
Appendix three – About the audit

Audit objective

This audit assessed whether HealthShare NSW had the required capability to effectively manage contracts.

Audit criteria

We addressed the audit objective by assessing the agency against the following criteria:

1. The agency's systems, policies and procedures support effective contract management and are consistent with relevant frameworks, policies and guidelines.
2. The agency has capable personnel to effectively conduct the monitoring activities throughout the life of the contract.

Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. The agency's systems, policies and procedures support effective contract management and are consistent with relevant frameworks, policies and guidelines, including but not limited to:
 - a) NSW Procurement Board Directions and policies, including the NSW Procurement Accreditation Program
 - b) NSW Public Sector Capability Framework
 - c) other good practice frameworks for contract management.
2. The agency has capable personnel to effectively conduct the monitoring activities throughout the life of the contract by:
 - a) collecting and validating relevant performance information
 - b) regularly monitoring and rigorously reviewing contract performance
 - c) identifying and responding to contract performance issues in a timely and effective manner
 - d) providing regular reporting to the senior management.

This audit focused on high-value goods and services contracts.

Audit exclusions

The audit did not:

- examine HealthShare's sourcing processes, including identifying a business need, tendering and contract award
- examine construction or infrastructure related contracts
- examine information communication and technology contracts.

Audit approach

Our procedures included:

1. Interviewing key staff, and senior officers.
2. Examining relevant documentation, including:
 - a) contracts registers
 - b) risk assessment matrices
 - c) contract management plans
 - d) risk management plans
 - e) escalation procedures
 - f) collection and validation of contract performance data
 - g) regular reporting to senior management
 - h) ongoing assessment of contract performance against contract clauses and key performance indicators
 - i) adequate planning for contract renewal/termination.
3. Interview selected contract managers and review monitoring activities on the contracts they manage.
4. We also examined:
 - a) documentation from other stakeholders obtained throughout the audit such as research and
 - b) studies, and statistical data and analysis
 - c) information from other jurisdictions for comparison.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by NSW Health, the Public Service Commission and NSW Treasury.

Audit cost

The total cost of the audit is \$220,000.