



Performance and Financial Management Review – Northern Sydney Primary Health Network

20 March 2024

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 the Northern Sydney Primary Health Network (NSPHN) to determine the extent to which it has complied with its performance and financial management obligations under the Funding Agreement. The Department and NSPHN 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 NSPHN 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 NSPHN 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 NSPHN

- 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.

Key findings and recommendations are set out below:

- The NSPHN Board comprises Directors with range of skills and expertise to oversee the management of NSPHN. Representatives possess current or previous experience in clinical, governance, legal, information technology, financial, marketing, and community health areas which we regard as an appropriate mix of skills to be able to oversee NSPHN's delivery of funded services.
- While the Board has a skill matrix which covers a number of industry, technical, governance, and behavioural competencies, NSPHN did not provide evidence of an assessment of the current Board against the above criteria. However, the Board members interviewed stated that assessments are performed annually, and a desktop review conducted by McGrathNicol indicates that the current Board of Directors broadly meets the requirements of the Board Skills Matrix.
- The quality and breadth of the Board governance documentation is regarded as strong. Of note is a register of all policies that is held by NSPHN, which includes the names of all policies and a unique identifier for each for ease of reference.
- NSPHN complies with the requirement to have a general practice-led (GP) Clinical Council and representative Community Council. Both the Community Council and the Clinical Council report to the Board on relevant clinical and consumer issues.
- McGrathNicol's review of NSPHN's Constitution indicates a relatively standard constitution for a not-for profit company limited by guarantee. The Constitution dictates that a minimum of three Directors at any time must be General Practitioners; a minimum of two Directors at any time must be Allied Health Professionals; and Directors of the same profession must not make up 50% or more of the Board.
- From our review of the Council and Committee Terms of Reference, meeting minutes and other documentation, it appears that NSPHN's Board has oversight and active involvement in the Councils and Committees that NSPHN has formed.
- A requirement under the PHN's funding agreements with the Department relates to actively reporting conflicts of interest using the Conflict Notification Form Template. NSPHN management advised that while they actively monitor and record conflicts of interest internally, they have not used the Department's Conflict-of-Interest Form in the past for reporting conflicts due to staff being previously unaware of the form's existence. In other respects, NSPHN's frameworks for managing conflicts of interest appear robust and create an environment where conflicts of interest can exist and be managed carefully.
- There is one recommendation in relation to NSPHN's governance and decision-making processes:
 1. NSPHN should implement a process to ensure that where conflicts of interest are identified and required to be reported to the Department, they advise the Department using the Conflict Notification Form Template.

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 McGrathNicol undertake a review of NSPHN's financial planning, management systems, internal control frameworks, and policies and procedures. We found that NSPHN's frameworks are prepared to a high standard, with appropriate delegations, governance documentation, and financial risk management policies and procedures.
- NSPHN provided evidence of a strong Budget and Planning Policy and robust reporting processes that appear to meet funding agreement requirements.
- NSPHN provided evidence of a strong Budget and Planning Policy and robust reporting processes that appear to meet funding agreement requirements. Similarly, NSPHN appears to have appropriate reporting and control processes which includes mechanisms to ensure that revenue and expenditure are monitored against budget. These processes reflect positively on NSPHN's ability to readily identify and resolve issues, and similarly to ensure quality submissions.
- There were no recommendations identified in relation to NSPHN's financial management, planning and 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

- commissioning practices are culturally appropriate
- commissioning activities under Funding Agreements reflect the approved Activity Work Plan details.

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.
- NSPHN's Commissioning Framework and associated documents, including the Evaluation Framework and Toolkit, are regarded as comprehensive in nature. These documents clearly define activities involved in the Commissioning Cycle and providing linkages to other supporting internal documents. The roles and responsibilities associated with each activity are detailed appropriately, and we consider that the Commissioning Framework meets the requirements set out by the Department's Grant Programme Guidelines, including the requirement that value-for-money be demonstrated and that potential conflicts of interest be managed. Overall, we consider that the Framework is fit-for-purpose. NSPHN should implement a formal review cycle for the Commissioning Evaluation Framework and Evaluation toolkit.
- It is noted that NSPHN provides detailed guidance on its website regarding commissioning services for the PHN. This includes presenting its Commissioning Framework in full.
- McGrathNicol completed testing of a sample of ten 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 NSPHN. The sample testing had a specific focus on whether linkages to the Activity Work Plans (AWPs) were clear and whether NSPHN had documented how value for money was achieved.
- In testing the sample of commissioned contracts, documentation supported the achievement of our testing criteria in full for seven of the ten contracts, with the remaining contracts also achieving most criteria. NSPHN was unable to provide some evidence to demonstrate consideration of conflicts of interest and the basis of relevant procurement decisions. Evidence was readily available to support value for money, relevant approvals, and endorsement of the commissioning activities for the remaining contracts. This also pointed to strong record keeping practices within NSPHN.
- Three sampled contracts did not meet the testing criteria for consideration of conflicts of interest and demonstration of relevant decisions made in the commissioning of the contracts. NSPHN explained that it was difficult to obtain specific considerations of conflict of interest for these contracts as they were originally commissioned in 2016.
- NSPHN management indicated that the mapping of Core Flexible funding is more complex as it sits across all NSPHN business units. NSPHN advised that it uses this funding to cover targeted activities which may not be formally commissioned.
- There are three recommendations in relation to NSPHN's governance and decision-making processes:
 1. NSPHN should consider implementing a formal review cycle for the Commissioning Evaluation Framework and Evaluation Toolkit in line with the review structure in place for other commissioning documentation. Regularly reviewing and updating active

procedural documentation will help promote the relevancy of guidance material and compliance with funding requirements, in addition to ensuring that the documents remain consistent with best practice within the PHN.

2. NSPHN should consider adding commissioning specific guidance to its Conflict of Interest Policy. It would be beneficial to highlight processes and controls relating to the declaration of conflicts of interest when extending existing commissioning contracts.
3. To address inconsistencies in quality of documentation, NSPHN should implement a standardised process to track expenses against all AWP's to ensure expenditure is in line with the agreed activity budget as required in the funding agreement.

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 NSPHN'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.
- NSPHN's Data Governance Framework is regarded as robust, identifying and providing an overview of data governance arrangements, structures, and support mechanisms in place to ensure security, privacy, and appropriate access to data.
- NSPHN management indicated that the organisation is taking steps to obtain certification and comply with the ISO 27001 standard by 30 June 2026 in line with the requirements of NSPHN's core Funding Agreement.
- As part of NSPHN's ongoing ICT Strategy, a seven layered security architecture model on cyber safeguards and controls is used. McGrathNicol noted that the elements present in NSPHN's seven layered security approach show significant overlap with the Essential Eight Maturity Model, indicating a strong benchmark for improving the implementation and adoption of cyber incident mitigation strategies at NSPHN.
- There were no recommendations identified in relation to NSPHN's data security.

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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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