

# **PUBLIC ACCOUNTS COMMITTEE**

## **INQUIRY INTO INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) PROCUREMENT AND CONTRACT MANAGEMENT**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 6 APRIL 2016**

### **SESSION TWO**

#### **Members**

**Mr B.S. Wyatt (Deputy Chair)**  
**Mr W.J. Johnston**  
**Mr M.H. Taylor**  
**Mrs G. Godfrey**

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**Hearing commenced at 11.03 am**

**Dr DAVID JONATHAN RUSSELL-WEISZ**

**Director General, Department of Health, examined:**

**Mrs REBECCA BROWN**

**Deputy Director General, Department of Health, examined:**

**The DEPUTY CHAIR:** Good morning, everybody. On behalf of the Public Accounts Committee, I would like to thank you for your appearance today. At this stage I would like to introduce myself and the other members of the committee. My name is Ben Wyatt. I am the committee's deputy chairperson and the member for Victoria Park. To my left are my fellow committee members, Ms Glenys Godfrey, the member for Belmont; Mr Bill Johnston, the member for Cannington; and Mr Matt Taylor, the member for Bateman. Today's hearing is a proceeding of Parliament and warrants the same respect that proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament.

Before we commence, there are a number of procedural questions I need you to answer. Have you each completed the "Details of Witness" form?

**The Witnesses:** Yes.

**The DEPUTY CHAIR:** Thank you. Do you understand the notes at the bottom of the form?

**The Witnesses:** Yes.

**The DEPUTY CHAIR:** Did you each receive and read the information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

**The Witnesses:** Yes.

**The DEPUTY CHAIR:** Do you have any questions relating to your appearance before the committee today?

**The Witnesses:** No.

**The DEPUTY CHAIR:** Thank you for your submission to the inquiry. In the letter requesting your appearance, the committee indicated the topics that it might look to discuss further today. Before we commence with our series of questions, would you like to make a brief opening statement?

**Dr Russell-Weisz:** Chair, if I might, I certainly will be brief because we provided you with some information. I would just like to reiterate that over the last —

**The DEPUTY CHAIR:** Sorry, doctor. The cameras are only here for a short spell. I now have to turf you out. I appreciate it. Thank you.

**Dr Russell-Weisz:** Thank you. I will be brief. As I said, over the last two years and started by my predecessor, Professor Bryant Stokes, we have applied significant resources into improving our procurement and governance processes, not just in ICT but right across contract management and financial management. Obviously, it is topical because of the recent OAG report, which was clearly unacceptable—WA Health's performance outlined in that report. But we have made major changes to the management of information and communications technology, procurement and contract management. We have split the three areas—technical, financial and contract management—within our ICT division, and we have brought through two divisions under health support services. The WA Health strategic procurement reform program has been rolled out throughout the health

system to ensure the best outcome for every dollar spent. We have also released the WA Health ICT strategy from 2015 to 2018 and established the Office of the Chief Procurement Officer. I am much more comfortable that we have much greater oversight, good governance, good control over scope and much better controls in general to address the risks outlined by the Auditor General, but also broader risks that the department has considered over the last two to three years, and we have fundamentally changed our approach to procurement and ICT management by investing in leadership and also changing the structure within the department.

**The DEPUTY CHAIR:** Thank you.

**Mr W.J. JOHNSTON:** Can I just ask, referring to the period of time that was covered by the first report of the Auditor General in February 2016, did the department have a finance or a budget committee that reviewed expenditure of each of the divisions or reporting units of the department?

**Dr Russell-Weisz:** We do have a finance committee. There are individual boards which I chair, and which my predecessor chaired, in relation to the area of health services. So, we have south metropolitan, north metropolitan, child and adolescent and WA country. We review those results on a monthly basis, and also for the Department of Health and health support services.

**Mr W.J. JOHNSTON:** In respect of the finance committee that was reviewing the expenditure of each of those reporting units, were you looking at the expenditure against budget allocations for each of those reporting units?

**Dr Russell-Weisz:** Sorry, your question was in relation to the report in February 2016?

**Mr W.J. JOHNSTON:** During the period of time that that report related to.

**Dr Russell-Weisz:** I will probably ask Rebecca to answer anything specific in relation to Health Information Network as it was at the time. Do we now or have we had for the last six months much better oversight —

**Mr W.J. JOHNSTON:** But it is a pretty simple question. Like all organisations, I have asked the same question of other agencies that came in. Indeed, DMP were just in; I asked them the exact same question. Was there a review of expenditure against those budgets in those committee meetings for that period of time?

**Dr Russell-Weisz:** I will ask Rebecca to answer for the Health Information Network.

**Mrs Brown:** My understanding—I must acknowledge that I was not in the department at that time—was that WA Health had in place a senior health executive forum called SHEF, and SHEF effectively had a subcommittee called the operations review committee and it was focused on a whole range of operational matters, including monitoring of budgets, and that would have included an overview of Health Information Network's budget. So, there would have been that review of budgets, and then obviously during the annual budget setting and monitoring throughout year performance and setting budgets into the year.

In trying to understand the issues that the Auditor General highlighted, many of the contract variations that were inappropriately entered into were something that had a financial impact into the future. So, you would not necessarily see, without the robust contract management controls that we have in place now, the financial impact that would then come subsequent to that. So, you could be monitoring and the budget was monitored month to month, but it would not have picked up those future liabilities at that point in time and certainly throughout 2013 and into 2014, it became more apparent through a number of reviews and in particular some of the actions that Professor Stokes undertook, not just the contractual issues but therefore the financial issues.

[11.10 am]

**Mr W.J. JOHNSTON:** So what you are saying then is that during 2013 and 2014 it was clear that there was a variation between what had been approved and what was being spent?

**Mrs Brown:** What became apparent was obviously the contract that was lodged on Tenders WA, and that has a contract value—the reviews that were being undertaken in the lab—well, concerns were highlighted, as the Auditor General outlines, with our procurement and contract management practices more generally. In early 2014, a more detailed review of HIN's contract management undertaken by the Office of the Chief Procurement Officer highlighted those concerns and we were then able to start to ascertain what the financial impact was, which is a variation from that original contract.

**Mr W.J. JOHNSTON:** Sure; I understand. So, somebody must have approved the variation, but in respect of the financial committee, they must have been looking at the approved budget and the actual expenditure and so what you are saying is that in 2013 it was already apparent that there was a difference between the approved budget and the actual expenditure?

**Mrs Brown:** In 2013 they would have been monitoring but to get to the detail—to be honest, I would have to take that on notice whether those budget variations through 2013 were highlighted, but certainly from a procurement contract management perspective, into 2014 we became aware of those concerns. The financial impact, as I said, is spread over a much longer period. So, as the director general said, the issues that were highlighted certainly are not acceptable, but unpicking the financial impact over an eight-year period is something that we are still working through.

**Dr Russell-Weisz:** I think, just if I can add to that, chair, the Office of the Auditor General has said that the original contract was entered into under the correct process—the one it entered into in 2010. In addition to the Auditor General, we have looked extensively to see where the sign-off process was for those variations, as has the Auditor General, where those sign-offs would have been because, as Rebecca has said, those variations that were entered into—some which should or could have been entered into, and some which should not have been entered into—will be felt over these years and going forward. We have certainly looked to see if there was any approval process from those individuals up and we certainly have not found that at this stage.

**The DEPUTY CHAIR:** Just in respect of it still being felt over these years and going forward, has the department fully crystallised the total cost of the contract and the variations?

**Dr Russell-Weisz:** The original contract was, I think as the Auditor General said, around about \$93.8 million, but the cost of the actual variations, which were not authorised, was \$44 million. That is what has been crystallised to date and we are not aware of any other significant variations, but we are obviously examining this contract very closely.

**The DEPUTY CHAIR:** Okay, but you are concerned that there still may be more as a result—as this flows through the current year and next year?

**Dr Russell-Weisz:** No, more that the variations which were entered into have an effect now. They were not just variations at the time; I think as the Auditor General said, there was a finance lease that was entered into that has a bearing up to 2019–2020.

**Mr W.J. JOHNSTON:** Can I just seek clarification here because are you saying that the contract variations with the outside contractor are valid? Is it a real contract?

**Dr Russell-Weisz:** It is a real contract. We got a service for what we procured.

**Mr W.J. JOHNSTON:** But, of course, you could have service that you do not have to pay for because you do not have any obligation. A contract is in exchange, is it not? You agree to do something and I agree to pay you. So, clearly, if you are going to pay this contract, the Department of Health must believe that it was validly entered into because if it was not validly entered into, you would not pay it.

**Dr Russell-Weisz:** That is correct and the original contract was validly entered into.

**Mr W.J. JOHNSTON:** And the variations as well have been validly executed by the department?

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**Dr Russell-Weisz:** As I understand it, absolutely, because they were signed off by an authority that was lower than should have been, and that was the whole point.

**Mr W.J. JOHNSTON:** But what you are telling me is that despite the fact that it was done at a lower level, it was still validly done on behalf of the agency.

**Mrs Brown:** Yes. Our deliberations with the State Solicitor's Office, obviously, as we work through elements of the contract—they describe it as a highly complex contract and it has many aspects to it. But certainly, as we work to ascertain the department's position with regard to a number of aspects, they are contractual obligations.

**Mr W.J. JOHNSTON:** So the conclusion there is that the people who agreed to those variations were authorised to do so; otherwise, it would not have been validly executed.

**Mrs Brown:** To the extent that they have entered into those, I think—I would have to ask the legal question about whether they —

**Mr W.J. JOHNSTON:** But you must have already done so because you have told me that your advice from the State Solicitor's Office is that you need to pay the money.

**Dr Russell-Weisz:** That money has obviously been paid to date, not all of it because some of it goes out —

**Mr W.J. JOHNSTON:** And into the future out to 2020.

**Dr Russell-Weisz:** But yes, two of them were public servants who signed off those contract variations, as I understand it, and everything we have worked with—with State Solicitor's—has said that we would need to pay those.

**Mrs Brown:** I think in regard to the Auditor General's findings around the variations, there were two conclusions. One was that in many instances, the variations were a deviation from the original scope of the contract or material to the extent that they should have gone out to market, so there was noncompliance with state supply. My understanding is that does not necessarily mitigate the contractual obligation that we have, or that an officer exceeded their authorisation limits, whether they were procurement—albeit that the Auditor General has also found that there were not appropriate procurement delegations in place and the officer, as such, might suggest that they operated under what they understood to be the right delegations—and also financial delegations. What WA Health now has is a very robust set of delegations with regard to both financial and procurement.

**Mr W.J. JOHNSTON:** Sure, so you have changed the practices, but at the time, these officers were actually acting lawfully.

**Dr Russell-Weisz:** Lawfully—they were public servants; they thought they were acting lawfully. They did not go past —

**Mr W.J. JOHNSTON:** You did too, because you are not only paying the bill but you are not seeking to recover the money from anybody.

**Mrs Brown:** I think the separate question is: from a public sector management perspective, did they operate within the appropriate code of conduct or in compliance with internal policies with regard to procurement?

**Mr W.J. JOHNSTON:** Clearly, they did, otherwise you would not pay the bill.

**Mrs Brown:** I think that is a contractual, legal question, as opposed to a public servant conduct question.

**Mr W.J. JOHNSTON:** But is that not the same thing? I do not understand—I am not quite sure. If they have acted within the authority given to them by the agency and there have been reports through the ordinary processes of the agency to the most senior levels of the executive, how can there be any conclusion other than they acted on behalf of the agency?

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**Dr Russell-Weisz:** I think you are right that they believe they acted on behalf of the agency, the variations were entered into.

**Mr W.J. JOHNSTON:** So do you.

**Dr Russell-Weisz:** They were entered into. Now, as I said earlier, from what we can gather, we have looked at those variations—the variations we have talked about. Where they signed off by any other higher delegation? We cannot find that at the moment.

**Mr W.J. JOHNSTON:** Sure, but apparently they did not have to be because you are paying the bill.

**Dr Russell-Weisz:** I would say now, as Rebecca said, if anybody signs off on a bill—whether it is ICT or anything else—that is above their delegation, then, in my view, they have acted incorrectly within the code of conduct and they have acted above their delegation. We have very robust delegations so I would not expect that to happen again. At the time —

[11.20 am]

**Mr W.J. JOHNSTON:** Yes, but as you say, you have changed the practices and I appreciate that. And it will not happen again; I appreciate that. But I am just exploring—because there has been this suggestion in the media that this was all the fault of three particular people. It does not appear to me to be the case because if these people had been reporting in accordance with the normal procedures to an executive committee of whatever description and that as early as 2013 the executive committee was aware of the variations, why is there no other accountability?

**Dr Russell-Weisz:** I think that is the nuance here.

**Mrs Brown:** In regard to reporting, at a very high level, there would have been budget, month to month, reporting. It would not have picked up this issue, necessarily, either from a contractual variations perspective or even, necessarily, at those initial stages, the financial variations, given that they were much longer commitments. To the extent that they were reporting to the executive, I think probably what is clear from the Auditor General's report is they were not identified. It was less clear whether there was that level of reporting to the executive.

**Mr W.J. JOHNSTON:** But the individuals were creating an obligation. That obligation must have been reflected in your chart of accounts and that would have been over at least four years because that is the forward estimates period and those obligations must have been in that chart of accounts.

**Mrs Brown:** In the work that has been done over the last couple of years, it is probably to address many of the issues that the Auditor General highlighted during that period of time. In February, I think some of the finance controls and the financial reporting and the allocation to the chartered accounts was as problematic as the contract management itself, to the extent where some of the invoice has been paid, yes. Was there a reconciliation necessarily between the invoices and the contract? Probably not as strong. It is that break in general.

**Mr W.J. JOHNSTON:** But were the expenditures being reported to the executive? That is the point I am getting to. I do not understand—I apologise if I am not clear on this—but I have been on the board of a large government organisation and we got regular accounts and we checked the accounts against the budgeted expenditure and the chief financial officer drew our attention to where there were variations. I am just failing to understand why nobody drew attention to the variations between the original budgets and the budget rolling forward. As I understand it, Dr Russell-Weisz has said that some time as early as 2013, the executive identified that there were variations between what was expected and what was actually happening. I am just not quite sure what happened between then and 2016, when three people are held accountable but nobody else.

**Dr Russell-Weisz:** Actually, I will go back even before that. I think what we have said here is that at a higher level, you would have had that reported. I think the work that Professor Stokes did in 2013 and started in 2013, and really buried down to in 2014—because there is a whole procurement

review in 2013 and then it went further into 2014—we needed to get down to the delegations and the processes behind this to actually give clarity on the actual variations. I would say to 2013 level, you might have had high level variance to budget, not a variation—a variance to budget. I do not believe, because of the processes that were not in place, that you would not have had the clarity of where the sub-variations would have come from and a series of reports in 2013 and then 2014, and all the work we did with the procurement delegation schedule has brought this to light. I think Professor Stokes' view at the time was, "I have a serious issue here. I do not have clarity on it. I need the Auditor General to come in and give me that clarity."

**Mr W.J. JOHNSTON:** The DMP were here before you and they outlined that an \$80 000 contract would be something discussed at the finance committee. At this level that was being discussed at the health finance committee?

**Dr Russell-Weisz:** I think I probably have to take that on notice. At that time what was actually being discussed, but as Rebecca has said, there were delegations in place that were either not being followed or were incorrect. I would not say an \$80 000 contract variation would necessarily be discussed at a senior health executive forum at the moment because it is obviously big business, but we have certain delegations and a tier 1, tier 2 and tier 3 can only sign off on things now. We are putting in place a tracking system to show exactly who signed off and for how much. Whether it was \$80 000, I would very much doubt that at a state health executive forum, but now with the ICT executive board and our program management committee, we have complete clarity over what our priorities are and what we are going to be spending on. At the time it clearly was not there.

**The DEPUTY CHAIR:** Presumably, therefore, that would then make its way into the contracts. For example, Fujitsu, obviously, from what you are saying, we are perfectly entitled to assume that the variations were legitimate under the terms of the contract, regardless of compliance with policy internally, if Fujitsu had a contractual document they looked to. In terms of those delegations, do they then enter the contract where the third party provider is very aware of, that if variations are not signed off by these people, or these people at this level, then they are actually not a valid variation? Will that then make its way to the contract? Because otherwise you might still get the situation where regardless of the internal policy, somebody goes, "Oh, yes, okay. I will sign off on that." But the contract does not allow for the health department—and so actually we are not paying for that because that was not part of our internal processes. Do you understand what I am saying?

**Dr Russell-Weisz:** I do. From my perspective at the time, I think they would have felt they had a valid contract that was signed off by a public servant. Now, we have done enough—well, it is never enough, but we have done good education right through the health services, and we will continue to do it, about what procurement delegations are. But if it were to happen again, I would have to take that on notice whether we would have any recourse to the contractor, and we say, "Somebody signed it off that was actually below their delegation." Rebecca, I do not know if you want to comment on that?

**The DEPUTY CHAIR:** It is not so much because I would not expect a private third party provider to understand delegations within the Department of Health, but the contract would have to provide for at least the identity, people or positions that have to approve variations, so your contract is protecting the health department too?

**Dr Russell-Weisz:** I will answer that. Not just on this, we have invested heavily in contract management expertise, right across the board, because we have got three or four large PPPs, with Joondalup, Peel, Midland, and Serco at Fiona Stanley. We have recognised we need good contract management at all those sites, but also good contract management plans. It is very clear to the contractor who their main liaison point is and who signs off of certain variations. I would say that has been improved over the last few years. Whether something could ever happen again, that somebody signs off above their delegation, you can never say never, but we have tried to put as much robust process in place as possible.

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**Mrs Brown:** The only other comment I would make is that in regards to the area that we have been focusing on and in restructuring that area we have separated those officers who are involved in technical delivery, technical advice or technical engagement with our vendors, from the area that manages the finances and all the risk and audit matters associated with that, which is also separate from the area that manages the contracts. Health is in the process of rolling out a new procurement development and management system that will actually manage the contract from procurement through and be able to track all variations and relevant delegations and authorisations to do that. By separating that, the ability to enter into a contract variation—this is for the organisation of health support services that has brought together HIN, the old health information network, and health corporate network—having those separate is quite important so that we have those checks and balances on contracting. Is that what we technically need—the link to finances and the monitoring and the reporting? The only other comment I would make is that the decisions about whether the right things to do from a business perspective, as opposed to a technical perspective, they are now led through a new governance structure, chaired by the director general. For example, in any future changes in infrastructure, the decision to enter into any contract variations or any changes in scope, or any future business decisions will be made at a business level, as opposed to the technical people.

**The DEPUTY CHAIR:** Can I ask then, with the new government structure that Health has established to oversee and manage ICT projects and delivery thereof, how will that apply to the circumstances of the centralised computer services contract? If that had applied then, what would have happened?

[11.30 am]

**Dr Russell-Weisz:** I will answer it first up and then ask Rebecca for some of the detail. Let us say we were entering into another type of contract. We probably would not do that because obviously we have GovNext coming. But if we did do that for data storage, say it was a proposal for an area, health services or from the business, it would be written up as a concept proposal. It would come through the program committee and it would be costed and it would then go to the executive committee for approval. Now there is a lot of work to be done—I have curtailed that in our questions—but there would actually have to be a mini-business case or a concept approval, with full financial analysis, and also a source of funding. For example, we are looking at replacing our complete radiology information system at the moment. That is a very big replacement. That has had a very rigorous process, not just from the program committee to executive committee, but we also have subcommittees of consumers and also clinicians, so they are feeding into it. I do not think that was there at the time when we entered into this contract, not particularly that it was a clinical contract even though it was to store clinical information. It would come through that and obviously if we needed funding from government we would then have to put a proposal through to Treasury and potentially because these contracts are very large through to EERC and seek that approval before we entered into any contracts. There is a very step-wise process. If internally we can fund it—if for some reason within our budget we can fund a small project—it is still tracked by all those committees and there is a clear sign off now by executive board.

**Mr W.J. JOHNSTON:** If I can clarify, so what you are saying is that this \$44.9 million, the original contract for the centralised computer services contract, never went to the director general?

**Dr Russell-Weisz:** That is what we understand. We did not have the same structure —

**Mrs Brown:** The original contract.

**Dr Russell-Weisz:** Oh, the original contract. The 2010 contract did; so the original contract did, yes, not the variations.

**The DEPUTY CHAIR:** Thank you. The Department of Finance has confirmed that agencies can request specialist procurement support from government procurement in all facets of buying. Prior to the introduction of a new governance structure, was it standard practice to involve

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Finance's government procurement specialists in the delivery of ICT projects, and is it standard practice now under the new governance arrangements?

**Mrs Brown:** It was standard practice then and certainly the Auditor General found that the actual procurement did not find any particular issues with the original procurement back in 2010. It is certainly standard practice now that all procurement above \$250 000 requires the involvement of the Department of Finance—all procurement, so goods and services and ICT. Until recently we had a team based with us that would assist on those. They are now centralised in Finance, but my understanding is—I would have to confirm this—that they would have been based in Finance also, back in 2010.

**The DEPUTY CHAIR:** Has it been standard practice within WA Health to develop procurement and contract management plans for ICT procurements over \$5 million in accordance with the State Supply Commission policy requirements? Does the new governance structure make provision for adherence to these and other SSC policy requirements?

**Mrs Brown:** Certainly over the last two years through the procurement reform we have made significant improvements to all aspects of WA Health procurement, compliance with the State Supply Commission Act, the requirement to develop contract management plans and the rollout of a procurement development and management system. Obviously one of the Auditor General's key findings was around record keeping. This will go a long way to ensuring from up-front procurement through to the contract management and variation the tracking of variations against authorised limits and will give us much better information and that will be a mandated requirement across all of the health services over the next six months as the system goes through a period of change. My understanding back in 2010 was that it was a requirement of WA Health under the partial exemption of the State Supply Commission to have contract management plans, but the work of the chief procurement officer and early audit of the Health Information Network in 2014 at the request of Professor Stokes, certainly highlighted that there were a number of gaps in procurement and contract management practice in that area, and there were a number of recommendations that have been acted on and implemented. It was certainly the professor's concern throughout 2013 that there were significant gaps in the procurement and contract management practices of WA Health, which led to those substantial changes.

**The DEPUTY CHAIR:** To what extent has WA Health previously undertaken gateway reviews for ICT projects over \$10 million in value? Was a gateway review undertaken for the IAM project and the centralised computing services contract?

**Mrs Brown:** We will need to take that on notice, but obviously gateways have been undertaken for the large infrastructure projects that have ICT elements. I do not know whether one was undertaken for either of those; we would need to check.

**Dr Russell-Weisz:** I do not know for the IAM one, I know the one you are referring to. For IAM and the central data one, I would have to say I do not think so, but we will check. Certainly I have been through a number of gateway projects myself through Fiona Stanley Hospital. We have now done a number of gateways for the Perth Children's Hospital and we have used that—we should be using it in all the areas it should be used for. We have had it very useful in some of our large infrastructure projects.

**The DEPUTY CHAIR:** Our clerk will pursue that on notice if we could. According to the Department of Finance, gateway reviews are currently recommended for ICT projects over \$10 million in value. What do you see as the pros and cons of mandating gateway reviews for ICT-related expenditure over that threshold?

**Mrs Brown:** There will always be a benefit in having an external review of large projects and as the director general has said, gateway is a very effective way of doing that in a very short period of time and bringing in broader expertise. In terms of mandating it, Health certainly would not have an

issue with that. Any gateway review would highlight the importance of robust project management, and that is probably where WA Health will continue to focus its efforts in getting robust project management, a large ICT and other projects.

**The DEPUTY CHAIR:** Going forward, for those ICT projects over \$10 million, do you anticipate that is something Health will always use a gateway process for?

**Dr Russell-Weisz:** I certainly think that over the large ones coming up, noting that money is tight —

**The DEPUTY CHAIR:** The radiology for example?

**Dr Russell-Weisz:** Absolutely; I would imagine that. But that has an ICT commissioning part to it, an infrastructure part. It also will have to work with GovNext to make sure that fits with the GovNext program. And it has a clinical commissioning part, so there are a number of moving parts. I have seen how gateway has helped us and also, as the deputy director general has said, rigorous project management. We have established our own project management office now in the Department of Health, so we bring that project rigour not just to large hospital infrastructure projects, but projects such as these as you have mentioned. It is project management and gateway. I would be very happy—I think radiology will be probably a lot greater than \$10 million. There are other projects that would sit around the \$10 million mark but you may even choose to do gateways below the \$10 million.

[11.40 am]

**The DEPUTY CHAIR:** Thank you. On page two of your submission you confirm that —

... WA Health has experienced difficulties in tying ICT service contracts to the delivery of clearly defined deliverables and outcomes.

The committee has observed other jurisdictions—for example, New Zealand and the commonwealth Department of Health—that have established performance-based contracts where a greater degree of risk is transferred to the supplier. The question is: What steps is WA Health undertaking to establish such contracts for its ICT requirements? Will WA Health be looking to leverage off contracts established under the GovNext ICT program to improve its commercial negotiating capacities?

**Mrs Brown:** I will probably take the second part first. Obviously, WA Health will be seeking to leverage off the Government Chief Information Officer's strategy with regard to GovNext, in regard to all aspects around infrastructure going forward and the contractual arrangements. I think more generally the ability to leverage off whether it is the GCIO or the Department of Finance in the structuring of contracts, particularly around the sharing or more appropriate sharing of risk and deliverables in that, certainly WA Health will seek to leverage off that and particularly into contract management, noting that we are required to work with the Department of Finance on contracts worth over \$250 000 anyway. Certainly, WA Health would not have the sort of specialised expertise that they are seeking to establish through GovNext, so I think where it is about getting better value for the state generally, and aggregating or leveraging off with vendors, it will be critical going forward for WA Health to work with those parties.

**The DEPUTY CHAIR:** Thank you. To what extent does WA Health currently utilise as-a-service product offerings for its standard ICT operation requirements?

**Mrs Brown:** You mean through the common-use agreements? We are probably a large user of the common-use agreements. They have been, probably through the large key infrastructure projects, important, particularly in the operations of the system more generally. But, yes, we are a large user of those arrangements.

**The DEPUTY CHAIR:** I will just go to your ICT strategy for a couple of questions, if I could. WA Health's ICT strategy lists five priority areas, each with a list of actions for completion in year

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one, which is 2015–16. Could you advise how you are tracking with the following year one actions—and there I have three questions—reviewing all outstanding ICT requests and developing a prioritisation process and forward work plan?

**Mrs Brown:** There has been a detailed review undertaken of all the requests; that was quite substantial. We have been engaging with the business, bearing in mind that many of the requests have been a culmination of a couple of years of requests from the business, so certainly the first step was to then reconfirm with the business to what extent they were still valid and then we are working through a process to prioritise those requests through the ICT program committee and executive board, which includes ensuring, again, that they remain valid from a business perspective or clinical need. In addition, the benefit of the program committee and executive board is that the membership is cross-representation across WA Health with the health services, so often we are looking for greater synergies across the business or aggregations. So, if there is a request that can be utilised by more than one health service, that is important. But also, there is a finance review and a procurement review through that process. Certainly, to the extent that the original list was a lot longer, it is a lot shorter now in terms of business requirements and then prioritising available resources to deliver on those requests.

**The DEPUTY CHAIR:** Thank you. And tracking in respect of implementing financial controls to ensure all projects are operating within appropriate financial guidelines and frameworks?

**Mrs Brown:** We have invested significantly in restructuring that part of health support services in establishing a finance and performance area that has a more senior and capable officer that has put in place significant changes around the financial controls, the financial reporting, cost centres, budget management, and tracking of that budget in its entirety and again then working through the contractual obligations, so both understanding the budget in its totality and how it is constructed and monitoring sign-off controls. On all those things, we have made significant progress. What we also have done is in understanding the services that that business delivers, health support services, a cost breakdown of those services to understand the value or efficiency of those services going forward.

**The DEPUTY CHAIR:** This is the third point: ensuring decision-making is transparent and communicated?

**Mrs Brown:** With regard to the governance structure, support for the governance structure for ICT is managed within the department, not in health support services, so it is separated from the technical delivery arm. It is managed in the department. There are very clear requirements in terms of submissions to the program committee, papers that go to the executive board and a full reconciliation of decisions, communication of decisions, to business areas that have sought a decision around an ICT requirement, bearing in mind that that will always be based on business need, based on available resources. There is a very detailed costing process and there is a detailed process around identifying the funding source, whether it is within health support services or whether it is within an area health service, procurement compliance, and then what ongoing reporting. We have a two-stage approach whereby, for a level of materiality, any proposals, as the director general said, will go through a concept review first and if they are of a material nature, then a more detailed business case will be developed.

**The DEPUTY CHAIR:** Okay, thank you. I have one final question, bearing in mind our bells will start ringing in 10 minutes, so I will make this our final one. The ICT strategy refers to an annual implementation plan that will set out clear time frames, milestones and deliverables for proposed 2015–16 actions. The department was aiming to release its plan by 31 July 2015. Has the 2015–16 annual implementation plan been completed and has the document been made public?

**Mrs Brown:** The document has been released. One of the key requests to the ICT executive board is obviously to ensure confidence across WA Health more generally about the decision-making of ICT. The annual implementation plan is released to the system. There are quarterly reports. We are tracking probably well on about 80 per cent of the deliverables, bearing in mind that, whilst it is

a three-year plan and an annual plan, there is always a level of reprioritisation against available capability, but certainly deliverables with regard to the key areas highlighted by the Auditor General have been well progressed if not completed.

**The DEPUTY CHAIR:** When you say “released”, do you mean released publicly?

**Mrs Brown:** It is released to the system. I will take that on notice, but I am fairly clear that it would be on the website. Otherwise, we are happy to provide that.

**The DEPUTY CHAIR:** Thank you. Our clerk will chase that up.

**Mr W.J. JOHNSTON:** If I could just ask one question; perhaps it will be best to take it on notice, given that you were not the director general at the time. I draw your attention to page 9 of the Auditor General’s report 1 of 17 February 2016, and I will just read a sentence. It is about halfway down, under the third dot point. It says —

The combined value of these leases, the last of which expires in January 2020, was \$16 million, of which \$10.8 million or 68% was paid up-front, in June 2013.

I would just like to know when that \$10.8 million payment was dealt with by the executive group, however he described it. When was that \$10.8 million payment dealt with by the executive group?

**Dr Russell-Weisz:** We would probably have to take that on notice.

**Mr W.J. JOHNSTON:** Yes, I appreciate that you would not know the answer.

**The DEPUTY CHAIR:** Thank you for your evidence before the committee. A transcript of this hearing will be forwarded to you for correction of minor errors. Please make these corrections and return the transcript within 10 working days of the date of the covering letter. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee’s consideration when you return your corrected transcript of evidence. Thank you.

**Hearing concluded at 11.49 am**

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