

12 month progress report

Investigation into allegations of corrupt conduct in the provision of security products and services by suppliers, installers and consultants

NSW Health

Please update this schedule with information about the status of each item as at 13 February 2015. Include details of the latest action/update in respect of each initiative, dates where relevant and attach copies of any documents referred to, where possible, in support of implementation of particular initiatives. Please provide the name of a contact person in your agency from whom we can seek more detail if needed. Please return this document to the ICAC in writing and electronically to bkokkaris@icac.nsw.gov.au by no later than 13 February 2015.

Recommendation 7.

That NSW Health adopts a range of audit activities to ensure compliance with the requirements of its *Purchasing and Supply Manual*, including the formalisation of pre-qualification arrangements for contractors and obtaining the requisite number of quotations.

Summary of progress

The recommendation is being:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action taken to implement recommendation

BACKGROUND

The Ministry of Health Procurement Portal for NSW Health includes NSW Health procurement policies, procurement procedures and other relevant procedures to conduct procurement activities. This includes a procurement checklist to assist staff to follow the correct procurement process, ensure that risk has been appropriately managed and to assist in audit activities (NSW Health Goods and Services Procurement Policy Directive PD2013_023).

For purchases at or above \$250,000, NSW Health requires the development of a procurement plan following an assessment of procurement risks, with mitigation/treatment actions forming the basis of the strategy recorded in the plan. The policy also requires risks

to be assessed in accordance with the NSW Health risk matrix and recorded in a project risk register.

Complex procurements (over \$250,000) at LHDs are managed through HealthShare NSW, which centralises the procurement process providing greater control and transparency in procurement activities.

The Ministry of Health Procurement Advisory Services provides advice and support to all the entities within NSW Health cluster including the Local Health Districts in the conduct of their complex clinical and non-clinical services procurement.

The Procurement Governance Committee provides a central governance function with oversight of overall procurement performance within NSW Health. Its responsibilities are to:

- Oversee the NSW Health compliance with NSW Government Procurement policies.
- Develop procurement policies and procedures for NSW Health.
- Oversee the development of NSW Health's procurement systems, tools and practices to improve effectiveness.
- Support the development, review and ongoing implementation of the NSW Health Five Year Procurement Strategy and Annual Procurement Management Plan.
- Oversee the development and management of Procurement Category Management Plans across NSW Health.
- Review and monitor NSW Health's program of works including associated program risks and implement action as required.
- Oversee the implementation of procurement reforms across NSW Health associated with its procurement accreditation and other reform initiatives and report periodically on progress to the NSW Procurement Board.
- Oversee NSW Health's savings program and its achievement of program savings targets.
- Act as a discussion forum on issues emanating from the NSW Procurement Board.
- Facilitate consultation with stakeholders within NSW Health in procurement projects to leverage the organisation's procurement expertise.

IMPLEMENTATION ACTION:

- The Procurement Advisory Service (NSW Ministry of Health) arranges for regular procurement training courses which are available to NSW Health procurement staff (including Local Health District staff). The courses comprise a one day Procurement and Risk Management Principles Course developed by NSW Health, and a half day Introduction to Contract Management Course developed by TAFE. Seven procurement training courses were conducted during 2014, with more planned for 2015.
- The Health Audit Working Party (HAWP) undertook a major review of the Procurement Audit program in May 2014 to ensure compliance with NSW Health policies and manuals. [Purchasing and Distribution System Audit Program]
- Pursuant to IB2014_026, Chief Executives or, in the case of the Ministry, the Manager Internal Audit, are required to submit all audit reports that relate to the procurement function along with the management response to any findings that indicate some corrective action should be undertaken to the Chief Procurement Officer. Any systemic issues are raised to the Procurement Governance Committee for appropriate action.

- NSW Health has introduced iProcurement, which became the new requisitioning system for NSW Health following the R12 upgrade in April last year. iProcurement brings a number of efficiencies and greater accuracy and completeness to the requisitioning process. For example, information defaulted from extensive catalogues for both HIMF and non-HIMF items includes Supplier/Site, UOM, Item Number and/or Description.
- Within the NSW Ministry of Health, Senior Management are encouraged to nominate all staff involved in procurement at any level to attend the regular Procurement Risk Workshops run as part of the Fraud Prevention Program.
- The Internal Audit unit of the NSW Ministry of Health conducts regular fraud and corruption training workshops, for staff of the NSW Ministry of Health and other Health entities. Local Health Districts conduct their own fraud and corruption workshops, usually facilitated by Internal Audit.
- NSW Health is in the process of implementing a contract lifecycle management system called PROcure, which will be mandatory to use when undertaking a procurement process. The system is based on completing the compliance activities required at all stages of procurement and will not allow a user to progress to the next stage until all compliance activities have been completed and compliance is verified and approved by the manager. There are also explanatory notes attached to each compliance activity describing what it means, what needs to be done and providing links to additional information and templates. When fully rolled out there will be a standard procurement process across Health. The roll out has commenced and is in production in the Ministry and HealthShare Procurement and Logistics. The LHD implementation is being finalised. It is proposed that Local Health Districts will commence transition to PROcure from April 2015. The complete implementation is estimated to take 12 months.
- Information Bulletin IB2014_026 Compliance with NSW Government Goods and Services Procurement Policy Framework (issued May 2014) covers details on reporting of procurement audits (for all Health agencies) and reporting of the findings and recommendations to the Chief Procurement Officer, as part of a wider mandate to ensure that NSW Health satisfy NSW Procurement accreditation requirements. NSW Health must use the prequalified panels / schemes as promulgated by NSW Procurement when utilising contractors and consultants.
- Northern Sydney Local Health District and Central Coast Local Health District conducted an audit of contract management during 2013/14. Additional work is currently being progressed.
- Northern Sydney Local Health District and Central Coast Local Health District will audit procurement activities including petty cash and PCards as part of the 2014/2015 audit plan.
- In 2011 NSW Health was awarded a Level 2A accreditation for procurement of goods and services by the State Contracts Control Board and this has been extended by the NSW Procurement Board to December 2015. Under this scheme, HealthShare NSW and the Ministry's Procurement Advisory Service is able to undertake procurement of goods and service up to \$30M based on our assessed capability.

- NSW Health is applying for re-accreditation and seeking to increase its accreditation to Level 3. At the moment we are preparing all of the necessary documentation and a thorough accreditation assessment conducted by independent external consultants engaged by OFS is scheduled for mid-2015.
- The 2013/14 HealthShare Internal Audit program included the following procurement audits:
 - o follow-up reviews of Business Procurement Services (BPS) and EnableNSW Procurement;
 - o an audit of Local Tendering and Contracting;
 - o an audit of the PCard Pilot Implementation; and
 - o an audit of IT Services Contracts.
- The 2014/15 HealthShare Internal Audit Plan includes the following procurement audits:
 - o Sourcing/Procurement (Food & Hotel Services);
 - o Procurement Processes for Corporate & Pharmaceuticals;
 - o EnableNSW Warehouse & Procurement; and
 - o Procurement/Tenders (eHealth NSW).

Supporting material

1. [NSW Health Goods and Services Procurement Policy Directive PD2014_005](#)
2. [Information Bulletin IB2014_026 'Compliance with NSW Government Goods and Services Procurement Policy Framework'](#)
3. Northern Sydney Local Health District Internal Audit Unit plan 2014/2015
4. Central Coast Local Health District internal Audit Unit plan 2014/2015

Evaluation of implementation (Progress update)

1. Procurement Governance Committee

The Procurement Governance Committee provides a central governance function with oversight of overall procurement performance within NSW Health. Its responsibilities include overseeing compliance with NSW Government Procurement policies across NSW Health and oversight of development of new systems, tools and practices to improve effectiveness.

2. External Audit

The Audit Office of NSW assess the design, implementation and operating effectiveness of specific internal controls relating to procurement as part of their Service Centre audits. This financial year their intent is to complete the audit work at the Service Centres under *ASAE 3402 Assurance Reports on Controls at a Service Organisation*, which means they will issue a service entity auditor's report at the end of the engagement.

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Recommendation 9.

That NSW government agencies ban employees directly involved in procurement activities from accepting any gifts, benefits and hospitality from potential contractors and consultants and existing contractors and consultants.

Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action taken to implement recommendation

BACKGROUND:

NSW Health policies dealing with Gifts, Benefits and Conflicts of Interest provide clear guidance for all employees about the risks posed by accepting any gift, benefit or having an undeclared conflict of interest, particularly with reference to potential or existing contractors or consultants.

In particular:

- NSW Health Code of Conduct PD2012_018 requires NSW Health staff to avoid situations which may give rise to pecuniary or other conflicts of interest. Should such a situation arise, staff are required to declare them immediately to their manager;
- Goods and Services Procurement Policy manual requires a procurement process commensurate with the estimated value and level of risk, including the declaration and management of conflicts of interest.
- Goods and Services Procurement Policy PD2014_023 provides a form for tender evaluation panel members to declare a conflict of interest if required
- Conflicts of Interests and Gifts and Benefits Policy PD2010_010 sets out the NSW Health position in relation to conflicts of interest and gifts and benefits and includes

attached individual procedure documents, “Managing Conflicts of Interest Procedures” and “Gifts and Benefits Procedures”. This policy is currently under review.

- HealthShare NSW Business Ethics Policy (HS2012_10) sets out the HealthShare NSW principles relating to standards of integrity and ethical conduct that are consistent with the policies, guidance and directions issued by the NSW Ministry of Health, including dealing with gifts and benefits.
- Northern Sydney and Central Coast Local Health Districts have a number of documents to support ethical conduct and avoid conflicts of interests:
 - o Conditions of Entry for Company Representatives: Clinical products Support document for Company Representatives
 - o Business Ethics: Clinical Products Support Document for Company Representatives

Probity plans for NSW Health procurement ensure that undertakings of confidentiality and declarations of conflict of interest are included as part of the procurement process. These issues are dealt with in purchasing and procurement training courses.

IMPLEMENTATION ACTION:

- The Health Education and Training Institute (HETI) have developed an online Fraud Control Training Module, available to all health staff.
- HealthShare NSW runs Corruption Prevention Training for Managers, which is facilitated by a trainer from the ICAC. The training is mandatory for
 - o Tier 2 and Tier 3 managers who have not previously attended;
 - o Tier 4 managers; and
 - o any staff in job roles where there is likely to be exposure to corruption issues (for example, Procurement).

The content includes the role of managers in corruption prevention, strategies to manage conflicts of interest plus scenarios that relate specifically to procurement.

- As part of an induction training program, new staff members at the NSW Ministry of Health receive corruption prevention training. This includes sessions on conflicts of interests and gifts and benefits, and the risks associated with staff in procurement roles are highlighted as part of this training.
- The NSW Health Policy PD2010_010 Conflict of Interests and Gifts and Benefits is currently under review. As part of the review process, the Public Service Commission Guidelines on Behaving Ethically in relation to Gifts and Benefits will be considered.
- Northern Sydney and Central Coast Local Health Districts Internal Audit units provide regular corruption prevention/ethics training to staff from various departments across the Local Health Districts. This included examples of fraud and corruption risks, gifts and benefits and conflicts of interest specific to the departments receiving the training. Attendance by all Security staff including management was required.

- Central Coast Local Health District has developed a Fraud and Corruption Control Plan 2013/15. A similar document is under development for Northern Sydney Local Health District Security Services.

supporting material

4. [NSW Health Code of Conduct PD2012 018](#)
5. [Conflicts of Interests and Gifts and Benefits Policy PD2010 010](#)
6. [HealthShare NSW Business Ethics Policy \(HS2012 10\)](#)

Evaluation of implementation (Progress update)

As described in the response to recommendation 7, internal audit will assess procurement actions and monitor compliance with procurement actions including declaration and management of conflicts of interest and training of staff in relation to conflicts and gifts and benefits. This area is also subject to oversight by the Procurement Governance Committee.

The new Contract Lifecycle Management System, PROcure will assist Business and Asset Services to monitor and assess compliance with all stages of the procurement process, including obtaining declarations of confidentiality and conflicts of interest. There is also a requirement to revisit conflicts of interest at various points of the process as sometimes conflicts are not apparent until later in the process (for example a person may not have any conflicts until the point where they see which companies have responded to a tender).

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Recommendation 10.

That NSW government agencies be proactive in explaining the obligations on contractors and consultants to declare conflicts of interest, including those arising from either a pecuniary or non-pecuniary relationship.

Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action taken to implement recommendation

BACKGROUND:

In accordance with the NSW Health Goods and Services Procurement Policy Manual and the Goods and Services Policy:

- (a) NSW Health entities must ensure that processes are adopted to identify, declare and address an actual or perceived conflict of interest throughout the procurement process. All NSW Health staff, including consultants and contractors, must disclose in writing to their immediate superior or other appropriate senior officer, any financial or other interest held by them immediately upon becoming aware that a potential conflict between personal interest and official duty, whether real or apparent, has arisen or is likely to arise.
- (b) Where the risk and complexity associated with a procurement process is considered high, the responsible officer has the option of appointing a probity auditor and/or probity advisor to provide independent assessment and/or advice throughout the procurement process.
- (c) All intended purchases over \$250,000 and lesser purchases determined to be high risk require a procurement plan based on a risk assessment.

IMPLEMENTATION ACTION:

As outlined above (recommendation 9) Northern Sydney & Central Coast Local Health District Internal Audit units provide corruption prevention/ethics training to staff from various departments across the LHD's. This includes examples of fraud and corruption risks, gifts and benefits and conflicts of interest specific to the departments receiving the training. Attendance by all Security staff including management was required.

In addition a Fraud and Corruption Control Plan 2013/15 was developed specifically for Central Coast Local Health District Security Services. A similar document is under development for NSLHD Security Services. The Fraud and Corruption Control Plan was developed in conjunction with the Security Services Manager. The Plan assesses the Service against the NSW Audit Office Fraud attributes and identifies actions to further improve controls to reduce the occurrence of fraud and corruption and enhance an ethical culture within Security Services.

NSW Health remains committed to educating staff, contractors and consultants about their obligations with respect to declaring both pecuniary and non-pecuniary conflicts of interest.

Supporting material

7. [NSW Health Goods and Services Procurement Policy Manual](#)
8. [NSW Health Goods and Services Procurement Policy Directive PD2014_005](#)
9. [NSW Health Code of Conduct PD2012_018](#)
10. [Conflicts of Interests and Gifts and Benefits Policy PD2010_010](#)

Evaluation of implementation (Progress update)

As described in the response to recommendation 7, internal audit will assess procurement actions and monitor compliance with procurement actions including declaration and management of conflicts of interest and training of staff in relation to conflicts and gifts and benefits.

The new Contract Lifecycle Management System, PROcure will assist Business and Asset Services to monitor and assess compliance with all stages of the procurement process, including obtaining declarations of confidentiality and conflicts of interest. There is also a requirement to revisit conflicts of interest at various points of the process as sometimes conflicts are not apparent until later in the process (for example a person may not have any conflicts until the point where they see which companies have responded to a tender).