

McGrathNicol

# Department of Health, Disability and Ageing

Country to Coast Queensland PHN - Organisational Review

**SUMMARY REPORT**

September 2026



## Scope of review

McGrathNicol has been engaged by the Department of Health, Disability and Ageing (the Department) to undertake an independent financial and performance review of Country to Coast Queensland PHN (CCQ), to determine the extent to which CCQ has complied with its financial and performance obligations under the Funding Agreement, including its structure, decision-making processes and related arrangements.

The legal entity operating CCQ is Sunshine Coast Health Network Ltd. CCQ operates across Central Queensland, Wide Bay and the Sunshine Coast, with four offices across the region.

The review considered compliance and performance across financial management, planning and reporting; governance and decision-making processes; organisational capability and capacity; probity and commissioning practices; stakeholder relationships; data management and governance; and other specific matters relating to recommissioning, contract termination considerations and complaint management.

This document is a summary of the review undertaken by McGrathNicol, collating the key observations, findings and recommendations arising from the CCQ Financial and Performance Review Report.

### Prioritisation of Recommendations

McGrathNicol identified recommendations of varying priority to guide the focus and timing of actions, with high-priority recommendations addressing higher-risk issues that require prompt management action, while low-priority recommendations focus on enhancing existing practices and supporting continuous improvement over time.

## Disclaimer

*This report has been prepared for the Department of Health, Disability and Ageing for the purpose set out in the Official Order. 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 review. 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 caused to any persons other than the Department.*

## Governance and decision-making processes

**Scope of review included:**

- Governance arrangements reflect corporate governance principles and support effective decision making. This included: Clear roles and responsibilities and structure; Constitution and associated rules are adhered to; Professional conduct of the Board and senior staff including ethical decision-making processes; Management of conflict of interest in relation to commissioning processes, decisions and subsidiaries; Regularity and content of Board meetings and quality of reporting and minutes; and Clear PHN committee structures including purpose, responsibility, reporting and oversight by the Board.
- Role, oversight and conduct of the Board in setting and approving PHNs operations and strategic direction. This included: Strategic plans in place and regularly reviewed/revised; Systems and processes provide the Board with sufficient oversight that the PHN is actively managing compliance and delivery against the Funding Agreement; Board regularly reviews PHN performance and effectiveness of the Board at least every three years; Engagement and consultation are occurring with Clinical Councils and Community Advisory Committees to the clinicians and communities' satisfaction; Appropriate risk management plan and arrangements in place and monitored; and Compliance with the Funding Agreement with the Department, including all Activities compliance.
- Board capability, composition and experience. This included: Capable Board (appropriately skilled, independent and there are no significant gaps in the required skills/experience, training has been provided); Stable and effective Board, including consideration of the circumstances and any relevant documentation regarding recent resignations of Board members; and consider whether the Board is appropriately independent.

**Key findings are set out below:**

Overall, CCQ demonstrates a high level of governance maturity, supported by an independent and experienced Board, robust committee structures, and a suite of comprehensive policies and frameworks. Governance arrangements are transparent and well documented. Board and subcommittee minutes document key items discussed, advice received from committees, conflict-of-interest declarations and formal resolutions. Reporting and escalation pathways between the Board, subcommittees and Councils are clearly defined through individual Terms of Reference documents.

The CCQ Board is independent and includes seven Elected Directors and one Appointed Director. All Directors hold Australian Institute of Company Directors credentials, and the Board Skills Matrix maps capability across 14 areas aligned to CCQ's strategic needs. McGrathNicol noted that technology expertise is currently concentrated across two Directors, presenting a potential opportunity to further strengthen this capability if deemed necessary by CCQ. The Board receives regular and structured updates from CCQ executives on progress against strategic priorities, operational and performance matters, committee reporting and internal audit activities. Conflict-of-interest requirements are embedded in the Board Charter and Code of Conduct. McGrathNicol observed no issues in relation to conflict-of-interest management for Board and executive staff, although a separate recommendation has been raised in relation to conflicts involving members during commissioning activities. McGrathNicol has made no recommendations in relation to this area.

## Financial management, planning and reporting

**Scope of review included:**

- Financial governance/controls and risk management are appropriate, documented and applied.
- Delegations and authorisations.
- Budget management controls and arrangements:
  - budget is set, monitored and reported in accordance with Funding Agreement requirements;
  - expenditure is in accordance with the Funding Agreement and approved Activity Work Plans;
  - unspent funds and interest are managed in accordance with the Funding Agreement requirements and Unspent Funds Policy; and
  - recouped funds from commissioned services are returned to the activity it originated from.
- Approach to generating and utilising self-generated income (SGI)[1] including activities and associated costs funded through SGI and to determine any cross-subsidisation.
- Compliance with financial legislative responsibilities and controls to ensure the appropriate use of grant funds.
- Establishment of subsidiary entities including involvement in service delivery.
- Annual Reporting and statutory requirements are being met.

**Key findings are set out below:**

Overall, CCQ has a sound financial management approach, supported by financial policies, appropriate accounting methodologies, workbooks and supporting documentation. Review of the General Ledger, Audited Acquittals and supporting financial records indicates that key financial management processes are operating effectively in practice and appear to support compliance with Funding Agreement requirements.

CCQ also benefits from established financial governance arrangements, including Board and Finance, Audit and Risk Subcommittee oversight, routine financial reporting and documented financial policies covering key areas of financial management. Review of documentation indicated that funding allocations, budgeting processes and acquittal activities are generally operating as intended and producing outcomes consistent with funding agreement requirements.

[1] The term 'self-generated income' is used here to represent the concept of funds retained by PHNs and used at their discretion. This concept has also alternatively been referred to by PHNs as unencumbered funds, retained earnings, or corporate recovery in different circumstances.

However, in some instances processes that occur in practice are not documented in CCQ's financial policies and procedures. Particularly there is an opportunity to better document procedures relating to allocating income and expenditure to a specific funding source and funding stream, budget setting and monitoring, managing unspent funds (i.e., carryovers), recouping funds from commissioned services, allocating interest income, and allocating operational expenses. The recommendations identified primarily relate to strengthening the documentation of existing processes and procedures.

**McGrathNicol has made one high-priority recommendation in relation to this area:**

- CCQ should implement a Standard Operating Procedure (SOP) for operational funding and expenditure allocations between Commonwealth, non-Commonwealth and CCQ-wide activities, including how administration recharge and non-PHN funding are determined and accounted for.

**McGrathNicol has made the following low-priority recommendations in relation to this area:**

- CCQ should update the Reserves Policy to clarify that cash reserves are primarily due to timing differences between the receipt and expenditure of grant funding rather than retention of surpluses.
- CCQ should update the Financial Management Policy to include an overview of the principles for allocating income and expenditure to funding sources, funding streams and activities, and allocating operational expenditure to a specific funding source.
- CCQ should implement a budget process SOP addressing the process for drafting and submitting approved Activity Work Plans, variation requests, internal budgets and audited acquittals.
- CCQ should implement an SOP for unspent funds and carryovers, including determining unspent funds, submitting carryover requests to the Department and accounting for approved carryovers.
- CCQ should update the Financial Acquittal Procedure to explicitly describe how recouped funds from Commissioned Service Providers are returned to the originating activity.
- CCQ should implement an SOP for interest allocations, including calculation methodology, permitted uses of Commonwealth interest income, and the location of interest amounts and account carrying balances in CCQ's accounting system.

## Probity and commissioning practices

**Scope of review included:**

- Policies and procedures are in place and appropriately and adhered to.
- Programs and services are appropriately managed, resourced and monitored.
- Commissioning uses best practice, including culturally appropriate commissioning for Indigenous funding streams.
- Probity arrangements that are in place are appropriate and proportionate to the activity.
- The PHN has demonstrably achieved value for money and documented how value for money was achieved.
- The management and treatment of conflict of interest including adherence to conflict-of-interest requirements.
- Service provider contracts reflect the approved activity work plan across programs and in particular details for the Core flexible funding and Mental health flexible funding streams.
- Monitoring of service delivery and management of commissioned provider agreements.
- CCQ's approach to reform and/or recommission funding arrangements including representation of Indigenous perspectives.

**Key findings are set out below:**

Overall, CCQ demonstrates a relatively mature approach to probity and commissioning, with detailed policies, procedures and frameworks in place to support commissioning activities. CCQ has an established Commissioning Framework aligned to its Strategic Plan and departmental commissioning guidance. The framework addresses designing and contracting services, procuring services, proportionality in approaching the market and commissioning services for Aboriginal and Torres Strait Islander people.

CCQ's Contracts and Procurement team advises operational directorates, which manage commissioning activities and commissioned service providers. CCQ has systems in place to manage contracts and provide staff with information on reports, payments, key performance information and contract documents.

CCQ generally demonstrates value for money through open and competitive procurement, where evaluation processes assess price, service capability, proposed outcomes and alignment with strategic commissioning objectives. However, McGrathNicol identified opportunities to improve documentation of value for money and conflict-of-interest management in certain circumstances. For example, value-for-money and conflict-of-interest documentation is limited for direct tenders, sole sourced arrangements and contract extensions. While there may be a valid reason to approach only one provider (such as State Partnerships or only one provider in the region) it is good practice to document the reasoning for why this was necessary, how it reflects value for money, and what potential conflicts may arise in the delivery of the service.

CCQ engages Aboriginal and Torres Strait Islander organisations through Health Roundtable meetings, advisory forums and commissioned services, demonstrating that these perspectives are considered in practice. While the Commissioning Framework acknowledges culturally appropriate commissioning, further guidance would support consistent application across planning, engagement, procurement, contract management and performance monitoring.

**McGrathNicol has made the following low-priority recommendations in relation to this area:**

- CCQ should develop and document practical guidance to support culturally appropriate commissioning activities, including how Aboriginal and Torres Strait Islander perspectives are considered through planning, engagement, procurement and performance monitoring.
- CCQ should ensure that value-for-money considerations and conflict-of-interest management are documented and stored with appropriate contract and evaluation information, particularly for direct approaches to market, sole source procurement and contract extensions.

## Organisational capability and capacity

**Scope of review included:**

- Policies and procedures are appropriate and adhered to.
- Organisation structure is appropriate and is resourced.
- Human resource management – key positions are appropriately filled, recruitment practices are transparent and defensible, staff have appropriate qualifications / registrations / clearances, and there are appropriate terms of employment, awards, conditions, agreements, contracts, induction and training, WH&S etc.
- Circumstances and any relevant paperwork regarding recent resignations of staff members.

**Key findings are set out below:**

CCQ's approach to organisational capability and capacity is fit for purpose and supports delivery of its PHN functions. Human resource management practices, including recruitment and workforce exits, are transparent and did not indicate any recurring themes or issues. CCQ's organisational structure is organised into eight directorates, each led by a Director who reports to the CEO. The structure is deliberately designed to balance accountability and ownership while promoting collaboration across CCQ.

CCQ has an established human resource management function that supports a consistent and structured approach to recruitment. CCQ is developing a formal end-to-end recruitment procedure. In the interim, recruitment activities follow the Recruitment Process Chart and are supported by approval controls within the Human Resource Information System. Sample testing of three recruitment activities confirmed that all requirements in the Recruitment Process Chart were met.

McGrathNicol has made no recommendations in relation to this area.

## Stakeholder relationships

**Scope of review included:**

- Appropriate membership arrangements in place, including sufficient representation of Indigenous perspectives for planning.
- Effective stakeholder engagement strategy and plan including how the PHN supports member organisations (i.e. GPs, Indigenous organisations and other health care providers) and engages with the local community, including Aboriginal and Torres Strait Islander people.
- Management of complaints is in accordance with policies and procedures in place and treatment of recent complaints received.

**Key findings are set out below:**

CCQ has effective stakeholder engagement and complaints management arrangements in place. CCQ's Stakeholder Engagement Framework is comprehensive and well structured, supporting engagement with member organisations, the broader community, Aboriginal and Torres Strait Islander peoples and other key health stakeholders. CCQ has eight Organisational Members representing sectors aligned with its objectives, including primary care, mental health, alcohol and other drugs, aged care and Aboriginal and Torres Strait Islander health services. However, membership admission and renewal are largely discretionary, with limited structured criteria or methodology for admitting and reassessing members. A number of current members have held membership for an extended period, indicating relatively limited turnover within the membership base. While term limits are not necessary in themselves, members should be periodically reassessed to ensure continuing relevance to local health needs and service delivery priorities.

CCQ's Membership Policy allows members to deliver services through commissioned contracts while maintaining membership. Currently a small number of members receive funding from CCQ through commissioned contracts. While CCQ has an established conflict of interest process, additional and procurement-specific controls would strengthen probity when evaluating commissioning services from members. CCQ should continue to monitor and report on all conflicts regardless of their membership status.

CCQ has a documented complaint and stakeholder feedback framework. Complaint sample testing confirmed complaints were logged, assessed, investigated, responded to and closed in accordance with documented procedures. No recommendations were raised for complaints management.

**McGrathNicol has made one high-priority recommendation in relation to this area:**

- CCQ should implement procurement-specific controls to identify where a commissioned service provider is also a member and implement mitigation activities where required.

**McGrathNicol has made one low-priority recommendation in relation to this area:**

- CCQ should strengthen its membership framework through a formal Membership Strategy or selection criteria, including consideration of sector, geographic coverage, Aboriginal and Torres Strait Islander perspectives and priority population expertise.

## Data management and governance

**Scope of review included:**

- Appropriate data governance frameworks and systems including CRM and general practices including collection of data, Register of GPs including engagement with practices at risk.
- Data security arrangements including ISO 27001.

**Key findings are set out below:**

Overall, CCQ appears to have appropriate data governance and security controls. Policies and procedures are aligned with recognised Australian and international standards, and CCQ's Executive and Board subcommittees receive regular updates on data management and security. CCQ has a Digital Governance Framework supported by a Digital Governance Working Group and a Digital Governance Committee. These governance bodies report to the CEO, who provides regular updates to the Finance, Audit and Risk Subcommittee.

CCQ has policies and procedures to manage data and protect information, including the Information Security Policy, Artificial Intelligence Policy, Acceptable Use of Technology and Information Systems Policy. McGrathNicol did not test cyber and data controls.

CCQ was in the final stages of ISO 27001 accreditation in April 2026, with final audits underway. Based on documentation reviewed, CCQ appeared on track to receive certification by June 2026.

McGrathNicol has made no recommendations in relation to this area.



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