

**Department of Health and Aged Care**

Country South Australia Primary Health Network

Organisation Review

**Summary Report**

17 December 2024

# Introduction

**Scope of review**

McGrathNicol have been engaged by the Department of Health and Aged Care (the Department) to undertake a review of the Country South Australia Primary Health Network (CSAPHN), to determine the extent to which it has complied with its performance and financial management obligations under the funding agreements.

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

* governance and decision-making processes
* financial management, planning and reporting
* organisational capacity and capability
* probity and commissioning practices
* stakeholder relationships
* data management including PHI; and
* CSAPHN’s engagement with PHN Cooperative.

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 program of PHN audits support 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 has been engaged to undertake a review of CSAPHN to determine the extent to which it has complied with its performance and financial management obligations under the GPG and Funding Agreement. The Department and CSAPHN stakeholders were engaged extensively as part of this audit.

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

## Disclaimer

This report has been prepared for the Department of Health and Aged Care for the purpose set out in the Official Order dated 22 December 2023. In accordance with our usual practice, McGrathNicol expressly disclaims all responsibility to any other person or entity for any reliance on the content of this report.

The information in this report may not include all possible or relevant information in relation to the matter we have been instructed to investigate. Whilst every effort has been made to ensure the information contained in this report is accurate, McGrathNicol accepts no responsibility if the information ultimately turns out to be incorrect or not applicable. We note that, in issuing this report, McGrathNicol is not certifying that we have identified all relevant events and information. We 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.

We 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.

We advise that neither McGrathNicol nor any member or employee of McGrathNicol undertakes responsibility in any way whatsoever, including by way of any errors or omissions arising through negligence or otherwise however caused to any persons other than the Department.

# 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 CSAPHN
* 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 are set out below:

We found CSAPHN’s Constitution to be appropriate, considered and tailored to their activities.

The CSAPHN Board has an adequate mix of skills required to oversee the delivery of the PHN program, and there was some evidence to support that the Board, Councils and Committees are actively involved in setting strategy, monitoring performance and overseeing operations. Noting that the CSAPHN Board appears to heavily comprise clinical expertise.

CSAPHN has 20 Members, including 10 Ordinary Members (individuals) and 10 Body Corporate Members. Of the individuals, there are five General Practitioners. Only one Ordinary Member is not on the Board – with the remaining individuals being current Directors. Of the 10 Body Corporate Members, seven are the PHN’s regional Local Health Cluster organisations (which form part of CSAPHN’s Community Advisory Committees).

CSAPHN has a prescriptive conflict of interest (COI or conflict/s) procedure for employees across all levels of the organisation. We observed how CSAPHN has managed conflict of interest in practice through the documentation contained within the Register of Declarations of Interest for the Board and Clinical Council and Board meeting minutes.

Review of CSAPHN’s Inaugural and 2024 Strategic Plans, shows that they are public facing and appear to cover an appropriate breadth of issues, albeit at a high level. Both documents adopt a one-page infographic format, summarising the organisation’s values, objectives, and priorities with corresponding strategies. Whilst these overviews are regarded as useful summaries, as a standalone document they do not appear to contain sufficient detail to provide the organisation with strategic direction.

In discussion with CSAPHN management, it was apparent CSAPHN has a mature and highly developed approach to stakeholder engagement. This was demonstrated by CSAPHN’s dedicated Strategic Engagement corporate portfolio which encompasses management of the Community Advisory Committees, Clinical Council, primary care and digital support, and specific clinical care teams (including General Practice and Ageing and Palliative Care). Further, it was explained how the Board regularly engages with stakeholders in-person around the region.

CSAPHN have a relatively strong approach towards risk management. This was seen through a suite of policies, procedures and frameworks, in addition to CSAPHN’s newly restructured Risk Committee (formerly a combination of Finance, Audit and Risk Committee). However, McGrathNicol notes that the organisational risks identified within CSAPHN’s Risk Management Framework are relatively high-level and could benefit from increased tailoring. Further, the Risk Management Framework is allocated a review timeframe of 24 months. While this is generally appropriate for a risk framework, we would expect a risk register (or equivalent) to be reviewed more frequently.

We have made three recommendations in relation to CSAPHN’s governance and decision-making process:

CSAPHN should consider conducting a formal assessment of Board skills, which may take the form of mapping out a Board skills matrix or similar. This assessment should be carried forward and undertaken on a regular basis to help ensure the CSAPHN Board has sufficient breadth of skills, and knowledge and geographic representation to support execution of good governance. CSAPHN should additionally consider developing and formalising a dedicated governance/Board charter or policy to ensure clearly defined roles and responsibilities of senior management and Board Directors.

CSAPHN should consider developing and formalising frameworks, policies and/or procedures in the following areas where a gap in governance documentation has been identified, including:

1. a detailed strategic plan demonstrating actionable steps to monitor and manage strategic goals; and
2. a performance monitoring and reporting framework for CSAPHN (which would ideally tie in with the goals from the strategic plan).

McGrathNicol notes that Commonwealth guidance is not prescriptive about what constitutes a ‘regular and appropriate’ frequency of review of risk management documents. However, it is recommended that CSAPHN consider implementing an approach to recording and updating risks in the risk register (currently included as part of the Risk Management Framework) more frequently. Ideally, updates would occur concurrently to internal discussions and any mitigation actions as they take place, or otherwise updating the register annually.

# 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; and
* reporting.

Key findings are set out below:

McGrathNicol’s review of CSAPHN’s financial management arrangements found them to be sound for an organisation of this size and nature. This documentation addressed key functions such as: risk management; delegations and authorisations; procurement practices; and budgeting. However, we have raised comments in relation to the lack of budgeting frameworks and documentation of some financial processes for the organisation.

In considering compliance with financial legislative responsibilities, we tested key financial management requirements against the *Australian Charities and Not-For-Profits Commission Act 2012* (ACNC Act) and did not identify any areas of departure or non-compliance from the ACNC Act.

CSAPHN’s risk management policies and procedures establish what appear to be reasonable guidelines for managing financial risk, with particular financial risks identified being inappropriate financial management; and financial fraud or malfeasance. Additionally, CSAPHN’s Business Continuity Plan (2023) sets out how it will manage critical financial breakdowns, with each scenario detailing the operational response strategies, resources needed for operational response strategies, and quality improvement actions identified.

CSAPHN management indicated to McGrathNicol that the organisation does not have a specific policy or overarching framework in place to guide budgeting practices. However, through consultation we understood that CSAPHN’s budget approval process is ultimately managed by the Board, Executive management, and Finance Team.

No formal policy was sighted in relation to the management of receipts. However, CSAPHN noted that it does have a 14-page work instruction document outlining the managements of receipts. This could not be provided to McGrathNicol due to sensitive information being included. CSAPHN may consider adding this to its financial governance documentation as a standalone document or as part of existing policies and procedures for completeness.

We have made one recommendation in relation to CSAPHN’s financial management, planning and reporting:

CSAPHN should develop and formalise frameworks, policies and/or procedures in the following areas where a possible gap in financial documentation has been identified, including:

1. a budget framework, including a budget management policy, relevant procedures and tools; and
2. a receipts management policy.

We note that, based on consultations, existing processes likely already reflect the capabilities and activities expected to be contained in the documents suggested above. However, formally recording these processes would demonstrate stronger governance practices, and aid CSAPHN in succession planning by retaining corporate knowledge.

# Organisational capacity and capability

**Scope of review included:**

* human resource policies and procedures are in place and appropriate
* staff procurement/recruitment framework and policies/procedures
* work health and safety policy
* feedback, compliments and complaints framework and policies/procedures
* list/description of training provided to Directors and staff; and
* paperwork regarding recent resignations and turnover of staff from the past 12 months.

Key findings are set out below:

CSAPHN’s portfolio of human resources policies covers all essential topics, with each policy having a corresponding procedure that details the actions to be taken in order for the organisation to be acting in line with the policy.

CSAPHN provided a copy of its Asset Register for review, which details assets and equipment purchased by the organisation since 2001. Overall, CSAPHN’s IT infrastructure appears to be appropriate, contemporary and sufficient to meet business needs.

CSAPHN provided a list of current property leases for its six office locations in Mount Barker, Nuriootpa, Port Augusta, Port Lincoln, Whyalla, and Mile End. These office locations provide coverage of populous areas in CSAPHN’s geographical region. Upon review of spreadsheet provided, the locations and lease dates appeared appropriate for the purposes of conducting PHN functions.

There were no recommendations identified in relation to CSAPHN’s organisational capacity and capability practices.

# 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; and
* commissioning activities under Funding Agreements reflect the approved Activity Work Plan details.

Key findings are set out below:

McGrathNicol has undertaken a review of CSAPHN’s documentation related to the needs assessment and commissioning process including key internal control frameworks, policies, and procedures.

Overall, the documentation provided by CSAPHN in relation to the commissioning cycle was comprehensive and robust in nature and reflects the Department’s guidance for commissioning. CSAPHN has also established robust probity arrangements to ensure clear, transparent, and ethical decision-making in its commissioning and funding practices.

A unique positive practice seen in CSAPHN’s approach was the creation and implementation of the Independent Commissioning Committee (ICC) for the commissioning of activities or services over a certain monetary limit. The ICC provides oversight of CSAPHN’s commissioning to ensure that it advances the organisation’s objectives, is aligned to CSAPHN’s values and probity, and achieved value for money.

CSAPHN’s Conflict of Interest Procedure forms the basis for ensuring all potential, perceived, or actual conflicts are managed appropriately. As part of this we note that CSAPHN does not appear to have specific processes in place with regards to the declaration of COI when extending existing commissioning contracts. Mitigating this risk, however, CSAPHN’s Register of Declarations of Interest (Board & Clinical) and the Register of Declarations of Interest Procurement serve as historical records of declared conflicts. The registers appear to be updated regularly, with Directors being required to declare any interests as they arise.

McGrathNicol tested 10 commissioned contracts to determine if probity and other controls were in place for clear, transparent, and ethical decision making. In addition to testing whether linkages to CSAPHN processes were clear and whether CSAPHN has documented how value for money was achieved, McGrathNicol tested how clear the link between the commissioned activities and the PHN’s Health Needs Assessment (HNA) and Activity Work Plans (AWPs) was, as well as seeking clear evidence of consultation with the community regarding the commissioned activities.

Overall, we found that CSAPHN’s retention of commissioning related documentation was adequate. CSAPHN was prompt and responsive in fulfilling all commissioning contract related information requests. This usually points to good record-keeping practices whereby documentation is organised and easily accessible. Of the documentation provided, CSAPHN was able to demonstrate strong retention of contractual agreements, evidence of approvals and endorsements of commissioning activity, evidence of monitoring and evaluation, and linkage to the HNA and AWPs where criteria was partially or fully satisfied for the majority of the selected contracts.

However, within our sample testing of commissioned contracts, evidence demonstrating consideration of COI was relatively sparse. CSAPHN has explained that COI are always considered by individuals involved in the commissioning and procurement process and are proactively reported where required. However, McGrathNicol was only provided with documented evidence showing such considerations in one out of the 10 selected contracts.

While CSAPHN’s commissioning documentation was generally sound, other areas where it could strengthen its commissioning and procurement processes was in relation to documenting evidence of stakeholder engagement in the pre-procurement process, retaining appropriate Expression of Interest (EOI) or Request for Tender (RFT/RFX) documents, and documenting evidence of consideration of value for money.

# Scope of

We have made one recommendation in relation to CSAPHN’s probity and commissioning practices:

CSAPHN should review and update its commissioning processes to clearly articulate and record evidence of consideration of conflicts of interest. McGrathNicol regards that there are various points in the commissioning process whereby conflict of interest assessments could be completed as part of standard processes; such as part of the pre-procurement consultation process, at the time of approving the procurement, when preparing tender documentation, at the formation of the Tender Evaluation Panel, or when evaluating tender responses. Where there are no conflicts to declare (which is often the case), having records to demonstrate that no conflicts were identified would strengthen CSAPHN’s practices and provide a more defensible position in the event of any issues. Additionally, CSAPHN does not appear to have specific processes in place with regards to the declaration of conflicts of interest when extending existing commissioning contracts.

Further, CSAPHN should review the other areas where commissioning and procurement processes could be strengthened. Particularly in relation to:

1. documenting evidence of stakeholder engagement in the pre-procurement process;
2. retaining appropriate Expression of Interest and Request for Tender documents; and
3. documenting evidence of consideration of value for money.

# Data management

**Scope of review included:**

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

Key findings are set out below:

McGrathNicol undertook a review of CSAPHN’s data management arrangements, including data migration plans related to PHI. PHI is a storage and analytics platform that hosts the de-identified GP and other primary health data of most of the PHNs across Australia.

CSAPHN’s data governance and cybersecurity arrangements appear robust and relatively well documented.

CSAPHN management explained that the organisation was working towards ISO 27001 accreditation by June 2025 and achievement of maturity level one under the Essential 8 framework. To meet the June 2025 target finish date, CSAPHN has engaged an Australian cybersecurity firm with experience in enterprise and government organisation to assess its maturity levels and identify any remaining gaps under the ISO 27001 requirements.

A primary focus of the review was on CSAPHN’s decision to disengage from PHI due to concerns around potential risks.

As an alternative to PHI, CSAPHN has engaged a third-party provider located in Adelaide to host a Data Storage Platform for health and other sensitive data. These data storage arrangements implemented by CSAPHN (in lieu of using PHI Lockbox) appear reasonable, however, CSAPHN may not benefit from the other analytical and collaboration opportunities offered by PHI.

No recommendations were identified in relation to CSAPHN’s data management practices.

# PHN Cooperative

**Scope of review included:**

* CSAPHN’s decision making processes leading to the decision of the CSAPHN CEO to resign from the PHN Cooperative; and
* the impact of CSAPHN CEO’s resignation from the PHN Cooperative on CSAPHN’s operations, including for example stakeholder engagement, service delivery and financial management and other key areas, including gaining an understanding of how CSAPHN plans to mitigate and manage any potential impacts/consequences of the decision.

Key findings are set out below:

Noting that the PHN CEOs are members of the PHN Cooperative, not the PHNs themselves, the foremost reason raised for the CSAPHN CEO’s decision to resign from the PHN Cooperative, with the support of the CSAPHN Board, was due to concerns about the governance structure of the PHN Cooperative.

The decision to resign from the PHN Cooperative and withdraw from PHI, both joint national PHN initiatives, raises concerns as to CSAPHN’s ability to connect and collaborate with other PHNs. Further, there may be ongoing issues with CSAPHN not fully participating in discussions related to joint national initiatives with other PHNs and therefore missing out on important information and decisions. This issue is still being discussed between CSAPHN and other stakeholders.

No recommendations were identified in relation to CSAPHN CEO’s decision to resign from the PHN Cooperative.

