



Performance and Financial Management Review – Northern Territory Primary Health Network

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

- strategic plans in place and are regularly reviewed/revised
- relevant and appropriate governance systems and control frameworks in place
- compliance with the Funding Agreement and legislation and
- identify recommendations for improvement.

Key findings and recommendations are set out below:

- The NTPHN Board comprises Directors with range of skills and expertise to oversee the management of NTPHN. The Board includes representatives that possess current or previous experience in legal, financial, clinical, governance, and Aboriginal health fields. Publicly available information indicates that the Board has the relevant experience and an appropriate mix of skills to be able to oversee NTPHN's delivery of funded services.
- NTPHN 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. The roles both councils are enshrined within the NTPHN Constitution. In addition, the Board Charter clearly establishes the roles and responsibilities of these Councils (and NTPHN's Committees). The Committees are established with individual Terms of Reference.
- McGrathNicol highlighted NTPHN's strong connection with the Aboriginal community within the Northern Territory. The Board stated a view that engagement with the Aboriginal community in its jurisdiction needs to be effective on multiple levels. NTPHN was able to show a strong connection between the Board, individual directors, and the Aboriginal community.
- The Department requested McGrathNicol undertake a review of review of NTPHN's Constitution which indicated a relatively standard constitution for a not-for profit company limited by guarantee. However, the Constitution notes that member admission is managed through existing members voting on a special resolution to admit prospective members (i.e. achieving 75% of members in support of the resolution). In the context that NTPHN has only three members, to achieve a special resolution (i.e. 75%), all three members must be in support of admitting a new member. This position is somewhat of an outlier in relation to other PHN constitutions that we have seen, and companies limited by guarantee more broadly.
- At the time of our review, NTPHN was in the process of adopting a new Strategic Plan for 2023-2028, with the current plan (2018-2023) expiring at the end of the 2023 calendar year. The current plan covers an appropriate breadth of issues but only at a high level. The draft provided for the new Strategic Plan appeared to be more comprehensive and detailed in its description of NTPHN's organisational purpose, regional context, focus areas, and strategic priorities.
- There are six recommendations in relation to NTPHN's governance and decision-making processes:
 1. The Board should proceed with their planned comprehensive review of the NTPHN Constitution to ensure that it remains fit for purpose. Included in this review should be consideration of bringing more overt reference to conflict of interest and Directors' duties into the Constitution and consideration as to whether

the current membership arrangements provide a broad enough membership base for NTPHN into the future.

2. As part of its corporate governance arrangements, NTPHN should consider developing an implementation plan for addressing all recommendations from this report. This plan should be provided to the Department including details of timeframes, goals, activities and success measures.
3. The Board should ensure ongoing vigilance in relation to Conflict of Interest and continue to support their Directors through regular training and communication on how to effectively manage conflict of interest risk. Further, NTPHN should use the Conflict Declaration Form to actively report any detected conflicts to the Department as soon as they are identified.
4. NTPHN should finalise and seek Board endorsement of the Strategic Plan 2023-2028.
5. Following endorsement of the Strategic Plan 2023-2028, NTPHN should further consider its framework for demonstrating achievement of the Strategic Plan and delivering its outcomes. To further improve the validity of NTPHN's performance measures and to better monitor and track entity performance, it would be valuable to set clear and measurable targets as well as a detailed roadmap of how those targets are to be achieved.
6. NTPHN should continue with its review and update of the Stakeholder Engagement Policy and related documentation with a view to obtaining Board endorsement to finalise.

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 NTPHN's financial planning, management systems, internal control frameworks, and policies and

procedures. We found that while NTPHN's individual policies are sound, the PHN is limited in that it does not have an overarching finance strategy or financial policy.

- NTPHN provided evidence of a strong budgeting framework and robust reporting processes that appear to meet funding agreement requirements.
- It is noted that that the Department made a recommendation in the Baseline Maturity Assessment to establish a compliance framework, including relevant policies and procedures, and a compliance register. In consultation with NTPHN management, it appears that this recommendation has not yet been addressed.
- There are four recommendations in relation to NTPHN's financial management, planning and reporting:
 1. Whilst NTPHN has policies and procedures that provide guidance on individual financial functions, there would be value in developing an overarching finance strategy or financial policy. This document would encompass: the roles, authority, and responsibilities for essential financial management activities and decisions; financial planning arrangements (e.g. achievement of financial results and cash holdings to ensure financial viability); and alignment of financial management activities to the organisation's goals. An overarching strategy or policy for the NTPHN's financial management arrangements would provide clarity for stakeholders in relation to financial management arrangements.
 2. NTPHN should finalise and seek Board approval for the new Accounts Payable and Payments Procedure.
 3. With consideration of the change in internal and external operating environments since the Disaster and Emergency Management Plan and Business Continuity Plan were last approved, particularly in light of health sector reforms post-COVID, NTPHN should review and update these two documents.
 4. NTPHN should continue to develop a compliance framework with the necessary supporting documentation. A suitable compliance framework would help capture NTPHN's obligations, its approach to monitoring and reporting on compliance, and methods to initiate corrective action in the case of identified non-compliance.

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:

- NTPHN's Procuring Services policy is regarded as comprehensive in nature, however this document is currently in the process of being decommissioned and replaced with a suite of new documents. NTPHN's new Commissioning Policy and Procedure documents provide clear guidance in relation to the activities involved within the commissioning cycle and outlines the principles which underpin the commissioning approach.
- 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 NTPHN.

- In testing the sample of commissioned contracts, only one of the ten contracts fully met our testing criteria, with the majority of contracts tested partly meeting our testing criteria. In most cases, evidence was ultimately available to support consideration of conflicts of interest, value for money, relevant approvals, and endorsement of the commissioning activities.
- Eight out of the ten contracts reviewed adopted a direct or re-contracted procurement approach (i.e. only going to a single provider). This was much higher than expected and we understand that NTPHN will focus on ensuring that the use of direct procurement is appropriate and can be supported by value for money considerations.
- Much of the information provided by NTPHN in respect of the ten contracts sampled took up to a month to be located and a number of documents could not be provided.
- There are three recommendations in relation to NTPHN's probity and commissioning practices:
 1. Given that much of the evidence provided by NTPHN to support commissioning activity within the sample tested did not match the requirements of NTPHN's internal policies, NTPHN should complete the refresh of their commissioning policies and procedures as soon as possible. Currently the PHN's older Procuring Services document and the newer Commissioning Policy and Procedure are both active, however they do not entirely align with each other.
Furthermore, given the required procedures were largely not followed in the sample of commissioned contracts selected, NTPHN should consider implementing a control for all commissioning activities whereby a senior officer reviews the process, including ensuring that documentation supports adherence with policy requirements.
 2. In the context that eight out of ten sampled commissioned contracts were undertaken through a direct or re-contracted procurement approach, NTPHN should review its approach to direct procurement and consider whether the level of reliance on direct procurement is appropriate. If so, NTPHN should ensure that it can justify achievement of value for money in the context of not running a competitive process involving more than one supplier.
 3. NTPHN should consider and improve its record-keeping arrangements in relation to commissioning activities. In the event of audits, challenges to commissioning processes or internal review being required, it is important to be able to promptly locate all relevant commissioning documentation to support the actions undertaken by NTPHN.

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 McGrathNicol undertake a review of NTPHN'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.
- It was noted that at the time of this review, NTPHN remained in a state of change, with major ICT transformations still underway. NTPHN management indicated that within the last 18 months, a tender process had been undertaken to partner with a Managed Service Provider (MSP) who will assist in moving towards a unified data model. The systems under review for replacement include finance, contracts, recruitment, customer relationship management, and human resources.
- NTPHN explained that data management for individual portfolios and teams tended to be siloed and there was no unified organisational approach to data management, including for informing quality improvement activities.
- Strategy Two from the NTPHN ICT Strategy seeks to drive adoption and development of PHI infrastructure to meet organisational needs. The action tied to this objective involves creating the requisite structures and pipelines to PHI in support of NTPHN's data goals by December 2023.
- There are five recommendations in relation to NTPHN's data security:
 1. NTPHN should continue to develop the ICT Strategy, Data Governance Policy and other documentation supporting the development of robust data security arrangements. We encourage NTPHN to draft and seek final approval for these documents.
 2. Due to the length of time since the last review and in light of significant changes to NTPHN's data security environment since 2017, NTPHN should update and seek Board endorsement for the Information and Communications Technology Security Policy. Noting that finalisation of this policy will be dependent on changes to NTPHN's data systems and processes which are currently undergoing transition.
 3. NTPHN should seek to conduct either an internal or external cyber capability assessment (for example an assessment against the Essential Eight Model). In the absence of periodic self-assessment or independent assessment, NTPHN may not have a sound understanding of areas of strength and weakness across its cyber resilience environment.
 4. NTPHN should continue to prioritise implementation of the Essential Eight Model at an initial Maturity Level of One. As part of the recommended internal or external assessment (above), NTPHN should develop a clear roadmap for meeting Maturity Level One including identification of an achievable implementation date.
 5. Whilst NTPHN has begun implementing an approach to PHI migration, NTPHN should 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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The information in this report may not include all possible or relevant information in relation to the matter we have been instructed to review. Whilst every effort has been made to ensure the information contained in this report is accurate and complete, McGrathNicol accepts no responsibility if the information ultimately turns out to be incorrect or not applicable. In issuing this report, McGrathNicol is not certifying that they have identified all relevant events and information. McGrathNicol have sought to identify all significant events from the information provided but provide no assurance that all such significant events and information have been identified.

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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