles, and that looks very dissimilar to other areas of our organisation. So what they're actually working through are the steps and the stages at the process mapping with our internal expertise to ensure that we have a really clear, structured governance way of rostering that can then be measured and improved upon into the future.

The Hon. Dr SARAH KAINE: So it's not technology; it's a process map of how you should roster across the State?

DOMINIC MORGAN: Are they doing a bit of—they're doing benefits realisation as well?

CLARE LORENZEN: Yes, of course. They're doing benefits as well, yes.

DOMINIC MORGAN: So there is an element of technology that they have, but it's just about us being able to track the benefits of the project. So it's not a product, if that makes sense.

The Hon. Dr SARAH KAINE: Yes.

The CHAIR: So they're getting $1.1 million for a year to do what? To assess or to—are they mapping the rostering, or are they doing the rostering? No. What are they doing?

The Hon. Dr SARAH KAINE: Because process mapping to me—and you will no doubt correct me—is to understand what's going on so that you can review, analyse, come up with best practice. It's gathering the information that's within the organisation as opposed to a subject matter expert from outside coming in to provide advice on those external things. So I'm just wondering what the consultants are bringing that isn't there because, if it's process mapping, it's what's there already. I'm just not quite there yet.

CLARE LORENZEN: Yes, sure. So in terms of the people that are doing our rostering at the moment, these people are the best people we've got available to us. So often they're our paramedics from the road who have come into an administrative function to do their best to produce rosters on each day and each week and each year. So what Deloitte are actually doing is enabling us a capacity—

The CHAIR: PwC or Deloitte?

CLARE LORENZEN: Sorry, I misspoke then. What PwC are actually doing is enabling us to understand what's currently happening at the moment and then provide advice on how we can futureproof that system to ensure we're not just making individual-level decisions.

The CHAIR: Was there no-one internally, though, that could have provided that expertise?

DOMINIC MORGAN: Again, it was really a case of there just aren't additional resources in the organisation at that point of time for us to do that. At the end of the SWIFT Program, the government of the day had agreed that we include a premium—I think it's a 7 per cent premium—for every paramedic we bring on board to assist with corporate and operational support so that we do actually have the internal capability to actually do

these things. It's not as if we have groups of people to whom we can say, "You 10 people, for a year stop doing that. Come over here and do this." We've never had that capacity. Would I be optimistic that in four years' time we might? Yes, I would. But could we do it and turn it on and get going in a short period of time? No, not so much.

The bigger issue that Clare was alluding to about people's experience is, particularly in the space of flexible work practices, that some of our processes were historical and related to where you worked as to what could be tolerated by a local area. So they're pulling all of that together in a way that we can deliver consistent statewide experience. It is always subject to operational needs. But if you need flexible work practices in Bondi, you should be able to, as far as possible, maintain service delivery—get them in Barraba, or whatever. That's what the statewide process will do for us. I do have a copy of the procurement plan. Would it make it simpler if we passed up the procurement plan?

The CHAIR: That would be fantastic.

DOMINIC MORGAN: That will get a level of clarity, I think, that I don't have.

The Hon. Dr SARAH KAINE: Would that have in it the number of PwC personnel involved in the process mapping? Would that be in there as well?

DOMINIC MORGAN: I think the response did.

BRIAN JACKSON: They have an outline of it included in it. There's actually a Treasury framework that you provide that information through. So any consultant doing it will provide the level of staff et cetera, the hours.

The CHAIR: Would that consultant be directly consulting and coordinating with people on the ground as well as in terms of getting information back from the people this is impacting? Is that part of what they're doing in their implementation?

CLARE LORENZEN: They support the internal team to undertake that activity. In the consultation phase that we are in at the moment, it's actually our internal people who are having direct conversations around feedback. But it is supported by PwC.

The CHAIR: I think that is all we have time for, unfortunately. Thank you very much for taking time out of your incredibly busy schedules. Thank you, on behalf of the Committee, for everything you do to keep people safe across our State. I advise you that for any questions taken on notice today or that we will deliver to you in supplementary questions, the answers are due back within 21 days. The secretariat will contact you in relation to those questions.

(The witnesses withdrew.)

Ms CARMEN RECHBAUER, Chief Executive, HealthShare NSW, affirmed and examined

Mr TONY COLEMAN, Executive Director, Finance and Business Performance, HealthShare NSW, affirmed and examined

The CHAIR: I welcome our next set of witnesses from HealthShare NSW. Would you like to begin by making a short opening statement?

CARMEN RECHBAUER: Yes, thank you. Thank you for the opportunity to appear before the Committee. I am very proud to have worked in the public sector for 29 years, holding various roles within NSW Health focusing on back-of-house services. I have a background in hospitality, manufacturing and the service industry, which prepared me well for my current role as chief executive of HealthShare NSW, the largest and most diverse shared service organisation in Australia. HealthShare NSW was established to provide economies of scale for NSW Health and return savings to frontline services. A further goal was to provide a focus and career progression for non-clinical NSW Health employees. I joined HealthShare NSW in August 2005 and am proud to have been its first employee.

To give you a sense of our organisation's role and scale, each year we serve around 24 million meals to public hospital patients, supply around 38,000 tonnes of hospital linen, and pay approximately 170,000 NSW Health employees every fortnight—this equates to 4.6 million pay files in a year. Of our roughly 6,620 employees, 6,267, which is approximately 95 per cent, work in frontline operational roles, many in regional New South Wales, supporting hospital patients with the provision of food services, linen services, cleaning services and non-emergency transportation. Our remaining employees work in procurement and supply chain, the NSW Health payroll and accounts payable functions, and roles directly supporting our frontline operational teams in areas such as finance, safety and human resources.

HealthShare NSW has an advisory board and an audit and risk management committee to provide advice and support on risk, audit and compliance matters. While neither the board nor the audit and risk management committee have executive powers, they are integral to our governance framework and have the authority to escalate matters to the NSW Health secretary should they deem it necessary. As both the board and the audit and risk management committee are advisory bodies, I report directly to the NSW Health secretary and not to the chair of the HealthShare NSW board. The skill mix of our board members represents the industries our business lines align to, as well as the environment we operate in.

With regard to its procurement responsibilities, HealthShare NSW operates as part of a devolved procurement model, with eHealth NSW leading ICT procurement, and local health districts and other Health entities undertaking local contracts that are not covered by statewide contracts—that is, contracts under $250,000. We also work closely with the New South Wales Ministry of Health on tactical and operational procurement and supply of goods and services for NSW Health in categories such as medical consumables. With regard to procuring services from consultants, HealthShare adopts a strategic and targeted approach which follows New South Wales government procurement guidelines. Consultants are engaged when we require specific or specialist skills and capabilities that we can't access within our organisation and to gain insights and expertise on worldwide best-practice approaches.

These engagements are evaluated in a variety of ways, including via our procurement management framework, with a focus on transferring skills to our workforce wherever possible. HealthShare NSW does not engage consultants or manage consultancy contracts on behalf of NSW Health agencies. Joining me today is Tony Coleman, the executive director of finance and business performance at HealthShare NSW. Tony joined NSW Health more than 20 years ago after training as a chartered accountant and has worked in senior finance and commercial roles across a number of health entities including Hunter New England Local Health District and the Ministry of Health. Tony and I look forward to answering your questions and thank you again for the opportunity to appear today.

The CHAIR: The headline is how much you're using consultants, I guess. Do you have your financial spend on consultants since 2014?

TONY COLEMAN: Yes, we have those numbers. I will focus primarily on FY 2022. In FY 2022 we used $3.7 million on consultants. As Carmen mentioned—and I know Alfa D'Amato has talked a bit about it at his hearing on Monday—we actually treat them as contractors, not as consultants, in terms of our financial statements. As Carmen mentioned, we do bring in people to support our efforts in terms of projects or efficiencies that we need to work through. We also have a number of different statewide contracts that we also need specific support with as well. So 2022 was $3.7 million.

The CHAIR: Do you have earlier years as well?

TONY COLEMAN: Yes, we do have some earlier years: FY 2021 was $10 million, FY 2020 was $10.9 million and FY 2019 was $7.3 million. I would also like to comment that whilst some of those numbers seem quite large, our role not only has a statewide view, but we also had a fairly strategic approach to the COVID response for the State Government, and there was a need in there for us to use various agencies to support the pandemic efforts in terms of the supply of medical consumables to the State of New South Wales.

CARMEN RECHBAUER: If we could just put that into a bit more perspective for the Committee, when the Audit Office talked about the distinction between contractors and consultants, as did our chief finance officer, we're happy just to talk about them as being consultants because we do use consultants, as Tony has said. Since 2015 we have probably spent about $65 million. Again, putting that into context, that's about $24 million during COVID itself, where we not only procured for NSW Health, we actually procured for all government agencies in New South Wales. As you can imagine, it was a very different time. The procurement and supply chain across the world was in a frenzy—would probably be a good way to describe it. We are very proud of the fact that, in New South Wales, we did not run out of any PPE or RAT kits that we required in that time.

The CHAIR: Could you give us an example, then, of what you were spending during that time or getting consultants in for?

CARMEN RECHBAUER: We were responsible for procuring PPE—so gowns, masks and all manner of medical consumables for the hospital system to deal with the influx of patients with COVID. What happened at that time was that the worldwide supply chain was disrupted. For manufacturers, it was quite a lucrative time, if you like. They were basically selling to the highest bidder, so we had to enter an international market on very short time frames. An example of that would be that if we are procuring products on behalf of NSW Health in consultation with our local health district colleagues, it may take six to nine months to award a tender by the time you've gone through the consultation process. During COVID, that was reduced to 24 hours and, in some cases, shorter than that, simply because there were other countries competing with that same product.

The CHAIR: What did the consultants do for you?

CARMEN RECHBAUER: What the consultants did—they had the expertise in terms of the international supply chain and working directly with manufacturers, which is a skill set that HealthShare didn't have at the time.

The CHAIR: Can we just drill down into that? Did you use PwC during that time?

CARMEN RECHBAUER: Yes. We used PwC, we used KPMG and we also used a couple of small boutique agencies. We chose consultancies based on their skills and spread those skills into our workforce.

The CHAIR: What did PwC do exactly? We don't know about the procurement to the level that you do. What exactly did they do?

CARMEN RECHBAUER: Yes, I understand that. Sorry, Chair. If I think back to that COVID time and compare it to what we do in businesses as usual, business as usual is a very measured and—I wouldn't say slow process—very thorough process. We largely deal with distributors. We're not normally dealing directly with manufacturers. We're certainly not normally dealing with shipping companies and aeroplanes, for instance. That's the expertise that PwC brought to the table in understanding how that works on a worldwide basis.

The CHAIR: Were they outsourced to do the procurement for you or were they advising you on how to procure?

CARMEN RECHBAUER: They were brought in to work, along with a couple of the other consultancies—we basically needed people to do the job and we needed expertise. There was a combination of joining the HealthShare skills that we had on procuring products for Health, combined with the expertise of that logistics function in terms of shipping containers, ships, aeroplanes, how they get stocked and that sort of thing. What PwC did for us was bring to the table that expertise. The expertise we brought to the table was knowing and understanding what the health system needed in terms of the products that we were purchasing.

The CHAIR: And did PwC, KPMG or whoever enter or help you enter into contracts with different types of suppliers that you wouldn't normally have been contracting with? You said before overseas suppliers or whoever.

CARMEN RECHBAUER: At the time, the Premier was asking for as many suppliers as possible to offer their assistance. We were actually inundated with suppliers wanting to assist and so we very quickly had to set up a team of people to vet those suppliers because not all of them would have been appropriate.

The CHAIR: Did you have consultants dealing directly with those suppliers?

CARMEN RECHBAUER: We had a combination of our staff and the contractors through the consultancies working with us. Everything that we did had to go through to the agency that was managing the crisis at the moment, and that was New South Wales police. So we still had quite strict processes in place in terms of how we were procuring the goods.

The CHAIR: Did those consultant firms—for example, PwC and KPMG—give you disclosures in relation to the other players they might have been doing work for at the same time? They are such large companies. Were they also doing work for the suppliers? Did they disclose that or give you any assurances about that?

CARMEN RECHBAUER: I would have to take that question on notice because that's actually a process question. What I can say is that every supplier that approached NSW Health at that time and wasn't already on our panel had to go through a process that was managed by HealthShare staff.

The CHAIR: I understand that we were in a crisis situation. I think we can all understand that.

CARMEN RECHBAUER: Yes.

The CHAIR: But, unfortunately, in crises, we often get corporate players preying on vulnerabilities. Do you have any assurance that the consultants that you had employed to help you to obtain supplies during COVID weren't also benefitting from those relationships that they had with suppliers?

CARMEN RECHBAUER: When we engage consultancies, they obviously have to sign a confidentiality agreement and there are protocols in place. Those were followed during COVID, just as they are in business as usual. As I said before, the consultancy firms that were working with us were not directly reaching out to suppliers. The suppliers were encouraged to come through our team of people who put them through a process that was as rigorous as it could be, given the time frames and in terms of who they were, what products they could supply and did they have the capacity to do that, not just for NSW Health but for all government departments within NSW Health. In answer to your question, there was a separation in terms of who the consultants may or may not have been working for. I could not possibly say, hand over heart, that some of the suppliers that were providing goods to NSW Health at the time weren't always working with the consultancies. But what I can say to you is that I'm satisfied that there was a separation from the consultants in terms of our process of engaging manufacturers.

The Hon. BRONNIE TAYLOR: During the height of that time when it was all happening and we didn't know what was ahead and we were trying to procure everything from masks and ventilators to everything that you had to do and when it was something that neither you nor HealthShare nor any of us in this room had ever been through before, could you possibly have procured the amount of stock that you did, from masks to ventilators, at that time without the help of consultants for the people of New South Wales?

CARMEN RECHBAUER: Absolutely not. You're right: It was unprecedented times. We couldn't do that. But what I can say is that we learnt through that process. After COVID started, some 18 months later, we were in a similar situation in terms of procuring RAT kits for New South Wales.

The Hon. BRONNIE TAYLOR: I remember that lovely chestnut.

CARMEN RECHBAUER: That's right. And we were able to do that totally on our own, without the use of consultants, because of what we had learnt during the procurement of PPE. So there was an absolute skill transfer and an uplift in our service capability as a result of COVID, and I would argue that that was probably the biggest benefit that HealthShare and, indeed, NSW Health and, indeed, government, got out of that period of time.

The Hon. BRONNIE TAYLOR: And I presume, too, that that would be ongoing for you, that transfer of skill and knowledge and that ability to procure quickly and for the best price possible for the people of New South Wales?

CARMEN RECHBAUER: Absolutely.

The Hon. Dr SARAH KAINE: Could I ask a follow-up question? I know the Chair has asked, but I'm still struggling to understand the actual functions of the consultants. I know it was in a very pressured time and, as you said, you did things very quickly, which is a credit to you. We just heard from NSW Ambulance and we were talking about one of their uses of consultants. They had a procurement plan. Because you were in such a constrained time frame, did you have things like procurement plans? I just wondered if there was something documented that would give me a better sense of what those tasks were, which I think this did for Ambulance. Is there something that you could provide that will allow me to understand a bit better?

CARMEN RECHBAUER: I can certainly take that on notice. I am absolutely sure that we do. I think what we need to also understand is that when we were working through COVID we were working under the emergency procedures and within those guidelines. So they are slightly different to what business as usual is.

The Hon. Dr SARAH KAINE: Sure. I understand.

CARMEN RECHBAUER: Our major focus at the time was making sure that we got fit-for-purpose products for the clinicians within NSW Health because, quite frankly, it was a time when suppliers saw it as an opportunity to sell their goods, and we had to make sure that the goods that we were buying were going to be fit for purpose.

The Hon. Dr SARAH KAINE: Of course. I appreciate that. It's simply to help my understanding.

TONY COLEMAN: I just also wanted to add, if I could, in terms of the engagement that we had around that period of time, there was also things like international freight forwarding, which we haven't really heavily been involved with; customs clearances; scheduling of in-bound deliveries—if you can imagine, the volume of trucks just to move that inventory was quite significant; and coordination with delivery distribution centres and then, also, out to the LHDs or the vaccination hubs as well. So there was a number of other things that were completed during that period of time as well.

The CHAIR: Just coming off of the comments from Mrs Taylor, no-one on this Committee has suggested, so far, that there is never a use for consultants. Clearly there is a limited time for consultants, when expertise is being brought on. It sounds very much like you've taken that opportunity to upskill and all the rest of it. The questions I was asking were really around that, as we know, suppliers were price-gouging during that time and taking advantage of the crisis. The consultant firms also made a really huge amount of profit during that time. Part of what this Committee is doing is looking at exactly how consultants are used and the ethics around what they are doing as well, so please take these questions in that light—we're not criticising your actions during COVID. I am curious as to exactly what was being offered by PwC and KPMG in terms of helping to source product quickly, at the best price and then doing the logistics, and how potential conflicts of interest with their other global clients were disclosed to you and managed.

CARMEN RECHBAUER: We obviously have an ongoing relationship with a number of consultants over the years, largely to transfer skills, as I've said. There is a framework that we operate within, whereby consultants are required to disclose if there are conflicts of interest, and then what we need to do is manage those conflicts of interest. That didn't change during COVID. But in terms of the specific skills that they brought to the table, it was largely around international logistics capabilities, understanding how that works and helping us to understand how that works. We were able to link up with the right skill set.

They also designed and implemented the supply chain management that we needed to have to ensure the continuity of supply at the time—those documents are definitely available, and that might be something that would help you—which, at that time, was extremely new to us. In terms of whether there were relationships with some of those organisations, I don't know; there could have been. However, I'm assured that the framework that we work under continued to operate during COVID and we managed conflicts as they arose. I might add that it wasn't just about conflicts of consultants being involved; it was also potential conflicts of anybody who was suggesting that we deal with specific suppliers.

The Hon. SCOTT FARLOW: Thank you, Ms Rechbauer, for your attendance here today. In terms of the pandemic, there were two different issues. One was that expertise, as you've outlined, in terms of that international knowledge. The second one was that, more than ever, government was required at the start of the pandemic, and there was a "hands and legs" approach of needing more personnel. You were talking about all of the requests that were coming into HealthShare and all the unsolicited offers, whether it be masks, ventilators or the like. I must say, through my experience as an MP—and I'm sure others had that experience at the time, as well—there were a lot of people that came knocking on your door. What sort of processes were put in place to try to sift through those proposals? And what sort of experience did the consultants bring to bear in that approach, that HealthShare wouldn't necessarily have had, in what were quite quick turnaround times at the time?

CARMEN RECHBAUER: We needed to establish the credentials of the suppliers that were approaching us. We needed to be able to understand their capacity to supply in the volumes that we were after. We needed to understand their relationships with manufacturers and distributors. As you can imagine, there were many claims about what they could and couldn't do. So there was quite a detailed process—which I'm happy to supply; we had to document that—in terms of what we asked for suppliers. Now we need to balance that, then, against requiring to place orders sometimes within a very, very short time frame at a specific dollar value. At times, we needed to take things at face value, simply because we were under pressure to deliver. Does that answer your question?

The Hon. SCOTT FARLOW: It does. To that point, I take it that when you consider these consulting firms, they have an international network and an international understanding and breadth. So I imagine it would've been useful at that time in terms of assessing the credentials of people who were coming before HealthShare and trying to sell certain products and services. Is that correct?

CARMEN RECHBAUER: Yes, they did, as did numerous other organisations at the time. For instance, the New South Wales police, who were responding or were the lead in the crisis, were also sending people our way. Politicians were, the average Joe Blow on the street—everybody was taking a very hands-on approach to supporting NSW Health in ensuring that we had the products that we needed in the system.

The Hon. SCOTT FARLOW: I take it as well that in terms of that model, that's not the usual model that HealthShare would employ. It was a time when you had effectively the governments of the world competing against each other for what were very scarce resources. It was a time when there was a significant fear of the unknown and the reliability of the supply chain at the time. So it was a very different mode of operating from what HealthShare would usually be used to. Is that correct?

CARMEN RECHBAUER: That's correct. I think we need to make it very clear that the consultants who were working with us were not sourcing directly from suppliers. We, HealthShare, did that; our staff did that. They worked seven days a week, many, many hours a day.

The Hon. MARK BUTTIGIEG: First of all, I thank both of you for coming along and giving us your time. Could I take you to a counter point—well, a different track, I guess—to situation normal, for want of a better word. Earlier on today in evidence we heard from Dr Morgan how there's this sort of system whereby you've got to convince a whole range of layers of the bureaucracy and the Government but, ultimately, Treasury. To do that, it sometimes pays, so to speak, to employ professional consultants who are able to put it in Treasury-speak so that the case is strengthened. I made the point that it had occurred to me that that was potentially conducive to an arms race for consultants because you have different parts of in this case Health—but I'm sure it's the same across other portfolios and departments—competing for funding.

Earlier on in your evidence, I think you said that you're not directly responsible for oversight and administration of contracts down into the weeds of various departments. I wonder whether you have a view about whether or not there could potentially be someone at your level who filters or gatekeeps these competing propositions and puts them into Treasury-speak—I mean, Mr Coleman is an accountant, for example; I'm sure there could be the capability to build up this sort of expertise—so that in the long run we're not spending millions of dollars on consultants to tell Treasury what we already know but we're simply using resident expertise to put it in that language. Is there any latitude for us to go down that path? Has it ever been done before or to what degree is it done?

CARMEN RECHBAUER: I think Dr Morgan was talking about a business case.

The Hon. MARK BUTTIGIEG: Yes. The evidence he gave and the example he used was very illuminating. You might have a situation where NSW Ambulance is asking for X number of extra paramedics, for example, or X number of extra ambulances or X number of extra stations. In order for them to make that claim, they didn't have the internal expertise to put it in the language that was compelling to Treasury—economic analysis, in other words. So they employ consultants to tell Treasury what NSW Ambulance are trying to quantify and justify in their claim, but then that might be competing with a dialysis machine over in a certain hospital. Now, presumably, the claim for the dialysis machine may also require the employment of consultants to make their case. If you extrapolate that across the whole public sector, you could have this artificial inducement to an arms race for consultants. So why don't we have someone at the peak level filtering all this and using internal economic expertise to make the case to Treasury? It would save us a fortune, wouldn't it?

The Hon. BRONNIE TAYLOR: Point of order: I'm reluctant to take this point of order, Chair, and you may completely disagree. I understand what Mr Buttigieg is doing, and it's absolutely well within his right, but I think for him to ask a question based on evidence that was just given by Mr Morgan—and I actually disagree with not all of but parts of his interpretation that he's now put to the witness. I think it's a very difficult question to ask when you're putting the imputation that this is what that person meant. It's very hard for the witness. I don't know if you were here or not. Perhaps you were and if so, I'll take it all back. I think the question needs to be straightforward and to the witness, rather than saying that a previous witness said something that the honourable member may interpret to a different member.

The Hon. MARK BUTTIGIEG: To the point of order: I do take the point of order on board, but my understanding was that HealthShare were in the room. In fact, Dr Morgan suggested that I ask HealthShare.

The CHAIR: I don't uphold the point of order, but I will remind witnesses that to the extent that you are unable to refer appropriately back to your memory of what you've heard, or you think that there is some other detail that you're missing, then please take the question on notice.

TONY COLEMAN: I'm not sure it's our place to comment on that. From my perspective, regardless of what the business case is for, it needs to be at a fairly high level and stand up on its merits. From my perspective, it's really important that any business case that is done meets a number of needs that Treasury require. This is

public money. We're accountable, and we need to be showing that we're actually doing the right thing and the business case does stack up. Regardless of who prepares that business case—and, as I said, that's not where I think we should comment on—there needs to be fairly good governance around what that document is and what it represents.

The Hon. MARK BUTTIGIEG: No. That's sort of academic to my point. I'm not questioning that there has to be rigorous assessment of the cost-benefit analysis. What I'm saying is the means to get to that point may involve a multiplicity of consultants across various subsets of the department, when if it was streamlined internally, you may be able to save the public quite a bit of money by translating those analyses for Treasury instead of employing a multiplicity of consultants to do so. It's a fairly straightforward proposition. I mean, if you don't think there's any benefit—

CARMEN RECHBAUER: I think it would probably be helpful for the Committee to understand how the procurement process works within NSW Health. That may go some way to answering your question.

The Hon. MARK BUTTIGIEG: Yes, that would be helpful.

CARMEN RECHBAUER: As I said in my opening statement, HealthShare is involved in statewide contracts that would be of benefit across local health districts or Ambulance or whoever—any of the other Health entities. So the way that we go about those processes is that it is the responsibility of the Health entity to establish what they require and where they get their funding from, however that works. HealthShare's role is in supporting the system in the actual process. We do things like organise the evaluation committee. We would write to all the chief executives and ask for representatives so that we've got the range of skills that we need at the table to be able to assess the tenders that come to us.

That then needs to be signed off by the tender evaluation committee, which makes a recommendation as to who is the successful tenderer. Let's say we're doing a piece of work with NSW Ambulance, for instance. Dr Morgan would sign off on the clinical aspects in relation to NSW Ambulance. I would sign off on the process. My role in that is that I'm signing off to say that HealthShare followed the correct process in terms of the procurement guidelines. Dr Morgan is signing off on the clinical needs of that product. That then goes to our chief procurement officer, who says, yes, he's satisfied that everything has been done.

The Hon. MARK BUTTIGIEG: I understand, because you've answered the question. So, structurally, what we have a is a multiplicity of silos and authorisations, but no-one at the top is overseeing it all from a funnelling perspective. In other words, you've got all these subsets putting in claims for consultants—and, "Yes, we're happy individually that it's met all the probity matters and the cost benefit,"—but no-one is saying, "Well, maybe if we did this internally we could save quite a bit." I mean, from a public policy perspective, I'm interested to know whether there's any benefit there in looking at that, that's all.

CARMEN RECHBAUER: I think there needs to be some perspective here. There are about 6,000 contracts within NSW Health. HealthShare manages about 1,700 of them. They're the statewide contracts. We don't employ—and when I say "we" I mean NSW Health—consultants for every contract that we do. The contract that Dr Morgan was talking about was—he outlined specifically the needs and why he needed them. I think it would be unwise to think that that process is transferred to every contract. The reality is that for the majority of contracts that we manage within NSW Health, whether that be at a central level or a local level, consultants are absolutely not involved because we have the expertise within the system. We draw on consultants when we don't have the expertise and/or we need to be able to build that expertise within our organisation.

The Hon. MARK BUTTIGIEG: I understand, but I think the point I was trying to make was that—and I think this is what Dr Morgan was implying too—if I'm competing for funds, ultimately, that's what Treasury is doing. They're allocating funds based on a limited pool. If entity X is requiring 10 dialysis machines, some sort of comparative analysis has to be done. Entity X may want to employ consultants to justify those dialysis machines. So then you have two sets of consultants. If you extrapolate that across a whole range, you may have a lot of consultants. I'm noy saying it is in all cases because, as you've just said, they're not always necessary. But you see my point: There might be some reduction in costs available by looking at that from an overall perspective.

CARMEN RECHBAUER: With respect, I don't think that is appropriate for me to comment on.

The Hon. MARK BUTTIGIEG: I understand.

CARMEN RECHBAUER: HealthShare's role is in supporting the system in being able to procure and supply goods and services.

The CHAIR: I have one final question. Feel free to take it on notice if it's easier. When you said that those consultants from PwC and KPMG were involved in helping to develop a shortlist of approved suppliers, or helping with that work, were they also, to your knowledge, doing that for other States and Territories?

CARMEN RECHBAUER: I'm not aware of that.

The CHAIR: Perhaps if I could ask you to take it on notice, in terms of looking at whether there was any discount offered for work that was of the same nature being done in other parts of the country? That would be very useful for us.

The Hon. PETER PRIMROSE: Would you regard that, as the Chair has outlined, as being a potential conflict of interest that would need to be disclosed? You mentioned earlier on that there was self-disclosure in relation to issues to do with confidentiality, but also potential conflict of interest disagreements. I'm not talking about the COVID period; I'm talking about now.

CARMEN RECHBAUER: In normal circumstances, they would have to, yes. But I understand the Chair was asking about COVID.

The Hon. PETER PRIMROSE: Well, I'm asking about now.

CARMEN RECHBAUER: We were working closely with other States and the Commonwealth.

The CHAIR: Thank you very much for your time. In relation to questions taken on notice and any supplementary questions, the secretariat will be in touch. They are to be returned within 21 days. That completes this session. We will be returning at 3.00 p.m. with our next set of witnesses.

(The witnesses withdrew.)

(Luncheon adjournment)

Ms REBECCA WARK, Chief Executive, Health Infrastructure, affirmed and examined

Mr LUCIO DI BARTOLOMEO, Chair, Health Infrastructure Board, before the Committee via videoconference, affirmed and examined

The CHAIR: I now welcome our next witnesses from Health Infrastructure. We have one of our witnesses here with us in person and one online. Would either of you like to make a short opening statement?

REBECCA WARK: No, thank you.

LUCIO DI BARTOLOMEO: No.

The CHAIR: Perhaps we could ask you, similar to some previous witnesses—just about understanding exactly how much you spend on consultants. If you're able to give us some figures, that would be very useful.

REBECCA WARK: Certainly, thank you. I think probably first, just to outline, Health Infrastructure and the nature of the work that we do—most of the work is in relation to capital spend. Under the definitions we don't consider those consultants to be advisory consultants under the terms. But the consultancy spend for the financial year of 2023 was in the order of $155 million, including all of the capital works consultants which we engaged.

The CHAIR: When, for example, there's a piece of infrastructure—you'll have to excuse me if I am not getting it quite right; I don't know infrastructure terminology particularly well. When we have a piece of infrastructure that's been approved, I've seen that the consultants are often brought in at that point to be project managers. Does that get booked as consultants or as contractors?

REBECCA WARK: As contractors, as part of the capital spend. That would include project managers, architects, engineers, cost planners and the like.

The CHAIR: So it gets brought into the capital spend for that particular project. I think I already know the answer to this: Do you have any estimate of what that contract amount would be per year or is it per project?

REBECCA WARK: It's managed per project, but per year for the last financial year it was in the order of $155 million, and we have a very minor advisory consultancy spend.

The CHAIR: I see. So that's the $155 million. Approximately how many different projects would that be spread across?

REBECCA WARK: We have approximately 130 projects at any one time. Not all of those are in construction; some are in the planning phase, design, construction, delivery or commissioning.

The CHAIR: Before I move on, I just want to clarify one of the questions that I asked—I think it must have been when we first had Health in—about a report that was prepared by PwC in June 2012. It was prepared for Infrastructure NSW but it was about Health Infrastructure. It's called the *Health Infrastructure Baseline Report*. Are you familiar with that report?

REBECCA WARK: No, I'm not familiar with the report.

The CHAIR: I will leave that one there. If you could take us to an example—can we talk about the Randwick campus redevelopment? Can you talk to us about what that project is and what consultants are doing on that particular project?

REBECCA WARK: Sure. The Randwick campus redevelopment has been going for a number of years, since I think about 2015. It has a number of different consultants engaged, and that would be construction consultants. There has been a project management team appointed for the Prince of Wales Hospital's new acute services building. There's also a project manager for the children's hospital, Randwick, and then a number of design architects and cost planners involved in that space as well.

The CHAIR: I just pulled off the eTendering site a contract award notice for project management services for parts four to nine of the main works at the Randwick campus redevelopment. This is a project duration of 23 January 2018 to 30 September 2023; that's covering a good 5½ years. The amount payable to PricewaterhouseCoopers under that contract is just over $8 million. What exactly are they doing for that amount?

REBECCA WARK: Their appointment originally for parts four to nine—that's the construction and delivery phase of the project and for the project management of that. It's managing finalisation of the design with the architects, checking three different levels of governance, preparing reporting, liaising with the construction contractors, who on that project has been Lendlease, and liaising substantially with South Eastern Sydney Local

Health District and with ourselves around all sorts of areas of coordination, making sure they're reporting against program, quality and any of the deliverables under their project management contract.

The CHAIR: Why would that one have been a limited tender?

REBECCA WARK: Sorry, a limited tender?

The CHAIR: Yes, the method of tendering was limited. Why would that be?

REBECCA WARK: That's standard for our procurement contracts. It was the model that was set up when Health Infrastructure was set up in 2007. That is generally because we have specialist contractors and consultants who are specialists in our areas. I can advise that that Randwick redevelopment went to five tenderers, in fact, only one of them in the top four—what is referred to, I think, by this Committee as the top four consultants. I can advise that it went to Orocon, APP, CBRE, Johnstaff and PwC. They would've been assessed on both priced and non-priced criteria—partly the team that they bring, any initiatives that they propose, as well as other non-price and price components.

The Hon. MARK BUTTIGIEG: In terms of just a bit of a follow-up on that line, what role do the consultants play in the interface on that particular suite of tenderers? In other words, do the consultants look at the standard providers and go, "We've got six firms who normally do this. Let's put the tender out to them. Because they're pre-existing, we know they do a good job—whatever. They've satisfied us before"? Or is that directly the department?

REBECCA WARK: That's Health Infrastructure's role, to procure and appoint the consultants.

The Hon. MARK BUTTIGIEG: Sorry, as well?

REBECCA WARK: No. My role as chief executive is to lead that process with Health Infrastructure to procure the different consultants and contractors that we use on those projects. The consultant—

The Hon. MARK BUTTIGIEG: So the consultant has no role in the tender process or picking the contractors?

REBECCA WARK: The construction contractors? Sorry, just to understand what you mean.

The Hon. MARK BUTTIGIEG: Yes.

REBECCA WARK: Yes, they have a role in managing that process with us, but the selection of the contractor would be done in accordance with government guidelines and the tendering guidelines and would include a tender evaluation committee with a number of different members. Health Infrastructure would be a member. Usually the local health district would also be a member. There's generally an independent as a member as well.

The Hon. MARK BUTTIGIEG: Do the consultants run the comms—the tendering process? Then it comes back to this overall committee that goes, "It's in accordance with our guidelines. We're going to go with X"?

REBECCA WARK: They do the doing—that's probably an easy way to think about it—of putting the documentation together. The actual management of that process would be done by my project director and senior project directors and then assessed by the tender evaluation committee and brought through our normal level of governance through me for approval and, depending on the value of that with delegation, for a value of that kind, under the guidelines, would go to the CFO of NSW Health for approval.

The Hon. MARK BUTTIGIEG: You know how you said, you put on evidence that there was a set amount of—I think there's a term like "pre-approved". They're just regular contractors you use, your tried and true, for want of a better word, no?

REBECCA WARK: Under the different panels, different contractors are approved for different values of work. Depending on the estimated total construction cost, we would select a number of contractors to go onto a tendering panel—similarly with consultants, like architects and project managers as well. They are pre-qualified to bid for certain values of work.

The Hon. MARK BUTTIGIEG: How often is that pre-qualified sort of list reviewed? And against what criteria?

REBECCA WARK: I can provide more advice on that on notice, but it's my understanding that HI reviews our panels annually and different contractors can apply. If they understand they've had other relevant experience over a particular period, they can apply to be approved at a different amount.

The Hon. MARK BUTTIGIEG: So you go out to market on an annual basis and go, "We've got these projects. If you're interested, put your best foot forward."

REBECCA WARK: Not quite. We have a panel of pre-approved consultants and contractors, depending on the scope of the work. Then, depending on that nature, we have a tender selection committee, within Health Infrastructure, of Health Infrastructure people who consider our portfolio of projects across all of our projects, what the program of those is coming up, what the experience of the different tenderers might be. Then we select; selective tendering, it's called. We have also gone to market for expressions of interest from the industry, as part of Premier Berejiklian's 10-point plan for construction, to communicate more broadly with contractors in particular about which projects they are most keen to bid on, that they think suit the resources that they have available and their skill sets. Considering all of that, then we will look at the portfolio and make select tender panels and then, depending on who's awarded which contract along the way, we make adjustments so that we work in with what we understand of the capacity so that we don't overload any particular consultant or contractor. So we've quite a broad spread.

The Hon. MARK BUTTIGIEG: Can I ask if any of the criteria for that selection include industrial relations practices for the firms contracting?

REBECCA WARK: Sorry, can I confirm whether you're now talking about construction—for construction builders, as we think of them—or for consultants?

The Hon. MARK BUTTIGIEG: Construction builders for this particular question, yes.

REBECCA WARK: Industrial relations and workplace health and safety are parts of—general worker wellbeing, workplace health and safety, is one of the tender schedules which a tenderer would need to complete and is part of the non-price assessment.

The Hon. MARK BUTTIGIEG: As a subset of that criteria, would wages and conditions be part of that?

REBECCA WARK: Not generally, no, to my understanding. But just to clarify, there is a requirement—when a contractor makes a progress claim for works completed, there are certain certifications that they need to provide around payment of their workers and subcontractors.

The Hon. MARK BUTTIGIEG: Around payment, but not necessarily award standards or agreement standards, for example?

REBECCA WARK: That's a matter of separate legislation, is my understanding.

The CHAIR: Just coming back to the five tenderers for this particular contract with PwC in relation to the Randwick campus redevelopment, five were invited to tender. Is there any mechanism within Health Infrastructure to check on who is getting what percentage of contracts? Is there anything to stop Health Infrastructure from issuing a request for tender to five companies, knowing full well that four of them won't make it and you'll have to give it to one in particular? I'm just going to ask it that bluntly. What mechanism is there to stop that happening?

REBECCA WARK: The tender selection committee, which I referred to earlier, Chair, considers things just like that. So it looks at the workload of each of the consultants across our spread of portfolio, and we report that to our board at every board meeting, which considers not only total spend with a consultant but also the work in progress, so when a project is likely to finish and when therefore they may have a team available for other work. If we put out a tender to four tenderers—and I have to say on this having five tenderers is quite unusual but it was quite a large project. On a project of that scale, we would normally go to four and more recently probably three, and we would not go to tender if we didn't think that the tenderer had the capacity and capability to put in a real proposal which can be properly considered. So, I think, to answer as bluntly, it's a real competition.

The CHAIR: I've got another one here in front of me that was published on 14 July 2021 in relation to the Sydney Children's Hospital, Randwick, stage one, again granted to PricewaterhouseCoopers for $11.3 million, again to be a project manager. This one runs from 17 June 2021 to 31 March 2026. It appears to have been issued without any tender. Is that correct? Or is that because it's a variation?

REBECCA WARK: My understanding is that it did go to tender and the other tenderers were Aurecon, Johnstaff and TSA. I'm not sure what you're looking at there, but it's possible it's a variation. I can take the question on notice.

The CHAIR: If you could come back to me with exactly how much the variation was worth as well, that would be useful. So there are those two. We will look at some more recent ones. Again, I am trying to bring out examples to understand how these things are done and how they come about. We've got here that KPMG was

awarded, on 14 June this year by Health Infrastructure, something to do with an MME asset register. Could you tell us what that one is? It was $650,000 worth.

REBECCA WARK: I don't recall the precise detail, but MME is major medical equipment. We have a role, since there was a new Treasury guideline brought in two to three years ago, in assisting the local health districts and networks around setting up their asset management frameworks and increasing their internal capability within their own workforce. Major medical equipment is one component of that. Part of it is data collection and part of it is setting up the framework, but I'm not familiar with the exact scope of that contract. I can take that on notice.

The CHAIR: Thank you. Something like that—would that then sit outside the spend that you were talking about before, which is wrapped up into infrastructure? Would this be something that was more of a standalone piece for Health Infrastructure or would it also be part of a project?

REBECCA WARK: It depends on the nature of the scope. Our asset management business is partially managed separately to our main capital works projects because it's a specific task to improve the maturity of the capability of the districts and networks in that asset management space.

The CHAIR: Can you estimate the percentage of the spend on consultants that is to do with project management of infrastructure projects?

REBECCA WARK: I can advise that not just for project managers but the approximate spend of all of our consultancy across all of our delivery and construction is in the order of 95 per cent.

The CHAIR: Would they ever be doing something that wasn't project management as part of that?

REBECCA WARK: Architectural design and cost planning could be in relation to specific commissioning exercises, or facility design. If it's project management, they are also involved in doing the community consultation and user group meetings with the hospital teams.

The CHAIR: Would it be fair to say that most of it was project management?

REBECCA WARK: I would have to take that on notice because there's quite a large spend on our principal designers also.

The CHAIR: That would be useful. In terms of that, has there ever been a proposal to have an in-house project management team—instead of going to consultants every time, to have a team on site that would do project management?

REBECCA WARK: We have resources which we refer to as project directors and senior project directors. The majority of them certainly have general project management experience and skill sets. Because of the scale of our project and our portfolio, the number of those people who we would need would be—at the moment I would say we have in the order of 200 project management-type resources which are what you refer to as that consultant group. When we purchase a project manager, that is a team of people with specialist skill sets. It's not one person necessarily for the duration of a project; there will be different people who have different specialist skill sets for different phases of the project.

The CHAIR: How many staff does Health Infrastructure have?

REBECCA WARK: We have a team of something in the order of 300 to 350.

The CHAIR: I don't know the answer to this, so excuse me if it's ignorant. Is there a possibility that you could structure the department in a completely different way to have those 300 to 350 people and also have the 200 people who are currently consultants as being direct employees of the public sector?

REBECCA WARK: One of the benefits of having a diverse group of different project managers from different consultancies and, in fact, different design houses as well, is that you are getting contemporary advice. They have not only Health as clients, they also have other government and non-government clients. We feel that you're getting expert advice in that space. Depending on what the forward spend is about how many projects we have—that can expand and contract as to the number of projects that we have. Having all of that as in-house resources would not be efficient in that space, and we may end up with too many resources and not enough projects.

The Hon. PETER PRIMROSE: Are you suggesting that an in-house group of, essentially, public servants couldn't provide expert advice?

REBECCA WARK: No, I'm not suggesting that.

The Hon. PETER PRIMROSE: I don't understand the suggestion that they wouldn't be capable of gathering and gaining expertise because they weren't consultants. How does that work?

REBECCA WARK: I'm not sure what your question is.

The Hon. PETER PRIMROSE: The suggestion you had as to why you couldn't have an internal group was because they wouldn't be able to bring expertise.

REBECCA WARK: No, I'm sorry, I think my suggestion was that the scale and the quantum of people that we would need would need to be much larger than what we have now. And also a benefit of having a broad cross-section and diversity of people working on those projects is that they also have experience on different types of projects in both the government and non-government space.

The Hon. Dr SARAH KAINE: Could I ask a follow-up question to that? Are we to take from that that the 200-odd—or whatever the figure is—are all very specialised one-offs? So they would be used on one project, and not another. What I'm taking is that we need those consultants because they bring a bespoke skill for a project. Is that to suggest that each of the many, many projects that you run and will continue to run over time will not need a consistent skill set—that it will be someone different required each time?

REBECCA WARK: No, I'm not suggesting that. I think I'm suggesting that at different stages of the project, generally, you have different types of professionals involved, or different subsets of professionals involved. I think it is a common model that is set up—certainly across government and across infrastructure—about how projects are delivered. I don't think what we do is anything unusual. It would be possible to have a model of completely in-house workforce, but it is certainly not a model that is viewed across industry as a contemporary model, or anything that has been adopted, certainly, in my career of more than 30 years.

The Hon. Dr SARAH KAINE: But there could potentially be a hybrid of that. There could be a greater pool of directly employed workers, with then another subset that is still contracted that is a smaller group. Is that a possibility?

REBECCA WARK: I think the model which Health Infrastructure adopts is largely what you are describing. We have some in-house expertise and in-house roles that some are more junior than others in the managing and delivering of projects. But the actual doing of the management—we have people who are on site and not just sitting in an office in St Leonards. We have project management officers. We have our own people on those sites, but they are also supplemented with other resources to create a complete project team.

The CHAIR: It sounds like a classic use of consultants, though, where there's not a skill transfer. There's no part of the model that you are using which can be used to upskill department staff. Would that be correct?

REBECCA WARK: There's quite a lot of collaboration in our projects and between our project team.

The CHAIR: Is there skill transfer, though, in terms of then reducing the reliance on consultants in the future?

REBECCA WARK: I would say there is skill transfer between all of our teams, and particularly with some of our younger people on sites who are employed by Health Infrastructure. They pick up skills from the whole project team.

The CHAIR: Presumably we could afford a lot of staff for $155 million a year. I want to push the point that Mr Primrose was making. I appreciate that, since the eighties, a bunch of more contemporary ideology—which is now being perhaps questioned a little bit—has been to sort of gut the public sector in favour of reliance on consultants. I appreciate this is not something that just Health Infrastructure is doing. But it could be done differently, couldn't it? We could be using these opportunities to actually upskill a bunch of public sector employees and then have them as experts in project management.

REBECCA WARK: Certainly it's a different model which could be adopted. It would be government having a different risk profile in that space. It would be government having that risk, and you'd have to have a pretty strong pipeline of infrastructure for all of that workforce to undertake.

The Hon. MARK BUTTIGIEG: To follow up on that, Ms Wark, how long did you say you've been in this particular line of work? Was it 30 years?

REBECCA WARK: Yes, it would be in the order of that.

The Hon. MARK BUTTIGIEG: That takes us back to the 1990s, I guess. Was there a point in time where this was not the model—in other words, where Health used to do it pretty much in house?

REBECCA WARK: To be clear, I have not worked in NSW Health of 30 years; I've worked in infrastructure. My background is in infrastructure, in construction and project management both in government and non-government roles.

The Hon. MARK BUTTIGIEG: The early part of your career was in the private sector, was it?

REBECCA WARK: I have had private sector roles at various stages, yes.

The Hon. MARK BUTTIGIEG: With these consultancy firms that are doing the legwork with the tendering and the rest of it, is there any probity around cross-relationships they may have with some of the construction companies? For example, I would imagine it would be possible that a consulting firm might do consulting work for a construction company and the department. Is there any level of probity on that sort of thing?

REBECCA WARK: Yes. There are declarations which would be required to be made. We have probity advisers when we do varying procurements, so I think it is well managed within our risk model and within our business model. And if there is perceived to be a conflict, then that is managed.

The Hon. MARK BUTTIGIEG: Because the Auditor-General's report specifically identified a lack of documentation being a major contributor to the limited oversight into how consultants were engaged or managed. It sort of indicates that that was not the case from the Attorney General's perspective. Do you have any commentary around that?

REBECCA WARK: I'm sorry, I couldn't hear you quite properly.

The Hon. MARK BUTTIGIEG: There was an Auditor-General's report into the Government's use of consultants, and it identified a lack of documentation as being a major contributor to limited oversight into how consultants were engaged or managed. So, in your particular area, are you able to take us through how records of consultancy engagements are collected and where they are stored?

REBECCA WARK: Yes. We have a procurement department which manages that. It's all stored electronically these days. I can take that on notice and give you some more detail in relation to that, but I am not aware of any issues which Health Infrastructure has—that you are referring to—from the Auditor-General's report.

The Hon. PETER PRIMROSE: Can I just follow on from that? And, please, take this on notice. I would be interested, without looking at anything specific, in the actual questions and forms that you use to do those assessments and require consultants. My question is to the chair, Mr Di Bartolomeo. Can I please ask you what the role of the board is in considering—do you receive recommendations for the appointment of consultants?

LUCIO DI BARTOLOMEO: We do, above a certain level. There are delegation levels involved and where they go above a certain level we do get involved. We get regular reports on who our project management is on a meeting-by-meeting basis—where they are at in the status of their expenditure on projects. I would like, if I could, to go back to the issue of the 200 or so that are, at any point in time, working as project managers or within the project management field and ensure that it is understood that those 200 aren't the same 200 week in, week out. In fact, during the course of a project, different expertise comes into play, and so that 200 is a very variable number. It might be 200 at any point in time, but the actual individuals are not 200. There are multiple numbers of consultants in use on a project like the Randwick example that we spoke of earlier.

The CHAIR: Can I ask on that particular point then, again—because we don't do this day in, day out, so we're not sure how these things are set up. Your average project management office in relation to one particular project, although there are specialist consultants within that project office, there would also be generalist consultants as well—those who are more junior or those who perhaps have more transferable skills to different areas. What percentage would be that sort of level of specialist expertise versus just the kind of rump of capacity you need to run the project office?

LUCIO DI BARTOLOMEO: I think Rebecca might be better placed to give that detail.

REBECCA WARK: There's a variety of people. Yes, it's true that some of them are more generalist. There are comms resources, there are some administrative resources, there are design managers and construction specialists in the project management field. There is a variety of resources. Often our own people—our own project directors and senior project directors—are in those combined PMOs also.

The CHAIR: Is there scope for reducing the numbers of consultants sitting in those project offices in favour of employing the public sector and having them benefit from that sort of upskilling that you might get?

REBECCA WARK: We do have cadet and graduate programs as well, which upskill those resources that I think you're referring to. Again, it goes to the risk profile which we adopt and which government adopts in that space around who is carrying the risk for certain tasks and for different decisions which are made.

The CHAIR: Are there some people in those offices who are currently employees of PwC, which creates a greater number of those consultants being in these project management offices, when we could instead be substituting that with public sector employees if you had more public sector employees to deploy?

REBECCA WARK: Depending on the risk profile that was adopted, yes, that is possible. But it would change the risk profile.

The Hon. Dr SARAH KAINE: Could I ask about this risk profile, Ms Wark? Is there an understanding you have about what is government policy or a particular framework in terms of risk? You have mentioned it a couple of times. What exactly is that risk policy that you are referring to? Where did that come from and when?

REBECCA WARK: It's more around roles and responsibilities of different stakeholders in any project and where that sits contractually. The costs would come from somewhere, whether they were government employees or contracted to industry. I'm not referring to a particular risk framework document.

The Hon. Dr SARAH KAINE: It could have been my misunderstanding. You seemed to be suggesting there was a government risk profile that you were working to. I may have misunderstood that, if that's the case.

REBECCA WARK: There are standard government methodologies for how major infrastructure projects are delivered. We participate in the construction leadership group with INSW and my agency colleagues, and we have different working groups there where we talk around different frameworks and, for example, the recent cost escalation issues and how they're managed on a government-wide basis.

The Hon. MARK BUTTIGIEG: Can I just follow up on that? I'm not sure I quite understand the relationship. Does risk profile mean, in a contractual sense, if there is a variation or there's some sort of potential legal action because of the breach in the contractual term, is the implication that it would be better to have the consultant liable because they have got some sort of contractual relationship with the builder? Or is it because if it was all in house, the department would bear the costs of that legal action? I'm not sure. I thought there wasn't any relationship between the consultants and the builders other than them doing the paperwork.

REBECCA WARK: Sorry, I'm not sure of your question. Could you repeat the question?

The Hon. MARK BUTTIGIEG: With this risk profile that my colleagues have been asking you about, can you specifically identify what the risk to the department of health would be by doing this sort of thing internally, to be blunt?

REBECCA WARK: That's more a resourcing issue.

The Hon. MARK BUTTIGIEG: So it's not risk; it's resource. You mean risk in terms of financial risk by having more employees on the books? Is that what you mean?

REBECCA WARK: No, I'm not suggesting that.

The Hon. MARK BUTTIGIEG: Could you tell us what you mean then?

REBECCA WARK: Risk is generally apportioned to different stakeholders depending on what the risk might be and whether it is a construction risk or a consultancy risk. When I was referring to risk earlier, when your colleague was asking a question, it was more around roles and responsibilities and contractually who has those and what they are paid for that service. At the end of the day, the project budget, whether it's with in-house resources or external recourses, has a finite budget, and those resources are paid for.

The Hon. MARK BUTTIGIEG: So it is financial then.

The Hon. PETER PRIMROSE: I think what we're talking about here is the issue of taking risk to mean liability and who is liable for any loss or overruns et cetera. That's certainly how I am interpreting the issue of risk.

The Hon. MARK BUTTIGIEG: But this is what I'm trying to get at. I don't understand how liability can be apportioned to a consultant if all they're doing is the mechanical and admin—

REBECCA WARK: If they—sorry, I didn't mean to cut you off. My apologies.

The Hon. MARK BUTTIGIEG: It's okay.

REBECCA WARK: If they are tendering a scope of work, they give you a proposal to undertake that scope of work and that's the amount of money that they have paid, unless the scope is varied. Whether that takes them three people or 13 people, that risk sits with them. I think the other aspect of it is the availability of resources in our industry. I don't think that we would be able to attract those resources to have them all in house.

The Hon. MARK BUTTIGIEG: Effectively, what you are saying is that with the use of consultants handling the tendering process, we can actually blame them if something goes wrong with a contract.

REBECCA WARK: No, that's not what I'm suggesting.

The Hon. BRONNIE TAYLOR: Thank you very much for coming, Ms Wark. It is fantastic that you could give your time today with your heavy workload. I ask you to share with us the Health Infrastructure pipeline and what has been done over the last five years, just to give some context for the Committee of the enormity of the projects and what Health Infrastructure has been managing in terms of all of the new hospitals builds, for example.

REBECCA WARK: Our annual construction turnover is generally in the order of $1.5 to over $2 billion per annum. It's generally across, as I mentioned earlier, 130 projects at any time. They are all at different stages. Some of them are larger and others are programs of smaller works. It may be a series of rural ambulance stations, for instance, making up a program or HealthOne facilities or it may be mega projects like the Campbelltown Hospital redevelopment or Nepean, Westmead or Randwick, which we've been discussing today.

The Hon. BRONNIE TAYLOR: I want to also talk about the example of Tweed and the fact that you used consultants to do that and that they are constantly then passing on that knowledge to the local people that you have on the ground. I can't actually remember the lady's name at Tweed but certainly from what I observed that was something that was continual so that that knowledge was being given across to actual Health Infrastructure people as well. Would that be a correct statement?

REBECCA WARK: Yes. We, as much as we can, require our consultants and construction partners also to have programs for local participation and local engagement. That often includes ongoing workforce and upskilling local workforce, whether they're local tradespeople or consultants. Tweed is an example where we do have quite a large local contingent in the project office there. Some of them work for Health Infrastructure and some of them work for the different consultants or for Lendlease, the build contractor.

The Hon. BRONNIE TAYLOR: Would it be fair enough to say that those hybrid models exist substantially right across the enormous level of new builds that Health Infrastructure has been undertaking over the last decade, say?

REBECCA WARK: Yes, it is. It's around getting the sufficient volume of resources and also the compliance role, which different parts of our stakeholder responsibilities have.

The CHAIR: You mentioned your grad program before. I know that in other parts of the New South Wales Government some of the grad programs involve grads sitting within consulting firms. Is that something that Health Infrastructure does as well?

REBECCA WARK: We participate in a number of programs across New South Wales government and some of those—both cadet programs, so high school leavers, but also graduate programs, so either people still at uni or recent graduates from uni—work on a rotation basis. So we're part of a program where they may work for us for three months, they may work for a consultant for three months, they may work then for a contractor for the period—

The CHAIR: When they're working for that consultant are they being paid by the New South Wales Government?

REBECCA WARK: I would have to take that on notice. I don't know. I think it's paid as part of a program, but I will take that on notice.

The Hon. Dr SARAH KAINE: Ms Wark, in answer to an earlier question you referenced Premier Berejiklian's 11-point plan for construction and the Construction Leadership Group. Is that still a plan that's being used as a reference point for your organisation and the Construction Leadership Group?

REBECCA WARK: There are certainly some principles there which INSW manage how that's rolled out over our industry and over the construction industry, and there is participation with the Construction Industry Leadership Forum, which is both New South Wales and Victoria, a broad diversity of industry participants.

The Hon. MARK BUTTIGIEG: The previous line of questioning we were pursuing about the implied trade-off between internal resources and consultants, is part of the equation there that there is a cap on the number of public sector employees you can have?

REBECCA WARK: No, for us it's more around how do we actually deliver the pipeline which we are delivering for government and having surety of resources available.

The Hon. MARK BUTTIGIEG: So, theoretically, you could supplant all those consultant jobs with internal jobs? There's no cap on—

REBECCA WARK: We find that we—

The Hon. MARK BUTTIGIEG: If it was a dollar—

REBECCA WARK: —are unable to attract the right level and skill set of resource in our industry paying the government sector pay rates, so that becomes an attraction thing.

The Hon. MARK BUTTIGIEG: Okay.

REBECCA WARK: Chair, can I just clarify a previous concern?

The CHAIR: Please.

REBECCA WARK: It's not our consultants who are running the tendering processes. We run those tender processes and we are the decision-makers. They assist in some of the documentation and the coordination of those processes, but we are the decision-makers of all of those procurement processes.

The Hon. PETER PRIMROSE: Do their recommendations go to the board?

REBECCA WARK: Our board is an advisory board, so any recommendation comes back through a tender evaluation committee, of which they may be a member. They come through to me. Depending on the value of those, they may then go to the chair of the subcommittee of the board around project delivery, who will make any comments around that. That's generally someone with industry expertise on our board. It will then, again, depending on the value, go to the board for support. They will ask any questions and then it goes from me, if I support it at that stage, through to our CFO, the CFO of NSW Health.

The Hon. PETER PRIMROSE: And there is an evaluation criteria, an evaluation document, that's available?

REBECCA WARK: Every tender has a tender evaluation plan, which will have a number of priced and non-priced considerations.

The Hon. PETER PRIMROSE: But, in a general sense, there's an agreed document of the criteria you would be using to evaluate those tenders?

REBECCA WARK: That comes under the New South Wales Government code of tendering and then it may be, depending on the nature of the project—for instance, if it's a very rural and remote project, it may have slightly different criteria for assessment of non-price in relation to availability of resources, so it can be slightly different on different projects.

The Hon. PETER PRIMROSE: In terms of the final contracts that are written for consultants, is there a standard contract that you refer to?

REBECCA WARK: Yes, there is.

The Hon. PETER PRIMROSE: Could we get a copy of that document?

REBECCA WARK: I will take on notice. I don't imagine there's a problem with that.

The CHAIR: Feel free to take this question on notice if you need to. There was a contract entered into with PricewaterhouseCoopers in March of this year—it is a three-month contract—in relation to the development of the NSW Health policy implementation plan. Can you tell me what that work would be?

REBECCA WARK: I would have to take that on notice.

The CHAIR: That would be very useful. Thank you very much for attending today and answering our questions. Questions taken on notice and supplementary questions will be due back within 21 days.

(The witnesses withdrew.)

Dr ZORAN BOLEVICH, Chief Executive, eHealth NSW, and Chief Information Officer, NSW Health, affirmed and examined

Ms SUSAN PEARCE, AM, Secretary, NSW Health, and Chair, Executive Council, eHealth, sworn and examined

Mr MARK HOFMEYR, Director, ICT Procurement, eHealth NSW, affirmed and examined

The CHAIR: I welcome our next witnesses, from eHealth. Would you like to begin with a short opening statement?

ZORAN BOLEVICH: Yes, I would. Madam Chair and Committee members, to provide context for today's hearing, I would like to briefly outline the role of eHealth NSW within the New South Wales health system. eHealth NSW was established in 2014 as a specialised agency within NSW Health responsible for setting statewide digital health strategy, policy, standards and investment plans, as well as coordination and implementation of statewide programs and projects. The key objective of the agency is to enable NSW Health to realise its vision and strategic objectives, such as those set out in the Future Health strategy, the NSW Regional Health Strategic Plan and the eHealth Strategy for NSW Health. eHealth NSW is also responsible for the delivery of a wide range of ICT support services, enabling the day-to-day clinical and business operations of NSW Health organisations.

For example, each day tens of thousands of frontline clinicians log into the electronic medical record, and other clinical systems supported by eHealth NSW, to provide quality health care to patients across New South Wales. Each fortnight the StaffLink system, also supported by eHealth, processes payroll for more than 170,000 staff of NSW Health. Each year eHealth manages more than 600,000 calls for IT support made to our statewide service desk and some 450,000 ICT service requests that are raised via our customer service portal. eHealth NSW supported the COVID-19 response with telehealth and virtual care capabilities, supply chain management tools and real-time data analytics. Two vaccination management systems were developed and deployed in record time, enabling millions of COVID-19 vaccinations to be booked and received by the people of New South Wales.

In addition, eHealth provides a system custodianship role in cybersecurity, statewide networking infrastructure and cloud hosting, and plays a major role in setting and establishing standards for health IT in New South Wales and Australia through engagement with relevant State and national bodies. Combining digital health strategic and operational leadership into one agency has not only enabled NSW Health to be one of the most mature digitally enabled health systems in Australia; it has also enabled NSW Health to recognise significant strategic, operational and financial benefits. For example, having a focused ICT procurement function, managed by eHealth NSW as the ICT category manager, has supported greater standardisation of technology offerings across local health districts. This has created a more consistent digital experience for NSW Health staff, patients and consumers.

It has also enabled NSW Health to procure at scale for sustainable management of ICT infrastructure—for example, computer networks in local hospitals. eHealth is underpinned by a strong collaborative governance model, which provides a balance between local plans and initiatives with statewide strategies and priorities. The eHealth Executive Council, or eHEC, the peak ICT governance committee for NSW Health, is chaired by the Secretary of NSW Health and provides oversight of the digital transformation program. The council includes representatives from local health districts, specialty health networks, pillars and statewide services across metropolitan, regional and rural locations.

All of the services that eHealth provides require the expertise, resources and thought leadership to execute. While most of these capabilities are provided by our highly skilled staff, working in partnership with local health districts, there are requirements to secure capability from the supply market. These are typically required in the following instances: expertise on emerging technologies and strategies, and advice on their implementation; a requirement for independence of advice that addresses the complexity of the NSW Health system; and a requirement to move faster on initiatives for which we may not currently have the resources In conclusion, eHealth NSW is a well-managed organisation, which is focused on purposeful adoption and use of digital technology to enhance patient care and safety, facilitate seamless collaboration, improve access to healthcare services, empower healthcare consumers, and drive innovation in a safe, secure way.

The CHAIR: Thank you. Can I just begin with some basic questions? How many staff does eHealth have?

ZORAN BOLEVICH: In 2022-23, 1,687 full-time equivalents.

The CHAIR: What are most of them doing? How many of them are programmers? What's the sort of basic breakdown?

ZORAN BOLEVICH: Well, this was the idea behind my opening statement—to give you a bit of flavour of the diversity of our responsibilities. We've got under one umbrella, if you want, a whole value chain of IT from strategy and planning and developing business cases and working with central government around investments in IT through to managing programs and projects. We do a lot of that kind of work. Once systems are implemented and are used across our health system—I gave you some examples—we provide support services, usually in partnership with IT industry. We partner with lots of vendors who are suppliers of these sorts of technologies, but we coordinate, orchestrate and support all of their technology and its performance—things like networks, security, hosting of those systems, application support and changes that need to be made regularly to them. In fact, most of our headcount which I mentioned is probably in that operational part of our business, but we also have specialised functions around planning and project management.

The CHAIR: What would your consultant spend look like over the last five years or so?

ZORAN BOLEVICH: Like other agencies that you have met over the last few days, we also have had challenges with various sorts of accounting classifications, but we do have some information at hand from our contract management systems. I might ask Mr Hofmeyr to just talk about what we've contracted in recent years per annum, and then, if you are interested, I have some—I know you were interested in the big four. I actually have some information on the spend.

The CHAIR: Thank you. That would be very useful.

MARK HOFMEYR: From 2017 to 2022—this is contractor values that we have entered into as opposed to expenditure, so it's value of contracts executed—is just under $40 million. That's ranging from 2017 to 2022. It includes both core consulting as well as obviously delivery services around some of the activities we undertook.

ZORAN BOLEVICH: On the big four, in terms of the actual spend, I have data from 2018-19 to this current financial year, 2022-23. The total is $24,500,000, and the trend is actually a decreasing one. In 2019 it was just under $7 million—2020, $6.7 million; 2021, $5 million; 2022, $3.7 million; and 2023, just over $2 million.

The CHAIR: If we look at something like what they call the "SMS bot", which you referred to in relation to its role in cutting the COVID test result wait times by being able to more rapidly deliver negative COVID results to people, I understand that was developed by Amazon, Deloitte, Microsoft and MuleSoft. Can you tell me how much that cost in terms of the amount that went to them, and what eHealth's role was in that development compared to the development from those external players?

ZORAN BOLEVICH: May I answer the second part of the question because the first part we might need to take on notice. That project—and it's been a phenomenal success—was actually the work of our statewide pathology organisation, NSW Health Pathology. It was one of the true heroes of the COVID-19 response and probably did most of the COVID testing in the country. They worked on developing a system that would speed up delivery of results, especially negative results, to patients. They came up with this fantastic idea of pulling the information from the laboratory information systems and then connecting that to the SMS chatbot. In order to do that, they partnered with a number of organisations—you mentioned some of them. Amazon Web Services is a very large IT company; it's a global company. There were a number of others involved. I suspect the involvement of some of the consulting companies you have mentioned would have probably been in the integration space, so they were probably involved in the technical or technology-related work. But we'll have to check that for you. I will have to take that on notice, including how much they spent on the project.

The CHAIR: Okay, because that spend was from pathology, not from eHealth.

ZORAN BOLEVICH: We obviously have a very strong relationship with a number of these organisations and have helped and coordinated in the background as best as we could. Ultimately, the project was conceived and developed by NSW Health Pathology and it was a great success.

The CHAIR: Did eHealth have any involvement in that project?

ZORAN BOLEVICH: Largely on the technical advisory side, supporting our pathology colleagues. I don't know, Mark, whether we had any contract support role in terms of some of the administration of the contract or something like that. But we'll take that on notice and come back to you.

The CHAIR: I ask because you, Mr Bolevich, are very well quoted in the media around it at the time.

ZORAN BOLEVICH: We were very proud of that project. It's been a great success.

The CHAIR: We will have to follow up with them.

ZORAN BOLEVICH: Yes.

MARK HOFMEYR: Just to put some context on that, we have existing arrangements. For instance, the SMS server is an existing contract that we then utilised. It's predominantly an integration piece to make it work rather than a new contract.

The Hon. PETER PRIMROSE: This is purely a statistical question so I'm clear. When we talk about eHealth staff, can you say today how many of those staff on a full-time basis are actually employed by Health?

ZORAN BOLEVICH: I have given you all of the staff numbers.

The Hon. PETER PRIMROSE: How many was that again?

ZORAN BOLEVICH: It is 1,687.

The Hon. PETER PRIMROSE: Okay. How many contractors are there and how many external consultants?

ZORAN BOLEVICH: We have a large contingent workforce, which is not unusual in ICT organisations. On top of that, we would have a fairly large number of contractors, maybe another 700 or 800 contractors.

The Hon. PETER PRIMROSE: When you use the term "contractors", do you include consultants?

ZORAN BOLEVICH: Contingent workers, primarily.

The Hon. PETER PRIMROSE: That's another term again. Okay, contractors and consultants. Let's assume for a moment that your term is "contingent workers".

ZORAN BOLEVICH: Yes.

The Hon. PETER PRIMROSE: It means they're not employed by Health directly.

ZORAN BOLEVICH: Correct.

The Hon. PETER PRIMROSE: How many full-time equivalent?

ZORAN BOLEVICH: I'll have to come back to you.

The Hon. PETER PRIMROSE: Please take it on notice, but about how many?

ZORAN BOLEVICH: Around 600 to 700.

The Hon. PETER PRIMROSE: Thank you.

The Hon. MARK BUTTIGIEG: Ms Pearce, it's been fairly well publicised that the Government is taking an interest-based approach to bargaining, whereby either party puts their interests on the table in the hope that there will be some common ground and negotiations are more fruitful. I understand there have been a number of health unions that have asked for information like this—that is, the number of consultants and contractors being used, as well as organisational structures and the number of temporary and insecure workers—but the information hasn't been forthcoming. Is there any reason for that, or are you aware of that?

SUSAN PEARCE: I had a meeting the other day with ministry staff, with the PSA reps there. We talked about some of those issues—just in respect of the ministry, not more broadly. Certainly, we were happy to talk to the union around areas that were particularly concerning to them, where there might be some vacancies and use of temporary staff. We were able to provide some information. There has been a reduction in the number of temporary staff in the ministry as a consequence of changes that have occurred during the course of the pandemic. You would appreciate that we had to bring people in on a temporary nature in the peak of it. Those numbers are starting to go down. But more broadly than that, no, I don't know specifically about that issue. I would have to take it on notice.

The Hon. MARK BUTTIGIEG: That interest-based bargaining does require an exchange of information in order to ascertain the other party's interest, so you can come to a negotiated outcome. So that information that they asked for was not forthcoming comprehensively?

SUSAN PEARCE: We've committed to keep meeting with the PSA and to come back to them. I think part of the challenge is that, on a day-to-day basis, these issues change. So what is in place one day or one week to the next may not be the same. The principle is, as certainly was expressed to the team there—and we have a strong commitment to meeting with our unions, and in being open and transparent with them—our preference, of

course, is to have permanently employed staff wherever possible. But there are circumstances where temporary staff are needed. The more concerning issue, from my perspective—

The Hon. MARK BUTTIGIEG: I didn't want to necessarily get into the argument about the merits or demerits. It's more a case that there would be statistics on the amount of contractors, consultants, the organisational structure, temporary work—you would have all that at hand. I would have thought it would have been a fairly simple process to go, "Here it is. Now you tell us how we can be doing better and we will tell you why we think we are doing better." I mean, that is kind of the approach, isn't it?

SUSAN PEARCE: We have information to hand in respect of the ministry, if that's what we're talking about, but not the whole system in this regard. I'm not quite clear what your question is—whether you are talking about the ministry or the NSW Health system?

The Hon. MARK BUTTIGIEG: The NSW Health system.

SUSAN PEARCE: Yes, I will have to take that on notice.

The CHAIR: Can I just take us back to the SMS bot as an example? Is there capacity within eHealth to have done the work that Deloitte, Microsoft, Amazon and MuleSoft did on that? Is there capacity within eHealth to do that? Is that something eHealth would be doing?

ZORAN BOLEVICH: AWS, MuleSoft—those sorts of companies are providing core technology behind these solutions. It's actually their technology, their IP.

The CHAIR: So you are using their platform?

ZORAN BOLEVICH: Yes, using their platform.

The CHAIR: And putting something bespoke on top?

ZORAN BOLEVICH: Correct—connecting data, et cetera. So quite a bit of that integration, connecting, et cetera would have been done by our colleagues in pathology, with our support. So it is a blend. It is always a combination of our own resources and technology expertise from companies whose platforms and core technologies we are using.

The CHAIR: Is there an example of something that eHealth has done where you have done everything from scratch without any external contractors?

ZORAN BOLEVICH: Of course, in saying that though we have to, again, note that usually we would be developing on some kind of a platform that is developed by some usually global IT company. But we have done—

The CHAIR: You would ordinarily license that, wouldn't you?

ZORAN BOLEVICH: Yes, we would ordinarily license and then we develop the sorts of functionality on top. For instance, during COVID we used one of those platforms to develop quarantine exemption forms at the time. We used another platform—in fact, we still do that—to develop an app through which junior doctors can record their additional hours worked and those sorts of things. We developed various sorts of other apps for staff to undertake certain sorts of tasks. The service portal that I mentioned was developed in house by a combination of our staff and some of those contingent workers that we mentioned earlier. So, yes, there is quite a bit of development occurring inside the organisation.

The CHAIR: Those contingent workers—I was having this discussion about what that means exactly. But if there was a consultant or one of these tech firms or somebody who was effectively sitting there on secondment, would they be—how many of those do you have? When you say "contingent workers", how many of them are temporary workers through a labour hire firm or something as opposed to an agreement with a consultant or a contractor to have a certain number of their staff in house?

ZORAN BOLEVICH: This is where I think it is important that we work through some of these ways in which we obtain input and obtain resources. Mark, could you explain how those things work?

MARK HOFMEYR: There are three primary New South Wales government schemes. There's scheme five, which I think has been extensively discussed, which is designed for the advisory-type services predominantly. Then there is, from an ICT perspective, the ICT Services Scheme, which involves multiple categories of services, including provision of software, hardware, support services et cetera. Those may or may not have a labour component. We have a number of those contracts in place. Often they will then be providing resources to support those applications or processes or development on those platforms. Then, lastly, there is scheme seven, which is the contingent labour scheme for New South Wales government. When we refer to contingent labour, these are the ones that are operating under our direction that typically fall under the

0007 scheme. The ICT Services Scheme is typically a statement of what outcomes based—and then scheme five is predominantly the advisory.

The CHAIR: So those people who are sitting there effectively operating or maintaining software—is that because that software is still proprietary? Is it still owned by the contractor or do you take steps to make sure that NSW Health is the owner of those different bits of software and output?

MARK HOFMEYR: We will never become the owner of the software. Obviously it is licensed for our use—so the OEM provides typically through various levels of support.

The CHAIR: To clarify, I'm very familiar with how software development works and how there is often a number of different platforms that you are licensing in order to create something. But there is a difference between when you have contracted someone else to do a bespoke bit of work for you—to take what they have already got and make it something for you. I can totally understand that they maintain the proprietary interest in that. But if you have developed something that's novel, there are ways in which you can simply license the other bits of software that you're using but still maintain ownership over what you've created. I'm asking if you do that.

MARK HOFMEYR: From an IP management perspective, where we do the development, and we make sure we're clear in the contracts, some of that has arisen with us. The most recent example is probably—I'll use the term MedSync, which is an application that the clinicians are able to utilise. That's built on top of the Microsoft platform. We obviously do not have authority to take on the Microsoft platform; however, the development on top of that platform rests with New South Wales government.

The Hon. Dr SARAH KAINE: Mr Hofmeyr, thank you for outlining the different schemes including the contingent labour scheme. I know you referenced it by its number and we know it's there, but could you for our benefit outline what type of work contingent labour refers to? I think you referred to it in shorthand.

MARK HOFMEYR: Contingent labour under scheme seven is effectively labour hire in which we don't become the employer, and it covers any, effectively, services that can be provided by those. They are not contracted for an outcome; they are contracted for an individual.

The Hon. Dr SARAH KAINE: I understand that. But in terms of your organisation, what are the types of engagements that you will most likely see them in? What you've just described covers everything. But in terms of your organisation, where are you most likely to see someone engaged under that scheme, in what kind of role?

MARK HOFMEYR: It is across the broad breadth in reality of the services that we undertake. We have people who do development. The procurement team have contingent labour who come in and do everything from contract management to running procurement services.

The Hon. Dr SARAH KAINE: Is it possible for us to get some detail on that?

ZORAN BOLEVICH: Yes. There is a requirement, because of the competitive nature of, in particular, the ICT labour market where we compete with very large commercial organisations, for us to really be able at different points in time to obtain the right expertise in a range of areas like business analysis, project management—usually quite specialised technical skills, things like integration services, cloud engineering et cetera. We do occasionally have to go through that contingent labour market to get the sorts of resources we require. We are, however, over time looking at various sorts of strategies as to how we can build a model whereby we can reduce our reliance a little bit on that market and build our own internal resources. We have a number of strategies that we are pursuing in order to do that.

The Hon. Dr SARAH KAINE: Could I ask—you may not know off the top of your head, but perhaps if you could take it on notice—if you could let us know the top, say, three or four labour hire companies that you might be working through to get those workers? That would be useful.

ZORAN BOLEVICH: Of course. There is a system that we use in order to obtain those types of workers. It's called Fieldglass; it's a centralised, all-of-government system where we put our requirements forward and then agencies put their appropriately skilled workers and their proposals into the system. That's how it works. It's been around for quite a few years now; it works pretty well.

The CHAIR: Could I ask what the eHealth IT charge back operating model is?

ZORAN BOLEVICH: This is a way of accurately and fairly, if you want, apportioning the cost of those support services that I talked about to our internal customers, agencies and local health districts within NSW Health. For the services that we provide to them, the cost of those services are charged back to either NSW Health entities, and that operating model describes how that cost allocation works.

The CHAIR: Is that part then of the activity-based management model?

ZORAN BOLEVICH: In a way it does. I'm probably not the most expert person to explain it. I know you had our CFO here a few days ago and he's the real expert in this space. In theory, yes, because those recurrent costs—IT costs—are to a certain extent built into the cost of the provision of health care. Theoretically, yes, the answer to your question is probably yes, but I'm not the best expert to explain that. What we, in the case of eHealth, are trying to do is make sure that the cost of eHealth provision of these various sorts of technology support services first of all are correctly captured in our systems and that we then have a transparent, accurate way of apportioning those costs—for lack of a better word—to our customers, local health districts and all the agencies. In recent years we've made quite a bit of progress in modernising that allocation methodology. It was pretty simple in the early days of eHealth, to be honest. We've made some pretty significant strides in recent years, where we are being a lot more sophisticated, and we can now present data to our customers in LHDs et cetera as to their use of our systems. Therefore, the charges are starting to be more linked to the consumption of IT services, if that makes sense.

The CHAIR: Deloitte was commissioned in 2021, I think, at a cost of $165,000 to assist on the eHealth IT charge-back operating model. What would that work have been?

ZORAN BOLEVICH: Again we'll take that on notice if you'd like to know exact detail, but it would have been, again, strategic advice around what is the best practice in IT organisations in Australia and around the world, what are the technologies that are required internally to support those allocation models, what do we need to do to implement it accurately—those sorts of things.

The CHAIR: We heard from the Auditor-General that there were not very many departments, at least from the consulting engagements that she had reviewed, who were conducting post-engagement evaluations. Does eHealth conduct those evaluations? If so, do you do them all of the time? Or is it similar to what the Auditor-General found?

ZORAN BOLEVICH: I'll start, and I might then hand over to Mark. I think the answer is "partially". I think we probably could and should improve, if you want, the formality, the structure, around these reviews. There are definitely conversations. There are definitely reflections on how different projects went. But the area that I think we can improve is to formalise that structure and really be more structured about extracting those learnings for the future projects. Do you want to add anything, Mark?

MARK HOFMEYR: Yes. The primary performance management aspects of the consulting engagements is we have—all most recent engagements are milestone based. So, unless they meet their required milestone, they don't, effectively, get paid. In other words, there is an acceptance process built into it, rather than having a systemic review only post the implementation.

The CHAIR: It is a requirement, though, of the Procurement Board that there be those post-engagement evaluations. I understand attestation is signed by the secretary to say that that has been done. None of the contracts that were reviewed by the Auditor-General were from Health, so we don't know. But across the departments she did look at, I thought she found three out of 82—or something along those lines—of contracts that had actually been assessed post-engagement. Are you able to maybe take on notice the percentage of your contracts at eHealth that you do a post-evaluation review on?

ZORAN BOLEVICH: Sure.

The CHAIR: In 2021 there was a Future of Work paper that was prepared for the Ministry of Health. There was a number of these across different aspects. The one I'm looking at is the one entitled "Understanding the impacts of technology in New South Wales". So it's most useful, or most relevant, to eHealth. That was prepared by KPMG. Are you able to tell us what the spend for that was?

SUSAN PEARCE: No. I would have to take that on notice.

ZORAN BOLEVICH: We'll have to take that on notice.

The CHAIR: Are you able to tell us why KPMG were—we see a lot of this across a lot of departments. What is the purpose of engaging a consultant in a report of that kind?

SUSAN PEARCE: Again, without any particular knowledge of that report, Chair—I wasn't the secretary for Health in 2021, so I'm not familiar with that particular report. Often those types of things would be on a basis that you're seeking expertise that we needed to purchase in that way, would be the broad explanation for that. Clearly, we try to do as much of that work internally as we can. Particularly during the pandemic, we had established our own critical intelligence unit to actually provide advice to the Ministry in respect of the work we were doing. But as to that particular one, we would have to take it on notice and get some more information for you as to why that was sourced.

The CHAIR: Thank you. It would be really useful to see the terms of reference or whatever was given to the consultants in order to receive this.

SUSAN PEARCE: No problem.

The CHAIR: Just so that we can understand it better.

SUSAN PEARCE: Yes.

The Hon. Dr SARAH KAINE: Can I just supplement that? Earlier today we saw procurement plans which detail a bit more the scope of the work. If it's possible for that piece of work, that would be most useful—the procurement plan for that.

SUSAN PEARCE: Sure.

The CHAIR: Thank you. Were there any questions from the participants online? No, okay. I think that's all that we have then at this time. Thank you very much. We do know how busy you are and we really appreciate you coming and answering our questions and helping us understand the use of consultants by NSW Health, in particular, a lot better than we did at the beginning of the day. To the extent that questions were taken on notice or there are supplementary questions from us, you will have 21 days to respond. The secretariat will contact you in relation to those questions. That concludes our hearing for today.

(The witnesses withdrew.)

The Committee adjourned at 16:25.