

Appendix one – Response from agencies

Response from the NSW Health



Health

Ms Margaret Crawford
Auditor-General of NSW
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Our ref H19/108069

Dear Ms Crawford

Ensuring Contract Management Capability in Government – HealthShare NSW Performance Audit Report

Thank you for inviting NSW Health to respond to the recommendations made in your performance audit report on *Ensuring Contract Management Capability in Government – HealthShare NSW*.

The operations of HealthShare NSW support the delivery of services to all of our patients, staff and carers every day in the NSW Health system. Having reviewed the audit office report, I would like to highlight the value HealthShare NSW brings to the NSW Health System and our commitment to implement the recommendations of the Audit Office.

1. The value delivered by HealthShare NSW

HealthShare NSW was established in 2012 and is the largest government shared services organisation in Australia. As an entity, the function of HealthShare NSW is to provide oversight of significant procurement activity and to achieve state-wide efficiencies to benefit the overall NSW Health System. Current operations focus on the management of shared services across human resource functions, financial services, food and patient-support services, linen services, patient transport and core procurement services.

The savings delivered across a wide range of procurement categories, including a significant proportion focusing on medical consumables, are comprehensively measured with regular reporting to individual Health Organisations on savings achieved and to the Ministry of Health on an aggregated basis.

For the period between July 2015 and June 2019, a saving to the NSW Health System of approximately \$362 million has been reported, including recurrent plus one-off amounts. This amount is expected to continue to grow into the future.

2. The robustness of contract management practices

As identified in the audit report, it is accepted that the majority of contracts managed by HealthShare NSW do not have contract management plans in place in accordance with

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accreditation requirements and policy. NSW Health was reliant on a framework of guidelines, policies and processes in place based on a risk and value-based approach consistent with its highly devolved governance structure.

This audit has highlighted that a more systematic approach consistent with NSW procurement policy is required to strengthen contract management and ensure benefits are realised.

Further to the above points, please find attached a table detailing NSW Health's response to the individual recommendations made in the report.

Yours sincerely



Elizabeth Koff
Secretary, NSW Health

29/10/19

Recommendation	Response	Comment
1 By November 2019, the Health Administration Corporation should: Notify the NSW Procurement Board of the results of this audit in relation to the non-use of contract management plans as a trigger event under the Accreditation Program for Goods and Services Procurement	Accepted	NSW Health acknowledges that there are some areas within our contract management processes that require further strengthening, one being the consistent use of contract management plans. Given the scale of procurement undertaken by NSW Health, a risk and value-based approach is taken to contract management. In place of formal contract management plans, a significant number of contracts are managed under Head Agreements and active monitoring is undertaken through our network of experienced staff within our Local Health Districts, HealthShare NSW and the Ministry of Health. This approach ensures the timely and effective delivery of goods and services to our Health facilities across NSW.
2 By May 2020, the Health Administration Corporation should: Work with NSW Procurement to develop a Trigger Event Action Plan to enable it to fully meet, by November 2020, its obligations under the Accreditation Program for Goods and Services Procurement.	Accepted	NSW Health will work with NSW Treasury and the NSW Procurement Leadership Group to determine the best approach to ensure the processes in place meet the operational demands of the NSW Health System and the intent of the accreditation program.
3 By May 2020, NSW Health should: Develop a performance improvement plan for HealthShare NSW to fully meet, by November 2020, its compliance with Ministry of Health procurement policies. The performance improvement plan should include: <ul style="list-style-type: none"> improving supplier performance management effectively using contract management tools, including contract management plans and PROcure ensuring LHD specific contracts are managed in line with Ministry of Health procurement policy developing a risk-based framework to validate performance information to assist contract managers to select and justify appropriate validation methods for performance information 	Accepted	NSW Health (HealthShare NSW) will develop a plan by May 2020 to meet the findings of the audit report, including: Rank all panel arrangements by risk and: <ol style="list-style-type: none"> review contract management plans for all high risk contracts a complete plans for those where they are not in place; update User Guides for high risk contracts to include relevant additional information; Implement a consistent approach to supplier performance management for all high risk contracts; Implement a risk-based framework for performance validation; and Develop a comprehensive plan to implement complete contract management across HealthShare's contracts including completing migration to and use of PROcure.

Recommendation	Response	Comment
<ul style="list-style-type: none"> improving customer user guides for whole of health head agreements by explaining the provisions of the contract relevant to customers as well as information on how customers can report performance issues to HealthShare NSW. 		Following development of the above plan, implementation will be undertaken in a phased manner and within a practical timeframe, in consultation with key service partners.

Response from NSW Treasury



Treasury

Contact: Sue Woodall
Telephone: (02) 8229 2354
Our Reference: P19/2216
Your Reference: D1922374/PA6635

Ms Margaret Crawford
Auditor-General for NSW
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford, 

Performance Audit, *Ensuring contract management capability in government – HealthShare NSW*

Thank you for the opportunity to comment on the final performance audit report, *Ensuring contract management capability in government – HealthShare NSW* dated 27 September 2019 (your reference D1922374/PA6635). We note the final report substantively incorporates Treasury's proposed amendments to the extract of the draft report provided by your office in August 2019 (your reference D1918536/PA6635).

Treasury notes the audit findings and recommendations related to the Health Administration Corporation, in particular those in relation to NSW Procurement and the NSW Procurement Board. NSW Procurement will be pleased to support the Health Administration Corporation in actioning these recommendations. NSW Procurement will also notify the NSW Procurement Board of the results of this audit and work with the Health Administration Corporation to develop a Trigger Event Action Plan under the NSW Government Agency Accreditation Program for Goods and Services Procurement (Accreditation Program).

In addition, NSW Procurement is initiating a review of the contract management obligations of the Accreditation Program to advise the Procurement Board on ways to improve the government's contract management practices and outcomes.

Please contact Ms Sue Woodall, Executive Director, NSW Procurement/NSW Chief Procurement Officer on (02) 8229 2354 or Sue.Woodall@treasury.nsw.gov.au if you have any questions.

Yours sincerely



Michael Pratt AM
Secretary

21st October 2019

Response from Public Service Commission



Public
Service
Commission

Ref: A4449258

Ms Margaret Crawford
Auditor-General for NSW
Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2000

Attention: Ms Claudia Migotto

Dear Ms Crawford

Thank you for the opportunity to comment on the Final Report – Contract Management Capability – HealthShare NSW, dated 27 September 2019 (your ref D1922375/PA6635)

The Public Service Commission has published two resources to support management and development of individuals engaged in the procurement occupation: the NSW Public Sector Capability Framework and the Procurement Professionals Capability Set. The Commission has also contributed, with other sector agencies, to the development by NSW Procurement of the Procurement Capability Compass to measure the baseline of procurement knowledge and help individual staff identify their strengths and development areas.

I am pleased to note that these resources are being implemented by HealthShare, and the Final Report's conclusion that HealthShare *"has a systematic approach to managing staff contract management capability"*.

The Procurement Compass is very new, and it will be interesting to see how it contributes to the development of individual and team capability over the next few years.

If you have any queries regarding the above, please contact Ms Margaret Heys, Senior Advisor on 9272 6030 or margaret.hey@psc.nsw.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Johnston'.

Scott Johnston
Acting Public Service Commissioner

Integrity, Trust,
Service & Accountability

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