Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

Public hearing held on 13 November 2024 for Inquiry into the contract management frameworks operated by Commonwealth entities

Number: JCPAA T1

Question Subject: Schema for future state digital health infrastructure

Type of Question: Spoken, Transcript page 13

Committee member: Senator the Hon Linda Reynolds

Question:

What is the plan to implement the strategy?

Senator REYNOLDS: Very important. But have you a clear plan yet about how you are going to get from here to here?
Ms Cattermole: We have the first big piece, the rebuild of the My Health Record. We have a clear plan for transition, because the transition will be significant. This one vendor is still our application support vendor. We have reduced reliance significantly, but they still manage the application support layer. That's really critical. So we have a really detailed plan, and we are working on that now for the transition. We also have not only the architecture but also the first-degree body of work under that. That will start to build out the broader infrastructure and there are—
Senator REYNOLDS: To save time, could you perhaps do a schema.
Ms Cattermole: A schema, yes.
Senator REYNOLDS: At the moment, it sounds like you've got a piece of work happening here and you've done a lot of work here to define where you want to get to. But I would be interested now in terms of picking up some of these lessons learnt and from others who have done this and then ended up over here and not actually delivered this.
Ms Mellor: Part of the strategy piece when we're talking about achieving the vision is the strategy for procurement. This is an amazingly huge piece of infrastructure, but the shift to multi-vendor delivery, including for the transition, needs thought itself. The habit of the public service to vary and extend contracts because things are slipping somewhere else can result in people into being stuck and not being able to move on. One of the things we haven't seen routinely in our work is a procurement strategy where there is a long-term need that the sector is buying, whether it's surveillance planes, special military equipment or back-end—we don't understand it all but it happens—infrastructure of this nature. So, as we build these big strategies with big visions for Australian infrastructure, how we manage the procurement needs strategic thinking too: what can be done inside the public service versus contracted in or contracted out? Where are the off ramps and on ramps—because technology changes and things change, or the directions of the community change and the social licence to do some things change? So, underneath the big strategy is: how are we going to use procurement to achieve that and where are our risks, benefits and opportunities and review points?
Senator REYNOLDS: And even the little things like AI now, which the committee is looking at separately.
Ms Mellor: Yes.
Senator REYNOLDS: Could you take that on notice—without making it too difficult for you—so that we can clearly see this, and then we might pick up something in our report about how you are approaching this and some of the other lessons that we have learnt?
Ms Cattermole: Yes.
CHAIR: Thank you. If you could take that on notice, that would be useful.

Answer:

The Agency is the steward of national digital health infrastructure for Australia, enabling healthcare consumers and providers to access health information when and where needed.

The Agency overarching strategic direction is set by the National Digital Health Strategy 2023–2028 (the strategy) and National Healthcare Interoperability Plan 2023–2028, driving the modernisation of national infrastructure into a data-rich ecosystem that connects systems across different settings and supports real-time information access.

The planned work to achieve this vision is set out in the Agency's Corporate Plan 2024–25 (the Plan) as a priority titled 'Modernise Infrastructure'. A 'schema' setting out these initiatives is available on page 43. This includes the transformation of My Health Record (MHR) into a modern, FHIR-enabled, near real-time personal health record system. Our Annual Procurement Plan, updated routinely, details the products and services needed to support this transformation.

The elements of the modernisation are governed internally taking a programmatic approach, with an overarching program plan and schedule identifying interdependencies, risk and risk management approaches and key decision points and resource requirements to successfully execute the strategy and plan.

As part of the modernisation program of work we are progressing toward a National Health Information Exchange (HIE) for Australia, with an Architecture and Roadmap already developed and wide-ranging consultations with healthcare providers and consumers, jurisdictions, software vendors, clinical peaks and other key stakeholders currently underway. Consultations will conclude early in 2025. Then, following endorsement of the roadmap, the Agency will determine any potential procurements which may be necessary and update our Annual Procurement Plan accordingly. In the meantime, preparatory work for delivery of a national directory of healthcare providers – a lynchpin of any national health information exchange system – is also underway, with delivery expected in early 2026.

To communicate our vision and plans, the Agency held an information session in July in Canberra, briefing nearly 300 people on the future state architecture and market approaches. The session recording and presentation are publicly accessible. The aim of this early engagement with the health and IT sectors was to set clear expectations, promote competition and encourage quality tender responses, including from Australian small and medium enterprises. Specific industry briefing sessions are held for each procurement as appropriate.

The Agency also plays a significant role in leading the development of and communicating national digital health standards, through the Standards Catalogue and Procurement Guidelines, ensuring that the broader ecosystem (such as jurisdictional or private sector health IT systems) can share health information in the same format and integrate with national infrastructure as it evolves.

As we progress this work, we are assessing our Agency operating model to determine which aspects of the digital health infrastructure could be managed internally and what capabilities are needed for its modernisation.

Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

Public hearing held on 13 November 2024 for Inquiry into the contract management frameworks operated by Commonwealth entities

Number: JCPAA T2

Question Subject: Workforce size and type over time

Type of Question: Spoken, Transcript page 16

Committee member: Mr Brian Mitchell MP

Question:

What numbers we're talking about that have transitioned from labour hire into APS and what benefits that has brought to the cultural experience, within the agency, and what impacts it's had, in terms of staff expectations and satisfaction with the job?

Ms Cattermole: I've got some of the statistics here. In 2018-19 what we call our external workforce—really, labour hire—was nearly 42 per cent of our workforce. In 2023-24 it was around 27 per cent. But, in addition, more of those roles are the project roles that scale up and scale down. In addition to that, in 2018-19 we had a very small ongoing workforce. I'd have to take on notice the exact number. I want to say the high 60s, early 70s. I just want to make sure I get that exactly right. But it is almost at a complete flip, in terms of what was a very small APS cohort to our most significant workforce.

Answer:

While the Agency does not track employment transitions from one type of employment to another, we can show the shift in workforce composition over time.

In 2018-19, the internal workforce represented around 58.3 per cent (243) of the total workforce, with APS employees making up 12.5 per cent (52) and Common Law employees 45.8 per cent (191). The external workforce represented 41.7 per cent (174) of the total.

By 2021-22, following concerted effort, the internal workforce increased to 61 per cent (366), with APS employees at 36.8 per cent (221) and Common Law employees at 24.2 per cent (145). The external workforce represented 39.0 per cent (226) of the total.

As of 2023-24, the internal workforce had grown to 72.5 per cent (540), with APS employees comprising 63.8 per cent (475) and Common Law employees 8.7 per cent (65). The external workforce represented 27.5 per cent (205) of the total.

Currently, the internal workforce is at 70.8 per cent (623), with APS employees comprises 64.8 per cent (570) and Common Law employees 6.0 per cent (53). External workforce represents 29.2 per cent (257).

The external workforce has decreased from 41.7 per cent in 2018-19 to 27.5 per cent in 2023-24.

The Agency has measured cultural impacts using APS census results between 2019 and 2024, showing positive trends:

- The overall engagement score increased from 71 to 73.
- The wellbeing index score rose significantly from 60 to 71.
- The percentage of respondents recommending the Agency as a good place to work increased from 51 per cent to 65 per cent.
- The percentage of respondents proud to work at the Agency increased from 71 per cent to 74 per cent.
- Job satisfaction improved from 61 per cent to 71 per cent.

These changes indicate that the transition has had a positive impact on staff expectations and satisfaction with their jobs.

Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

Public hearing held on 13 November 2024 for Inquiry into the contract management frameworks operated by Commonwealth entities

Number: JCPAA 01

Question Subject: Internal audits

Type of Question: Written

Question:

1. The audit notes that an internal audit report in September 2023 at the Australian Digital Health Agency (ADHA) made four recommendations to improve contract management practices, that were all agreed to, including a change in the contract value threshold for developing a contract management plan.
    a. Have all internal audit recommendations now been implemented, including changing the threshold of $10,000 for simple/complex contract management plans? What is the new threshold and why?
    b. Is the audit committee at ADHA now increasing its scrutiny of procurement risks, including through internal audit?
    c. Is contract risk now assessed and managed differently by ADHA?
    d. Have there been any lessons learned from having a centralised procurement area that provides contract management advice?

Answer:

a. The implementation of recommendations from the September 2023 Contract Management Practices Internal Audit is progressing well, with all of the recommendations to be fully implemented by June 2025. The recommendations are being implemented in conjunction with the recommendations of the Australian National Audit Office (ANAO) Audit report on the Procurement of My Health Record (ANAO Audit) (from which two Recommendations and 4 Opportunities for Improvement have been implemented pending final closure approval).

   As part of the implementation of the internal audit recommendations, in December 2024 the Agency updated its policy relating to thresholds for contract management plans (CMP). CMPs are now recommended for contracts over $80,000 and are mandatory for procurements over $200,000. The increase of the threshold from $10,000 to $80,000 better aligns with the *Australian Government Contract Management Guide* (issued by the Department of Finance).

b. The Audit and Risk Committee (ARC) continues to actively monitor procurement risks within the Agency, through review of the Agency's risk oversight and management, financial reporting and internal controls. Recent actions include:

   - internal audit - with two procurement-related internal audits completed in 2024-25 (conflict of interest management and the updated contract management plan for the National Infrastructure Operator contract) and one to commence in Q3 2024-25 examining the Agency's approach to financial management and procurement
   - continued quarterly strategic risk reviews and monitoring of open internal and ANAO audit recommendations
   - review of program risks related to procurements to modernise the national digital health infrastructure; and
   - review of the implementation plan for the ANAO Audit, including the centralised approach to procurement.

c. During 2024, the Agency has built on its existing strategic risk management approach by implementing updated procurement templates, including risk management assessment to inform procurement and contracting decisions.

   For high risk, high value procurements delegates are provided with this assessment, undertaken by a dedicated, specialist central procurement team, prior to making procurement and contract variation decisions.

   In terms of ongoing contract management, the Agency continues to conduct Service, Operation, Performance Working Groups (SOPWGs) and monthly Service Review Forums (SRFs) to examine and discuss operational and contractual matters, including matters contained in the Risk, Actions, Issues and Decisions Register.

d. In 2024 the Agency moved to a centralised procurement function for high-risk high value procurements (for other procurements the centralised function provides the policy framework and assurance function to support business units, using a self-service approach). Lessons learnt in moving to this model include:

   - the need for sufficient capacity and capability in procurement and contract management to effectively drive a centralised "centre of excellence" approach, especially in the early stages when uplift may be required
   - recognising procurement as a specialised skill set
   - the need to implement a change management approach to ensure buy in and cultural change across the Agency; and
   - the need for an appropriate tool to guide and manage workflow to support compliant procurements.

Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

Public hearing held on 13 November 2024 for Inquiry into the contract management frameworks operated by Commonwealth entities

Number: JCPAA 02

Question Subject: Contract management capability

Type of Question: Written

Question:

1. The Agency had a new centralised procurement area, which provides advice and support to business areas responsible for contract management activities and offered non-mandatory training on contract management.
    a. How have you been assessing and managing contract risk?
    b. What lessons were learned from having a centralised procurement area to provide contract management advice. Have any changes been made to this arrangement?
    c. Did the Agency depart from the Australian Government Contract Management Guide to any extent in relation to the MHR contracts and what were the reasons for this?

Answer:

a. Assessment and management of contract risk is in accordance with the Agency Risk Management Framework and Procurement Policy and updated in the vendors Contract Management Plan as per the Australian Government Contract Management Guide.

   The contract management plan for the My Health Record operator contract has recently been reviewed and updated and is used as a tool to inform contract management meetings internally and with the vendor.

   To augment procurement and contract management approaches in the Agency, a centralised function was introduced on 1 July 2024. Furthermore, existing high value, high risk procurement approval processes have been strengthened by an internal and external assurance process to support compliance with the Commonwealth Procurement Rules, including value for money assessments, requiring both COO and CFO approval prior to CEO approval and presentation to the Board.

b. Based on the lessons learnt following the findings of the Australian National Audit Office (ANAO), the Agency has taken steps to further uplift contract management plans and practices including:
    - The development of a 'Contract on a Page' Report, which is used to provide contract managers and the Agency Executive a summary of key information about all major contracts, including key dates (contract expiry), upcoming variations/approvals, contract expenditure and the status of key deliverables.
    - The introduction of additional governance mechanisms for contract management with a Service, Operation, Performance Working Group and monthly Service Review Forums to track and review operational and contractual matters, including the Risk, Actions, Issues and Decisions register. This is in place for all service vendors, including the National Infrastructure Operator.
    - Further development and implementation of the Partner Value Index (PVI), a strategic management tool that is helping the Agency to measure, manage and provide feedback on partner performance.
        - The PVI uses a survey tool provided quarterly to key Agency stakeholders to secure a score across multiple domains (e.g. contract performance, value for money, relationship, and thought leadership). The results are used to engage with the partner to discuss and improve performance, for a comparative analysis across vendors and to uplift the overall partner environment supporting the delivery of national digital health products and services.

c. The ANAO found that the Agency's contract management guidance is consistent with the Australian Government Contract Management Guide. While the Agency maintained a contract management plan, the Audit found that it was lacking some detail on specific contractual clauses, as recommended under the Australian Government Contract Management Guide – and the contract management plan has since been updated in line with the recommendations contained in the report.

    The ANAO also examined six variations within the existing contract terms and identified that the Agency had not documented its consideration of whether the contract still presented value for money or whether the changes involved were sufficiently minor to warrant not returning to market. While 5 of the 6 variations examined were made to support the national response to COVID-19, including providing immunisation data and test results, and a continued safe, secure My Health Record system, the Agency has taken significant steps to uplift contract management systems and processes (see above and response to JCPAA 003).

Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

**Public hearing held on 13 November 2024 for
Inquiry into the contract management frameworks
operated by Commonwealth entities**

Number: JCPAA 03

Question Subject: Contract variations

Type of Question: Written

Question:

1. The audit identified issues relating to the eight contract variations that occurred between 2018 and 2023. It was noted for the six variations made under the existing contract term that ADHA did not document value for money or whether changes were sufficiently 'minor' to not return to market. ANAO further identified that contract risk was not analysed for five of these variations.
    a. What controls have now been put in place to ensure value for money is considered when varying a contract or conducting a procurement?
    b. Have processes now been amended and/or implemented to review risks for contract variations?
    c. Are there amended approval processes and involvement of the accountable authority/Board for future decisions to vary contracts and approach the market?

Answer:

a. While the Agency's Procurement Policy Framework and BuyRight-guided procurement system have always required value for money assessment as a key component of procurements, in response to the ANAO audit on *Procurement of My Health Record* Recommendation 8, the Agency has strengthened the guidance and documentation of value for money achieved from Agency procurements and contract variations. This includes:

    - For each procurement and contract variation, the introduction of new, detailed templates which ensure that all elements of value for money assessment are considered and analysis in relation to each of them is set out methodically.
    - For contract reviews, a new template called the *Australian Digital Health Agency Contract Review* template is being used and the Agency will further develop its internal assurance program in the first quarter of 2025 to monitor and assure that all required information is captured and used correctly.

To oversee these strengthened approaches to procurement and contract management, in June 2024 the Agency established a centralised Procurement Services Section within the Finance Branch. This team has been built to increase internal procurement capability and is responsible for leading High Value High Risk procurements, procurement policy and assurance functions.

The High Value, High Risk procurement approval processes themselves are also supported by additional internal and external assurance process to support compliance with the Commonwealth Procurement Rules, including value for money assessments.

b. An assessment of risk is a requirement for contract variations. Using the new templates, and assurance process, delegates are provided with this assessment, undertaken by a dedicated specialist central procurement team, prior to making contract variation decisions.

c. In response to the ANAO performance audit the High Value High Risk process for procurements and contract management has been further enhanced to ensure consistency across the Agency.

    - The new process includes enhanced templates and assurance mechanisms to support consistency and compliance.
        - For contract extensions, variations and approaches to market, elements covered in updated templates include performance, value for money, risk and issues, financial implications and cost benchmarking, improvement initiatives (Contract Terms or Otherwise), and analysis of the market and demand.
    - Approvals processes now require both Chief Operations Officer (COO) and Chief Financial Officer (CFO) approval prior to Chief Executive Officer (CEO) approval and presentation to the Board. The new templates and assurance processes provide the Board with greater transparency and detail on how recommendations for these procurements are developed and assessed.
    - The Board's involvement, as the Accountable Authority, in decision making remains unchanged. However, the centralised leadership of the High Value High Risk approach supports active Board oversight and decision making with improved documentation using the new templates described above, inclusion of any legal advice and confirmation of assurance from an independent expert that each procurement plan complies with the Commonwealth Procurement Rules.

Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

**Public hearing held on 13 November 2024 for
Inquiry into the contract management frameworks
operated by Commonwealth entities**

Number: JCPAA 04

Question Subject: National Infrastructure Documentation dispute with Accenture

Type of Question: Written

Question:

1. In June 2019, ADHA advised it was withholding several payments to Accenture because of not receiving the NID for several system changes. In May 2020, a dispute resolution plan was agreed.
    a. What are the lessons learned from the 'NID dispute' with Accenture?
    b. What has been done to mitigate the risk of another such dispute in the future, particularly given the conclusion of the current contract in June 2025?
    c. Was the erroneous advice to the board in 2022 that Accenture retained the IP corrected?

Answer:

a. In the course of the National Infrastructure Documentation (NID) dispute it became clear that the Agency's processes for managing and/or monitoring the delivery, review and acceptance of the NID were not fully fit for purpose, and differences in interpretation of what was required in documentation were left unresolved over an extended period of time. Earlier, more active resolution of differences in understanding on these matters would have enabled the dispute to be concluded sooner – and over the last two years there has been significant effort in engagement, relationship management and shared understanding of requirements to ensure that the parties would not be in this position again in the future.

b. Following the dispute, the Agency augmented its active management of the NID, including agreement on the form of bi-monthly release documentation and that the Agency has sufficient processes to manage and monitor delivery and review and acceptance of the NID.

- For example, at each release a central repository is created where the vendor uploads the full suite of documentation in an agreed format that is more easily absorbed and reviewed by the Agency team. A separate program team ensures the review and acceptance is completed in a timely manner across the relevant areas in the Agency.

- Where there are issues a newly established governance forum is used to coordinate resolution in a timely manner. This includes escalation points identified to ensure various levels of governance to address issues and minimise disputes.

c. The erroneous advice provided to the Board in 2022 has been clarified, including with legal advice, and the Agency Board has been apprised of the correct position.

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QUESTION ON NOTICE

Public hearing held on 13 November 2024 for
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Number: JCPAA 05

Question Subject: Performance assessments

Type of Question: Written

Question:

1. Advance payments were made to Accenture but these declined over time from over 90 per cent to approximately 60 per cent. ADHA could claim 'service credits' against payments made in arrears if Accenture failed to meet service levels but these were capped.
    a. Does an advance payment setup create a risk of weaker leverage to enforce performance requirements?
    b. Are there any lessons learned from practice of capping service credits that can be applied in the event of contractor non-performance?

Answer:

a. While the inclusion of advanced payments can create the risk of weaker leverage to enforce performance requirements, the Australian Digital Health Agency (ADHA) implemented contractual levers within the Accenture contract to reduce this risk from the commencement of the contract. Throughout the term of the contract, ADHA has maintained and applied these levers, including the use of service credits and other contractual levers, where delivery did not meet requirements. ADHA continues to monitor Accenture's performance to ensure they comply with their obligations.

   In relation to new contracts, the Agency would consider the costs, risks and benefits of this approach on a case-by-case basis.

b. One lesson learned from the practice of capping service credits is that very close monitoring of the performance of the vendor is required, including applying the service credits consistently within the provisions of the contract. While capping of service credits is common practice, parameters and application need to be negotiated with clarity and specificity prior to contract commencement and managed carefully throughout the life of the contract, including reviews at appropriate milestones such as variations, renewals or extensions.

For example, in the case of the Agency, Accenture's compliance against service levels is reported monthly, including details on where service levels have not been met and credits are applicable. The Agency undertakes detailed analysis of these reports to confirm the data being reported is accurate and, once accepted by the Agency, the applicable service credits are applied to the next monthly invoice. Any non-performance, risk management, service credits and other contractual matters are discussed at regular governance meetings with Accenture.

Joint Committee of Public Accounts and Audit

QUESTION ON NOTICE

Public hearing held on 13 November 2024 for
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operated by Commonwealth entities

Number: JCPAA 06

Question Subject: Cybersecurity

Type of Question: Written

Question:

1. How is the cybersecurity of the MHR information managed and what are the principal risks?
    a. What are the costs for this security and has this increased over time?
    b. Did cybersecurity risks with the MHR system arise during the audit?

Answer:

The My Health Record (MHR) is classified at the PROTECTED level under the Australian Government National Information Classification Framework. This requires a range of controls to be implemented, including external assurance reviews to comply with the Protective Security Policy Framework (PSPF) and the Information Security Manual (ISM), and, since inception, the MHR has been designed, built and managed to meet the requirements of a PROTECTED system.

A principal risk to the MHR is the threat posed by cyber criminals. The Agency has a dedicated team to constantly monitor this threat, working with key central security agencies to assess and manage the risks and, over time, this capability has grown and matured, supported by our partners, including Accenture.

a. In the context of the MHR, the cost of security forms part of the Accenture's Operational Maintenance and Support (OMS) arrangements, and Accenture is contractually required to comply with all Government legislation, including security (ISM and PSPF). Any uplifts to processes and systems required to maintain that compliance are conducted as part of routine OMS. Over the last 2 years, security costs related to the Accenture contract have remained fairly constant at around $5 million per annum (noting in 2021–22, as a result of the diversification and rehosting of the national health infrastructure, security costs were higher for a period to support project implementation).

b. Cyber security has been a central element of the Agency's strategic risk environment – reflected in the Strategic Risk Register and the Strategic Directions Risk Register – since establishment. Strategic risks, including, critically, security, are also reviewed and updated routinely as a central tenet of the Agency's operation of national health infrastructure.

In early 2024 the Agency set out a series of strategic drivers, initiatives and objectives to guide its decision making and deliver on its vision and implemented governance and resourcing arrangements to support modernisation of the national digital health infrastructure. This strategic direction and the key risks were approved by the board and are set out in the Agency's Strategic Directions Risk Register. Cyber security risks were expressly considered in this process, including in relation to procurement and resourcing and governing preventative, detective and protective controls to manage cyber security risks and to ensure that service delivery and product providers meet their obligations in compliance with the PSPF and ISM.

In May 2024, an Internal Audit report concluded that the Agency is effectively managing cyber security risks for third party providers delivering core national infrastructure services in support of MHR.

The Australian National Audit Office (ANAO) audit did not highlight any issues with cyber security risks with the MHR system but did find partial compliance with PSPF policy 6 in relation to 2 previous procurements as the security risks of procurement were not specifically identified in procurement planning advice, while also recognising that security risks and mitigations are a key feature of MHR-related strategic and operational documentation.

The matter raised by the ANAO has been resolved in relation to documentation for current and upcoming approaches to market. For example:

- In relation to the My Health Record on FHIR (Fast Healthcare Interoperability Resources[1]) repository procurement, the Agency has adopted a wholistic cyber security assessment, including conducting a specific risk assessment of the Request for Tender (RFT) prior to its release and identifying the requirements of respondents which formed components of the RFT. Cyber security elements have also been added to the required design and operational requirements of the solution which was independently reviewed by the Australian Signals Directorate to ensure all cyber security requirements were covered.
    - The RFT is currently in tender evaluation stage and cyber security elements are being assessed against each respondent.
- In relation to the upcoming procurement for application support and maintenance of My Health Record, the Agency is currently working on detailed cyber security and other service requirements to support the Agency in protecting the privacy and security of data held in the MHR and the selection of a preferred supplier. A dedicated cyber security risk assessment will also be undertaken for this procurement.

[1] FHIR standard is a set of rules and specifications for the secure exchange of electronic health care data. It is designed to be flexible and adaptable, so that it can be used in a wide range of settings and with different health care information systems.