Australian Government
Australian Digital Health Agency

OFFICIAL

Submission to the Joint Committee of Public Audit and Accounts Inquiry into the contract management frameworks operated by Commonwealth entities

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Summary

The Australian Digital Health Agency (the Agency) welcomes the opportunity to make a submission to the Joint Committee of Public Accounts and Audit (the Committee) Inquiry into the contract management frameworks operated by Commonwealth entities (the Inquiry). The Agency recognises that effective contract management is key to achieving the objectives of any procurement and value for money.

The Agency has made substantial improvements to processes and policies that support contract management and ensure value for money in achieving outcomes of all our procurements over a sustained period of time and including in response to recommendations by the acting Auditor-General in Auditor-General Report No. 36 2023–24 Procurement of My Health Record (the Audit Report). This augments significant uplift in governance, risk, program management and capability that have been implemented over the last four years, embedding a culture of continuous improvement in the Agency.

As the steward of the nation's digital health infrastructure the Agency has a key role in implementing the Australian Government's health reform agenda, including by maintaining and modernising the My Health Record system, which has been operating successfully for over a decade, delivering secure, reliable health information, with choice and privacy firmly in the hands of Australians.

Between 2020 and 2022 My Health Record underwent rapid evolution and development cycles to provide critical enabling support to Australians and healthcare providers as part of the national pandemic response. As a result, Australians could quickly and conveniently access their immunisation records and Covid-19 test results, in many cases without having to wait to see their healthcare provider, supporting national efforts to minimise the impacts of the pandemic, reduce health system pressures and support freedom of movement.

At the same time, the Agency began transitioning operation of My Health Record from a single vendor (Accenture) to a multi-vendor environment[1] while maintaining uninterrupted system stability and security critical to ensuring availability of this frontline clinical support system to support clinical decision making and healthcare safety and quality.

The value of My Health Record continues to grow, as meaningful participation across the health care sector improves, driven by ready availability of key clinical information when and where it is needed. As at June 2024, there are almost 24 million consumer records in the system and over 23.7 million (or 99 per cent of all records) have health information in them. Uploads of both pathology and diagnostic imaging reports to My Health Record increased by 35 per cent between June 2023 and June 2024[2]. Increasing consumer views of pathology reports (24%) and diagnostic imaging reports (36%) in the same period also demonstrate growing demand by Australians who are increasingly empowered to access their health information.

Consistent with recommendations from the Strengthening Medicare Taskforce Report, implementation of the Government's 'share by default' policy will further enhance My Health Record as a national health asset, requiring healthcare providers to upload key health information to My Health Record, starting with pathology and diagnostic imaging reports. As recognised by the Productivity Commission,[3] this has the potential for sizeable health system benefits, with better access to health information driving improvements in quality of care, supporting clinical decision making and reduced healthcare costs.

Beyond My Health Record, the Agency has a history of successfully delivering and managing complex national infrastructure projects. This includes implementation of a Health Application Programming Interface (API) Gateway, which supports healthcare providers and consumers to connect to the My Health Record system; migration of My Health Record data from 'on premise' to government certified public cloud; the 2023 release of the my health app; national implementation of electronic prescribing; national

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[1] Accenture is now contracted for approximately one third of major vendor costs, down from 100% in and prior to 2021.

[2] Statistics (digitalhealth.gov.au)

[3] Leveraging digital technology in healthcare (pc.gov.au)

management of Real Time Prescription Monitoring (RTPM); the national Healthcare Information Provider Service (HIPS); and development and delivery of the Provider Connect Australia (PCA) service.

The Agency is continuing to diversify and modernise national digital health infrastructure, with work underway to move to a contemporary, data-rich health information ecosystem capable of supporting real time access to information for the patient and supporting multidisciplinary care. Work has commenced on implementing a Fast Healthcare Interoperability Resources (FHIR - the international standard for collecting and sharing health data) repository to support My Health Record. Concurrently, the Agency is working with all states and territories to implement a national Health Information Exchange (HIE) capability to enable sharing of information between public and private healthcare providers.

Expertise

The Agency relies on a combination of internal and external workforce capability to maintain, modernise and expand the digital health services it delivers on behalf of all Australian governments and has focused on having the right mix of technical and core enabling skills.

The Agency has a growing capability to design, develop, build and operate products and services in-house, which commenced with the development of the Covid Vaccination Integration Platform, a key part of the national vaccine rollout, and, more recently, Provider Connect Australia, a service that connects healthcare provider organisations to their business partners. As we progress work to diversify and modernise national digital health infrastructure, the Agency is continuing to review its operating model, along with sourcing approaches, procurement delivery, contract management and governance.

In 2021 the Agency adopted the Department of Finance's BuyRight tool to embed procurement and contract management best practice and expertise within the organisation. As a guided buying tool, BuyRight supports Agency staff through the procurement-to-contract cycle. It is based on the requirements and principles of the Commonwealth Procurement Rules (CPRs), the Australian Government Contract Management Guide, the Agency's Accountable Authority Instructions (AAIs) and other relevant policies.

Supplementing this framework, staff are supported to develop and maintain essential skills for effective procurement and contract management through access to multi-modal training resources. Since June 2024, the Agency has a dedicated team to centrally manage complex procurements, develop further specialist expertise, work collaboratively with business areas to implement our new procurement delivery model, plan complex procurements and further build capability across the Agency.

Furthermore, the establishment of the Agency's Enterprise Portfolio Management Office (EPMO) in 2021 and its steady maturation as the engine room for best practice program management in the Agency has significantly uplifted portfolio and project capability to ensure expertise and effective oversight of the Agency's broader program of work.

Governance Arrangements

As a young, but rapidly maturing government organisation, the Agency is focused on continuous improvement to build internal capability, ensure governance arrangements are fit for purpose and enhance and embed standard operating practices.

The Agency's governance framework is founded in the *Public Governance, Performance and Accountability* (*Establishing the Australian Digital Health Agency) Rule 2016*[4]. The Rule vests many of the powers and responsibilities for the financial management of a Commonwealth entity in the hands of the accountable

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[4] Federal Register of Legislation - Public Governance, Performance and Accountability (Establishing the Australian Digital Health Agency) Rule 2016

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authority, the Agency Board. The Agency Rule establishes the Board, five advisory committees[5] and the position of CEO and defines their roles and responsibilities.

The Agency also has internal governance arrangements in place to support effective decision making. The Chief Executive Officer (CEO) is supported by the Senior Executive Committee to advise and make recommendations through the CEO to the Board regarding the direction and operation of the Agency. Four key sub-committees are each focused on a particular area of operations and support delegated individual decision-makers and the Senior Executive Committee by bringing together senior executive staff across the Agency to provide informed advice and facilitate cross-divisional engagement. These committees are:

- Portfolio Review Committee - coordinates and provides oversight of the portfolio investments; optimises and monitors portfolio performance; manages portfolio risks; monitors portfolio benefits and ensures individual investments continue to deliver strategic outcomes in the Agency.
- People, Capability and Culture Committee - responsible for strategic resource planning and management, including human capital capacity, capability and culture.
- Clinical Governance Committee - provides clinical oversight to the Agency.
- Technical Standards Committee - provides expertise on technology architecture, design and standards associated with the Agency's national products and services and internal IT systems.

Fundamental to the Agency's governance arrangements is an appropriate controls environment to ensure probity and transparency. Roles, lines of authority and delegations for decision-making are all clearly defined. They are reinforced through training and awareness initiatives so that staff have a collective understanding of their obligations and their purpose in providing a system of checks and balances to safeguard the integrity of the Agency's work.

The Agency also has in place governance arrangements to oversee procurement and contract management, tailored to the scale and complexity of the activities underway. This approach was recognised in the Audit Report as largely fit for purpose, and procurement governance has been augmented in 2024 to oversee the current modernisation program (see further below).

In recognition of our commitment to uplifting probity practices across the organisation, the Agency's Senior Executive Staff recently participated in a refresher training session on conflict of interest, which is being progressively rolled out to all Agency staff. Updates have also been made to conflict of interest documentation to provide improved clarity around staff requirements and responsibilities. An audit of the Agency's conflict of interest arrangements is planned for 2024-25 to provide further assurance and ensure compliance.

Other key governance features include:

- A focus on audit, risk management and fraud control strategies.
- Mechanisms for stakeholder participation through representation on specialist committees.[6]
- Internal and external scrutiny through a robust planning and reporting framework which informs the Agency's Portfolio Budget Statement, Corporate Plan and Annual Report.
- Embedding ethics and integrity in the values and culture of the Agency.

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[5] https://www.digitalhealth.gov.au/about-us/organisational-structure/board-advisory-committees. The advisory committees are the Jurisdictional Advisory Committee, the Audit and Risk Committee, the Clinical and Technical Advisory Committee, the Consumer Advisory Committee and the Privacy and Security Advisory Committee.

[6] This includes the five Board advisory committees and the Agency's internal Clinical Governance Committee. Healthcare providers and consumers also provide routine advice on design and development of Agency products and services through an Agency panel arrangement.

Assurance

The Agency employs the Three Lines of Defence model (Fig. 1) as a strategically coordinated framework for assurance accountabilities when managing risk across business areas, including those related to procurement and contract management.

FIGURE 1 AGENCY THREE LINES MODEL[7]
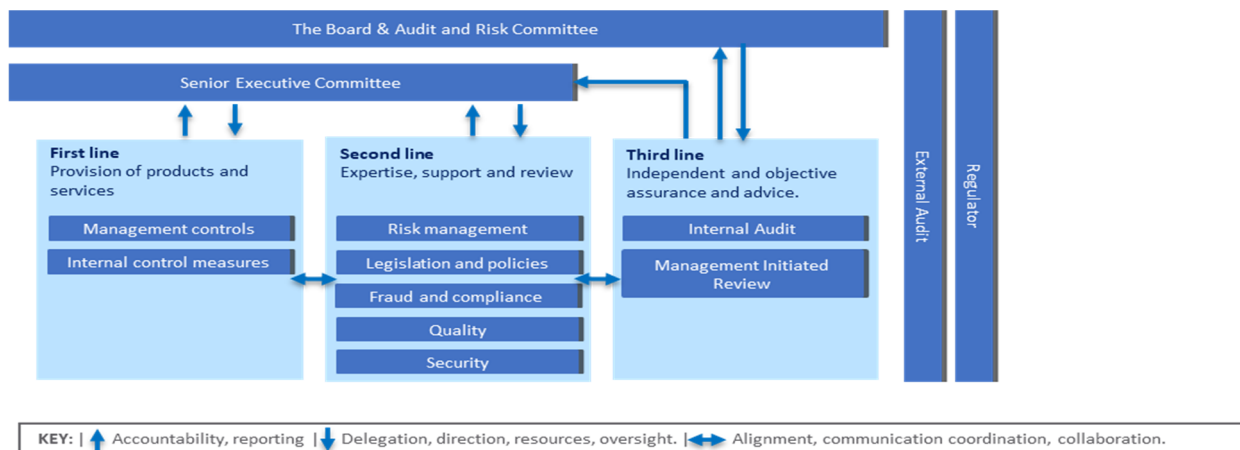
As a first line of defence, Agency staff are responsible for providing assurance of their work, including identifying and mitigating risks and escalating issues where required. The Agency's considered approach to uplifting expertise within the Agency, standardising project and portfolio management and improving records management, support staff to provide effective first line assurance.

As the second line of defence the Agency's governance and portfolio management areas provide expertise, support and monitoring assurance. These areas implement audit and assurance initiatives to assess compliance with best practice across the Agency, supported by recent uplifts to our risk management frameworks, systems of internal control and IT service management (ITSM) framework.

An annual Management Assurance Certification survey process across the Agency supports the preparation of the annual financial statements and provides assurance over the effective operation of the Agency's system of internal controls. The results are reported through the Senior Executive Committee to the Audit and Risk Committee and the Board.

Internal audit functions provide an independent third line of defence. Supported by the Strategic Internal Audit Plan, outlined later in this submission, the Agency conducts routine audits and management-initiated reviews.

In accordance with the Three Lines of Defence Model, the Agency's Assurance Framework sets out expectations around assurance activities, providing the Agency's governance bodies with confidence that functions, processes and activities are being delivered as intended. When relevant, the Agency engages specific expertise to assist with internal audit activities or targeted assurance reviews.

Enterprise Risk Management

The Agency's Risk Management Policy embeds risk management culture and work practice to improve decision making, maximise opportunities and better manage uncertainty. Under this policy, it is expected that Agency officials do everything they can to ensure the safety of the users of Agency products and

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[7] Agency's adaptation of The IIA's Three lines model, available at https://www.theiia.org/globalassets/site/about-us/advocacy/three-lines-model-updated.pdf (pp. 5–6).

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services and the security and privacy of their information. The Agency strives for its systems and processes to meet or exceed Commonwealth standards.

The Agency promotes a positive risk culture as a system of beliefs, values and behaviours that shape a collective approach to risk management and making decisions. The Agency's Risk Management Framework is integral to the Agency's operating model and supports an effective risk escalation process.

Strategic Control Review Program

An effective internal control system provides assurance that policies, processes, activities, organisational structures and behaviours together ensure effective and efficient operation and support the quality of reporting and compliance with applicable laws and regulations.

In 2023 the Agency developed a Strategic Control Review Program (Program) to assess and improve the effectiveness of the Agency's system of internal control. The Program also improved the Agency's governance arrangements by:

- Identifying gaps and duplication of effort across the Agency.
- Providing evidence, standards and legislative-based advice to control owners.
- Streamlining and/or simplifying current governance arrangements.
- Educating Agency staff on risk management, assurance and compliance.
- Developing an Agency Policy and Framework Register to ensure timely review of processes for policies and subsidiary documents (e.g. guidance, templates) to ensure currency and alignment with the broader Government operating environment.

Strategic Internal Audit

As a further assurance process and representative of our third line of defence, the Agency implements an annual Strategic Internal Audit Plan to examine strategic risks and known areas of public interest. The Strategic Internal Audit Plan is prepared with reference to the Agency's Corporate Plan and Risk Management Framework, with audit findings supporting ongoing continuous improvement and maturation of Agency processes.

Portfolio and project management

Since its establishment in 2021, the Agency's Enterprise Portfolio Management Office (EPMO) has matured to support a disciplined approach to program and project management and plays a key role in our first line of defence. The EPMO provides expertise, governance and oversight to the Agency's project and program portfolio, leading the development and prioritisation of the annual workplan, managing program interdependencies, facilitating change management and ensuring robust portfolio status reporting.

The Project Portfolio Management Framework (PPMF) launched in 2022 to standardise program and project delivery methods across the Agency, guides and supports governance and management of the Portfolio through investment decision-support, assurance and reporting. The PPMF integrates risk management and clinical risk management principles.

All Agency programs and projects are managed and tracked using one Project Portfolio Management tool. This promotes visibility of key outputs, including contract deliverables, and provides a mechanism for early risk identification and mitigation, ensuring contract milestones are delivered on time and on budget. Recording of lessons learnt provides continuous improvement opportunities and informs future project and program delivery, including procurement and contract management.

National Infrastructure Taskforce

In line with the Government's Strengthening Medicare health reform agenda and priorities agreed by all governments under the Intergovernmental Agreement on Digital Health, significant work is underway to modernise national health infrastructure while stabilising and minimising disruption to My Health Record.

In 2024 the Agency has set up a time-limited national infrastructure taskforce establishing a new program of work (the Digital Health Infrastructure Program) to ensure the continued stability of the My Health Record system and support modernisation. This includes the move to a Fast Healthcare Interoperability Resources (FHIR) based My Health Record repository and the first steps towards a Health Information Exchange (HIE) for Australia. The taskforce coordinates and supports key projects to manage inter-dependencies and identify and control risks, coordinates governance and probity and supports assurance for all projects to ensure consistency in approach.

A National Health Infrastructure Inter-Departmental Committee (IDC) has also been established to provide strategic guidance and advice on this program of work. The IDC brings together officials from key government agencies, including the Department of Finance and the Digital Transformation Agency, to ensure actions are aligned with the Australian Government's digital and Information and Communications Technology (ICT) objectives, other government priorities and policies and in relation to identifying and controlling risk.

IT Service management (ITSM) Governance Framework

Consistent with the three lines of defence model, in 2023 the Agency established an IT Service Management (ITSM) Governance Framework based on the Information Technology Infrastructure Library (ITIL) to better manage and govern the technology environment. This included the introduction of a Service Integration and Management (SIAM) framework to assist the Agency in managing multiple service providers into a single, cohesive IT ecosystem.

SIAM implementation across the Agency is underway, including support functions that interact with the SIAM model, such as vendor and contract management, systems integration, procurement and cyber security. Implementation of the new SIAM-based IT Operating model in line with the ITSM Governance Framework, commenced in 2024 and covers components such as organisational structures; roles and responsibilities; reliable and repeatable activities; policies and procedures; skills and competencies; culture and behaviour; and services, infrastructure and applications.

In 2023 the Agency introduced Service Review Forums (SRF) under the ITSM Governance Framework, bringing together experts from across the Agency to review, assess and proactively manage services being delivered by the Agency's service partners and support contract management.

Records Management

The Agency has invested in significant uplift of its records management systems, supporting Agency staff to efficiently and accurately maintain project delivery, procurement and contract documentation.[8]

Operational contract management documents shared between the Agency and external providers are stored and managed in Collaborate, a digital collaboration tool, with designated areas for each vendor, which Agency and vendor teams' access to action contract obligations collaboratively.

In response to the Audit Report several actions have been taken to further improve Agency record keeping practices, including refining procurement and contract management templates for complex activities, exploring the establishment of centralised contract management activities and implementing training resources for staff on record keeping standards and ethics in procurement and contract management.

Procurement and some contract management-related approvals (such as confirmation of goods/services received and approval to pay invoices) are managed in the Agency's finance system, SAP, which also

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[8] This includes the implementation of a legislatively compliant records management system (ARMS) in 2021 which houses key documentation related to Agency contracts for access by Agency staff.

supports end-to end procurement and contract management. This provides further system-controlled records of financial, procurement and contract management approvals by authorised delegates.

As an ongoing assurance measure, procurement status and contract commitment reports are routinely distributed to Agency staff, promoting early warning of expiring contracts to aid forward planning. Regular reporting of the Agency's material contracts and known procurements activities is also prepared for the Agency's Senior Executive Committee, Audit and Risk Committee and Board, with further enhancement of this reporting underway, including greater integration with comprehensive portfolio program and project reporting. These activities promote visibility of Agency contracts and compliance with legislative and other obligations and enable timely forward planning for new procurements or contract variations.

Performance Measures

Active Contract Management

Clearly defined roles and responsibilities are in place when managing Agency contracts, with a dedicated Contract Manager assigned to oversee and ensure the effective execution of agreements. Comprehensive Contract Management Plans are established for all Agency contracts, outlining procedures and protocols for monitoring performance and managing risks and for addressing any issues that arise. This structured approach guarantees that all parties understand their duties and that contracts are managed efficiently and in accordance with the Agency's strategic goals.

A recent example is the approach to the National Real Time Prescription Monitoring (RTPM) system, a national information sharing exchange that uses the information from prescribing and dispensing systems, combined with information from state and territory regulatory systems, to support clinical decision making and reduce the harm associated with the misuse of controlled medicines.

In September 2023, following a request from the Department of Health and Aged Care and a pre-transition assurance process undertaken by the Agency, the Agency Board agreed to transition the governance and management of the RTPM system (including 10 associated contracts and agreements, with states and territories, the Commonwealth, the Australian Health Practitioner Regulation Authority and the Supplier). Bringing in lessons learnt across from the pre-transition assurance, previous audit outcomes and through the Agency's experience in managing existing vendor contracts, in a nine-month period the Agency has:

- Established a contract management plan.
- Implemented controls to monitor contract performance (including service level rebates).
- Established sound governance and relationships with the Supplier and the jurisdictions who use the system to support the safer access to and use of medicines.
- Established and undertaken two risk assessments for the RTPM program to drive continual improvement in performance and identify areas to focus Agency and vendor efforts.
- Implemented a robust change control process with all parties.
- Negotiated new 'fit for purpose' reporting requirements, service level agreements and incident and defect management processes, with improved clarity on the services required from the vendor.

Partner Value Index

The Agency uses a Partner Value Index (PVI) as a further strategic management tool to measure and manage vendor performance across multiple domains, including contract performance, value for money, relationships and thought leadership. The PVI provides a multi-pronged view of the Agency's technology partners and their performance to better understand areas of business that are performing well and those that need improvement. The PVI is used in routine contract management meetings held with partners.

Policies and Guidelines

Procurement and Contract Management Frameworks, Policies and Guidelines

Augmenting governance and assurance processes and putting in place improvements for future delivery has been central to the Agency's internal capability uplift. This includes improvements in policies, guidelines and templates on procurement and contract management within the overall Agency contract management framework. Further planned initiatives include specific updates to address the recommendations and opportunities for improvement identified in the Audit Report and continued enhancement of guidance and support materials for Agency staff to improve capability and outcomes and to further improve alignment with Commonwealth best practice.

ANAO Performance Audit Recommendations – Implementation Plan

In July 2024, the Agency Senior Executive Committee agreed to an implementation plan to address the recommendations and improvement opportunities outlined in the Audit Report. The implementation plan, while a direct response to report, also considers outcomes and recommendations of other audit and committee recommendations related to best practice procurement and contract management such as probity, including those recently released by the JCPAA.[9]

Implementation of the recommendations and opportunities for improvement is underway, and the Agency intends to have actioned all recommendations by 30 June 2025 (nine by the end of 2024).

Regular reporting of progress to the Agency's Senior Executive committee and Audit and Risk Committee is underway. This oversight and the rapid response plan that we have instituted are critical indicators of the Agency's commitment to addressing the findings of the report and ensuring continuous improvement remains a key focus of the organisation.

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[9] Report 502: The never-ending quest for the golden thread – Parliament of Australia (aph.gov.au)