



Performance and Financial Management Review – Northern Queensland Primary Health Network

December 2022

Introduction

In accordance with the Commonwealth Grants Rules and Guidelines 2017, the Department has established the Primary Health Networks - Grant Programme Guideline (GPG) which outlines the requirements that PHNs must adhere to in order to participate in the PHN initiative. A rolling audit program of PHNs supports the performance and operation of the PHN Program and provides assurance that PHNs are operating appropriately and in accordance with their legal and financial obligations.

McGrathNicol was engaged to undertake a review of NQPHN to determine the extent to which it has complied with its performance and financial management obligations under the Funding Agreement. The Department and NQPHN stakeholders were extensively engaged as part of this audit.

This document is a comprehensive summary of the review undertaken by McGrathNicol, collating all key recommendations and findings.

Scope of review

This performance and financial review builds on the baseline maturity assessment of NQPHN which assessed the organisation against six key qualitative domains: policies and procedures; people; governance and systems; risk and issues management; complaints management; and performance monitoring and reporting.

The review has considered compliance and performance of NQPHN in the following areas:

- Governance and decision-making processes;
- Financial management, planning and reporting; and
- Probity and commissioning practices.

Governance and decision-making processes

Scope of Review (included)

- Board capability
- Roles and responsibilities are clearly stated and understood
- Professional conduct
- Stability

- Circumstances regarding recent resignations of Board members
- Constitution and associated rules are adhered to
- Strategic plans in place and are regularly reviewed/revised
- Relevant and appropriate governance systems in place
- Risk management plan in place and being monitored
- Compliance with the Funding Agreement with the Department
- Engagement and consultation with Clinical Councils and Community Advisory Committees

Key findings and recommendations are set out below:

- The audit noted that NQPHN undertook an independent review in response to media in March 2022 suggesting conflict of interest regarding representation on the North Queensland Community Pharmacy Scope of Practice Pilot Steering Reference Group.
- At the time of this audit, the NQPHN was in adherence with the NQPHN Constitution with regard to director appointment and Board composition. Based on the information provided, the current Board appears to have relevant experience and an appropriate mix of skills to be able to oversee the NQPHN's delivery of funded services. McGrathNicol observed that there was a comprehensive induction process for new directors and that there is professional development training in place for directors. NQPHN are encouraged to ensure that there is regular ongoing training for their directors and, in particular, for new directors to the Board.
- McGrathNicol understands that an open letter reported through the media stated that a membership application received from the Royal Australian College of General Practitioners (RACGP) was outstanding for a long period of time. Whilst McGrathNicol were unable to conclude as to whether RACGP made a valid application initially, the action items documented within the Board minutes indicate that the process for considering new members as outlined within the NQPHN Constitution is being followed by the Board.
- NQPHN complies with the requirement to have a GP-led Clinical Council and representative Community Advisory Committee. The meeting minutes to these committees and councils demonstrate attendance to the subject matter relevant to those committees and the active involvement of the Board in the business of those committees. Further, Board meeting minutes indicate that reports and minutes of the committees are regularly reviewed and discussed during Board meetings.
- NQPHN's documented frameworks, policies, procedures and controls were generally well drafted, robust and will support NQPHN's operations (noting that a program of work is underway to update and improve policy and procedure documents and fill identified gaps).
- McGrathNicol considers that there is a methodical approach to risk management being documented (and practiced) by NQPHN.
- NQPHN's Constitution indicates a relatively standard constitution for a not-for profit company limited by guarantee. However, there are two areas within the Constitution that are regarded as outliers based on a review of 20 PHN constitutions and McGrathNicol's knowledge of companies limited by guarantee. These areas are: the process to admit

new members (where NQPHN's existing members must pass a special resolution); and a specified composition of directors on the Board enshrined within the Constitution.

- McGrathNicol notes that the NQPHN Constitution might not be appropriate for the organisation, particularly in respect to member admission, and recommended that the NQPHN's Board review the Constitution to ensure it is fit for purpose.

Financial management, planning and reporting

Scope of Review (included)

- Financial governance/controls
- Delegations and authorisations
- Budget management
- Self-generated income
- Compliance with any financial legislative responsibilities
- Accounts payable/receivable
- Statutory liabilities
- Risk management
- Asset management
- Procurement practices
- Receipts, banking, investments
- Adherence to the requirements of the Funding Agreement with the Department Reporting

Key findings and recommendations are set out below:

- At the time of this review, NQPHN advised that it is undertaking a project to revise the NQPHN Finance Manual, which is to act as an end-to-end finance processes manual.
- Despite some functions not yet being adequately supported by documentation, the processes observed appear to reflect sound practices. For the functions where policies, procedures and other operational documentation has been prepared, McGrathNicol assessed this as being of good quality and sufficient for an organisation of this size and nature. NQPHN is encouraged to continue their efforts to complete their financial management manual to ensure that such processes are fulsomely documented.
- Based on McGrathNicol's conversations with NQPHN and review of documentation, NQPHN appear to have sufficient controls and processes in place to adequately manage the budget of the PHN. NQPHN is commended on their recent changes and improvements to financial management systems and processes. These changes should establish a robust framework for NQPHN to more accurately report to the Department, avoiding some of the past issues recurring.
- NQPHN recently changed their accounting software and the financial management processes appear robust and should ensure there is accurate program level recording, enabling more timely and accurate reporting and avoiding errors of cross-subsidisation. To this point, NQPHN has demonstrated that the new financial system has been

established with separate income accounts for the Department's funding and non-Department funding to ensure clear distinction between income sources.

- There appears to be appropriate governance documentation with regard to procurement activity for an organisation of this nature.
- McGrathNicol observed that documentation provided by the Department indicates that required reporting has been received from NQPHN. Whilst there have been some issues with accuracy of reporting in the past, the redesign of the financial recording and reporting approach is expected to improve reporting.

Probity and commissioning practices

Scope of Review (included)

- Policies and procedures are in place and appropriately adhered to
- Probity arrangements are in place for clear, transparent and ethical decision making in relation to the commissioning and funding practices
- The PHN has documented how value for money was achieved.

Key findings and recommendations are set out below:

- NQPHN demonstrated their current commissioning processes through a series of meetings and walkthroughs. The processes observed broadly reflect sound practice. However, much of the existing documentation is not reflective of current practice, and as such McGrathNicol were unable to review NQPHN's active commissioning policy and procedure documents.
- The audit considered NQPHN documented processes do not reflect current practices and controls in place to manage such risks. Pleasingly, NQPHN has commenced a project to update commissioning policies and procedures to reflect current practices. NQPHN is strongly urged to continue with their project as a matter of priority to support improved management of risk.
- NQPHN appears to have an appropriate conflict of interest policy in place for an organisation of this nature.
- Sample testing of ten commissioned contracts was undertaken to determine if probity and other control arrangements are in place for clear, transparent and ethical decision making in relation to the commissioning practices of NQPHN.
 - All ten contracts had sufficient documentation to demonstrate the need for the commissioned activity.
 - All ten contracts could demonstrate how value of money was considered and achieved.
 - All ten contracts in the sample were approved in adherence with the Delegations Matrix
 - Whilst NQPHN met the majority of criteria applied by McGrathNicol (in testing the sample of commissioning practices), stronger evidence of consideration of conflicts of interest should be documented on file. It is acknowledged that the sample selected were long term contracts that were initially contracted using processes that are not reflective of contemporary NQPHN commissioning

practices and that in the case of commissioning decisions that are renewals, these conflict of interest practices may have been evident at the time of the original commissioning activity. However, based on the selected sample, it would be stronger practice to also consider and document any conflicts of interest at the time of the renewal decision. Examples of contemporary commissioning practices provided by NQPHN appear to reflect more robust processes in this regard.

- Further, the difficulty in sourcing documentation required for sample testing commissioning activity indicates an absence of robust document management processes that should be addressed by NQPHN.
- The audit recommends that the NQPHN Board consider these critical aspects within the development of commissioning process and procedure documentation and implement appropriate controls to manage adherence.

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McGrathNicol have not carried out a statutory audit, and accordingly an audit opinion has not been provided. The scope of our work is different to that of a statutory audit and it cannot be relied upon to provide the same level of assurance.

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