



Performance and Financial Management Review – Adelaide Primary Health Network

14 December 2023

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 PHNs are operating appropriately and in accordance with their legal and financial obligations.

McGrathNicol was engaged to undertake a review of Adelaide Primary Health Network (APHN) to determine the extent to which it has complied with its performance and financial management obligations under the Funding Agreement. The Department and APHN 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 will build on the findings of the Baseline Maturity Assessment of APHN 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 APHN in the following areas:

- governance and decision-making processes
- financial management, planning and reporting
- organisational capacity and capability
- probity and commissioning practices.

Governance and decision-making processes

Scope of Review (included):

- board capability
- roles and responsibilities are clearly stated and understood
- determine how strategic decisions are made within the Board
- constitution and associated rules are adhered to and meet the needs of APHN

- strategic plans in place and are regularly reviewed/revise
- relevant and appropriate governance systems and control frameworks in place
- compliance with the Funding Agreement and legislation
- identify recommendations for improvement
- management of conflict of interest
- progress against Baseline Maturity Assessment
- stakeholder management.

Key findings and recommendations are set out below:

- The APHN Board comprises Directors with range of skills and expertise to oversee the management of APHN. The Board includes representatives that possess current or previous experience in primary health, allied health, mental health services and peak health bodies, and now includes a First Nations Representative. The Board has a skill matrix which covers a number of industry, technical, governance, and behavioural competencies. Publicly available information indicates that the Board has the relevant experience and an appropriate mix of skills to be able to oversee APHN's delivery of funded services.
- In a strong example of APHN's Board being across governance arrangements, we observed within the minutes that the Board discussed the potential for significant turnover of the Board in 2025 and settled on a program of structured shortening of individual Director's terms to ensure appropriate staggering of tenure to manage this issue. This mitigation is considered appropriate, and as such no recommendation has been made on the issue.
- Our review found APHN's Board governance documentation to be excellent, with a register of policies establishing a regular review timetable, ensuring that all policies are reviewed regularly.
- With changes to APHN's governance arrangements, some documentation still refers to the older arrangements (particularly in relation to Council/Committee names). However, this issue is minor in nature and will be addressed by APHN as the suite of governance documentation is refreshed. Accordingly, no recommendation has been made in respect to this issue.
- APHN complies with the requirement to have a GP-led Clinical Council and representative Community Council. Both the Community Advisory Council and the Clinical Council report to the Board on locally relevant clinical and consumer issues.
- A revised Constitution was adopted in February 2023. McGrathNicol's review of APHN's Constitution indicates a relatively standard constitution for a not-for profit company limited by guarantee. However, the Constitution requires a minimum of three Directors to be General Practitioners (not considered to be an issue) and is more prescriptive than many other standard constitutions in relation to enshrining Councils and Committees within the Constitution (also not regarded as an issue).
- The Terms of Reference establish clear roles and responsibilities for APHN's Councils and Committees. It was agreed by the Directors that these Councils would each be Chaired by a non-Director with designated Directors in attendance at Council meetings. Under the new Constitution, these Council Chairs are classified as APHN Members, along with the Directors. Within this report we explored the potential

advantages and disadvantages of a member base that is restricted to APHN's Directors plus three Council Chairs.

- The level of work and consultation that APHN embarked upon to lead to the unanimous support by Members of the new Constitution in February 2023 is regarded as significant. Whilst acknowledging the potential issues that could emerge from APHN's current position of Directors and Members being largely the same individuals, on balance we regard APHN's approach within the new Constitution to have merit and clear support from the previous group of Members. No recommendation emerges from our above observations.
- It was noted that the previous Board viewed one of the key drivers for change of the Constitution and governance arrangements was to better establish a framework for stakeholder engagement. From discussions with the CEO, whilst it is acknowledged that it is only a few months since the changes were made, she believes that APHN is better positioned to have meaningful engagement with the community and key stakeholders.
- There are two recommendations in relation to APHN's governance and decision-making processes:
 1. It is recommended that APHN further consider its framework for demonstrating achievement of the Strategic Plan (and Strategic Framework) and in delivering its outcomes. The development of clear performance measures and a roadmap of how those measures will be achieved (with periodic reporting against those measures) will provide greater clarity over APHN's achievements to the Board, management, and stakeholders.
 2. In line with the Baseline Maturity Assessment, it is recommended that APHN establish a performance monitoring and reporting framework as a matter of priority. The performance framework should be aligned with the Strategic Plan so as to suitably demonstrate performance against stated outcomes.

Financial management, planning and reporting

Scope of Review (included):

- financial management practices
- financial governance/controls
- clear and transparent funding arrangements
- 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:

- The Department requested that McGrathNicol undertake a review of APHN's financial planning, management systems, internal control frameworks, and policies and procedures. We found that APHN's frameworks are to a high standard, with appropriate delegations, governance documentation, and financial risk management policies and procedures.
- APHN provided evidence of a strong budgeting framework and robust reporting processes that appear to meet funding agreement requirements.
- There is one recommendation in relation to APHN's financial management, planning and reporting:
 1. Whilst APHN's Budget Workflow document appears to provide adequate procedural guidance, there would be benefit in developing an overarching Budget Framework with the inclusion of guidance principles, linkage to mandatory requirements, and clear articulation of its alignment to the APHN Strategic Plan and Commissioning Framework. The practice of formalising the link between financial budgeting procedure and strategic outcomes would further strengthen the quality of APHN's governance documentation.

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:

- The Department requested that McGrathNicol undertake a review of operational systems to support the efficient and effective identification of needs and commissioning of services including key internal control frameworks, policies, and procedures.
- APHN's Commissioning Framework and associated Commissioning – Procurement Procedures Manual are regarded as comprehensive in nature, clearly defining the activities involved within the Commissioning Cycle and providing linkages to relevant APHN strategic and other supporting internal documents. The roles and responsibilities associated with each activity are clearly defined, and we consider that the Commissioning Framework meets the needs of APHN.
- It is noted that APHN provides detailed guidance, including the Adelaide PHN Commissioning Handbook, on its website regarding commissioning services for the PHN. This includes presenting its Commissioning Framework in full.
- McGrathNicol completed testing of a sample of 10 commissioned contracts to determine if probity and other control arrangements were demonstrated to support clear, transparent, and ethical decision making in relation to the commissioning and

procurement practices of APHN. The sample testing had a specific focus on whether linkages to the Strategic Plan and Activity Work Plans were clear and whether APHN had documented how value for money was achieved.

- In testing the sample of commissioned contracts, documentation supported the achievement of our testing criteria for all tested open tender contracts, with weaker results being achieved by those commissioned via direct approaches. Evidence was readily available to support consideration of conflicts of interest, value for money, relevant approvals, and endorsement of the commissioning activities for most sampled contracts. This also pointed to strong record keeping practices within APHN.
- Given our conclusions on the strong frameworks implemented for APHN's commissioning activities, and the indication that for recent open tender commissioning activities those processes have been followed, we have not made a recommendation in relation to those exceptions identified during our testing. We are confident from recent commissioning activities that the processes required of staff in undertaking open tender commissioning are understood and the controls appear to be followed.
- There were no recommendations identified in relation to APHN's probity and commissioning practices.

Data security

Scope of Review (included):

- appropriateness of IT infrastructure
- data management arrangements
- progress against Baseline Maturity Assessment
- funding of data collection
- data migration plans related to Primary Health Insights (PHI).

Key findings and recommendations are set out below:

- The Department requested that McGrathNicol undertake a review of APHN's data management arrangements, including data migration plans related to Primary Health Insights (PHI). PHI is a storage and analytics platform that hosts the de-identified general practice and other primary health data of most of the PHNs across Australia.
- APHN committed to migrate to PHI in late 2020, signing on to the Primary Health Insights Service Project Agreement and executing a contract with WA Primary Health Alliance Limited (the lead agency in implementing the PHI program). Whilst APHN do not have a formal document detailing its plans for migration to PHI, APHN management were able to describe their approach to us through consultation.
- In relation to cyber risk, management informed that in March 2022 APHN's cyber insurance provider would not reinsure the organisation due to perceived risks within APHN's environment. A program of urgent cyber security work was undertaken by APHN, resulting in insurance being put back in place. Much of the program of work undertaken by APHN aligned to strengthening controls in line with the Essential Eight Model for cyber resilience. This is one of a number of security models that are

available to guide organisations in building cyber resilience and it is viewed as a positive that APHN is using this to guide their work to harden their cyber security environment. However, as noted below, recommendations have been made to further progress this work.

- There are three recommendations in relation to APHN's data security:
 1. Whilst the Data Governance Framework is still in draft form, the content appears largely complete with some minor unresolved comments. We encourage APHN to continue to develop the Data Governance Framework and seek final approval from the Board as a priority.
 2. As part of APHN continuing its journey of cyber resilience and electing to adopt the Essential Eight Model, it is recommended that APHN identify and set its Essential Eight target maturity level (to be endorsed by the Board). APHN should also continue with a regular program of self-assessment against the Essential Eight maturity model, along with independent external assessment as a matter of priority in the next six months and then periodically, to ensure cyber resilience remains a focus. In terms of undertaking the external assessment, we recommend that APHN provide an update to the Department on the results of that assessment.
 3. Whilst APHN has begun implementing an approach to PHI migration, it is recommended APHN detail its plan for PHI migration in a formal strategy document (endorsed by the Board) to ensure a comprehensive and systemised approach to change management across the organisation.

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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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