

2024

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

TENTH ASSEMBLY

**ACTHD Internal Audit
NTT Australia Invoices
Final Review Report**

**Presented by
Rachel Stephen-Smith MLA
Minister for Health
August 2024**



ACTHD Internal Audit NTT Australia Invoices Final Review Report

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Audit report sign-off

Division/Branch Audited: Digital Solutions Division (DSD)


Signoff:

I acknowledge the findings and recommendations enclosed in this report and undertake to have the agreed actions completed within the identified timeframe.



Muku Ganeshalingam
Chief Finance Officer
Corporate and Governance Division

2024



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30 April 2024

Executive Summary

Overview

To support the implementation of the Digital Health Record System (DHR System) the ACT Health Directorate (ACTHD) engaged NTT Australia Pty Ltd (NTT) in a deed for the provision of hosting, service delivery and managed ICT services with an expected value of \$60 million (excluding GST) over five years (the Deed). This initial estimate was updated to \$79.2M on 19 October 2021 and to \$110M on 11 March 2022.

Under the Deed, all services were to be defined in Work Orders. At the time of drafting of the Deed, there were three work orders:

- Work Order 1: Domain (Non-Production and Production);
- Work Order 2: Software Vendor Environments (Non-Production and Production); and
- Work Order 3: System Migrations.

As of September 2023, approximately \$83 million had been agreed through 227 Work Orders and Work Order Variations.

ACTHD Finance estimated that they had or would receive 118 separate NTT invoices in June 2023 to be included in the 2023 ACTHD financial statements. With this significant number of invoices and the large value of these invoices falling payable in June 2023, ACTHD Finance became concerned about increasing financial risks relating to the invoicing and the acquittal of the NTT invoices. ACTHD requested a review of the NTT invoices and the processes in place for approval of works through to acquittal of invoices.

The purpose of this review was to assess the NTT invoices received in June 2023 for inclusion in the 2023 financial statements and to:

- a) conduct a reasonableness check for the invoice amounts;
- b) conclude on the level of substantiation documents provided by NTT for each invoice;
- c) assess the Work Order documentation and substantiation;
- d) consider invoices paid or accrued in June 2023 for NTT; and
- e) provide other recommendations for improved practices.

Overall, it was found that ACTHD is unable to provide assurance that the services for which they were invoiced (or for which accruals were made) relating to NTT invoicing for the period of 1 June 2023 to 30 June 2023 were appropriate for payment as the invoices from NTT were not adequately structured to permit acquittal of the invoices in sufficient detail.

Specifically, it was found that:

- There is a significant risk that ACTHD has paid (or accrued) for products and services that are inconsistent with the terms and conditions of the Deed.
- ACTHD staff do not have the time, skills and systems to adequately acquit the products and services specified in NTT invoices before those invoices have been paid.

- NTT has billed for services where services are either not listed in the service catalogue or the pricing in the catalogue has been amended without clear explanation.
- ACTHD has classified the Deed on ACT Tenders as a panel contract, resulting in a representation that NTT has only been contracted to provide \$833,835 in goods and services in the period of 1 December 2020 to 30 June 2023.
- NTT has not developed or delivered a contract risk management plan as specified under the Deed, and ACTHD has not introduced controls to mitigate contract management risks.
- ACTHD does not actively identify and assess service credits as specified under the Deed. As a result, ACTHD may be paying for NTT services that did not achieve the agreed service levels.
- ACTHD has not been providing NTT with Certificates of Acceptance on the achievement, delivery or completion of Work Order deliverables.
- NTT has not delivered a quality improvement program for the delivery of the Deed. At the same time, ACTHD has not demanded this or implemented its own quality improvement program.
- ACTHD was unable to demonstrate that NTT has provided (or that ACTHD has requested) assurance from NTT that its charges continue to be competitively priced.
- Although ACTHD regularly meet with NTT to discuss progress of Work Orders and payment of invoices, at the time of the review, ACTHD had no formalised, structured governance or oversight of the services under the Deed.

Recommendations

Table 1: Summary of Recommendations

Rec #	Risk Rating	Recommendation
1	High	<p>To adequately acquit NTT invoices before those invoices are paid, it is recommended that ACTHD work closely with NTT to strengthen its invoice acquittal process at both an invoice level and at a detailed line level. This includes:</p> <ul style="list-style-type: none"> for all invoices prior to June 2023, performing detailed analysis of applicable invoices to obtain appropriate assurance that ACTHD has only paid for: <ul style="list-style-type: none"> products and services covered by the terms and conditions of the Deed; and products and services that have been delivered by NTT. working closely with NTT to revise the invoicing processes so that ACTHD can easily link invoices to Work Orders and so that ACTHD has assurance that the services invoiced have been delivered and not double billed. This should include using the dashboards NTT reference in their tender response and requiring that NTT invoices link individually to Work Orders. developing the tools, capacity, and capability within the ACTHD Account Management team to be able to effectively and efficiently examine each invoice to gain assurance that the invoiced services have been delivered; and that the services delivered link to an approved Work Order. reconciling invoiced services against the service catalogue and verifying that charges applied on the invoice are correctly priced as per the service catalogue. obtaining a documented variation to the Deed for any changes to the pricing in the service catalogue. <p>Management Response</p> <p>Agree</p> <ul style="list-style-type: none"> ACTHD will use a risk-based approach and review applicable invoices prior to June 2023. Steps have already been put in place to working with NTT through monthly meetings in relation to performance and contract management processes. These processes will continue to be strengthened to support this recommendation. An approach, will be developed, to assist with the ongoing management of the NTT Contract including the: <ul style="list-style-type: none"> roles and responsibilities for processing invoices development of tools, capacity, and capability for the examination, processing and approval of invoices management of variations and changes to the pricing in the service catalogue <p>Implementation date</p> <p>30 June 2024</p>
2	High	<p>To achieve greater value for money on the Deed, ACTHD should strengthen its engagement with NTT and provide increased assurance that both parties adhere to their contractual requirements. This includes ACTHD:</p> <ul style="list-style-type: none"> requesting from NTT their contract risk management plan and then implement processes to monitor and report on risks associated with the contract. requesting from NTT their quality improvement plan and developing an internal quality improvement plan for ACTHD to identify opportunities for continuous

Rec #	Risk Rating	Recommendation
		<p>improvement. Both plans should then be actively monitored, with quality improvements tracked and reported.</p> <ul style="list-style-type: none"> • assessing opportunities to claim service credits and implement processes to identify potential service credit claims and then lodge claims for service credits. • requesting from NTT their annual certification and assurance that the pricing applied by NTT remains competitive with the market. • obtaining quotes from alternate service providers for products and services that are not directly linked to the provision of core services under the deed (hosting, service delivery and managed services). <p>Management Response Agree</p> <p>ACTHD will review and strengthen the Contract Management Plan for the NTT contract to ensure that there are clear roles and responsibilities in relation to who is responsible for monitoring key aspects of the contract, including both NTT and ACTHD:</p> <ul style="list-style-type: none"> • risk management • quality improvement tracking and reporting • monitoring of service credits • annual certification and pricing competitiveness <p>ACTHD will also ensure that products and services outside the core services under the deed, follow appropriate procurement processes to ensure a competitive process occurs.</p> <p>ACTHD will assess opportunities to claim service credits and implement processes to identify potential service credit claims and then lodge claims for service credits.</p> <p>Implementation date 30 June 2024</p>
3	High	<p>To ensure that ACTHD receives competitive pricing for the services described in the Deed, it is recommended that ACTHD seek pricing from the open market to drive value for money from the Deed and for the services provided. This includes:</p> <ul style="list-style-type: none"> • utilising the clauses in the contract that allow for validation against the open market and not defer to the Deed for the fulfilment of all works relating to information technology systems relating to DHR. • seeking pricing from the market to ensure that NTT maintains competitive pricing. • preparing now for re-tendering in 2026 to maintain competitive pricing. <p>Management Response Agree</p> <p>As referred to in the response to recommendation 2 above, ACTHD will ensure that products and services outside the core services under the deed, follow appropriate procurement processes in an open competitive process.</p> <p>DSD will work with the Health Procurement team to start the planning for the expiry of the NTT contract and ensure that decisions are made early to allow for a thorough tender process for services beyond 2026.</p>

Rec #	Risk Rating	Recommendation
		<p>DDTS will be consulted in respect of products and services that they may offer ahead of any competitive procurement process or will be provided the opportunity to respond to competitive procurement processes to ensure that DDTS products and service offerings are considered fully. Transition costs, risks and benefits regarding product and service options will also be considered within all procurement processes.</p> <p>Implementation date 30 June 2024</p>
4	High	<p>To provide strategic clarity and effective governance of the Deed and the services delivered by NTT under this Deed, ACTHD should:</p> <ul style="list-style-type: none"> • limit the scope of the Work Orders created under the Deed to the original intent of the Deed and the Request for Tender. • revisit the internal approval process for new Work Orders considering appropriate delegations. • establish a process for overseeing and independent governance of Work Orders. <p>Management Response Agree</p> <p>ACTHD will commence a review of all work orders to start to close out individual work orders that don't link to core services under the Deed. Separate work orders will be established purely to manage the core services going forward.</p> <p>DSD, through its Governance Committees and delegate approval processes will ensure clear approval steps are in place if a new work order is needed under the Deed. Clear risk assessment will be conducted for any new work orders.</p> <p>DSD has already commenced constructing a reporting system to manage NTT orders and invoices executed under the Deed. In addition, DSD has done a comprehensive review of all work orders to ensure that continuing orders are in alignment with the intent of the Deed.</p> <p>Implementation date 30 June 2024</p>

Table 2: Recommendation Risk Categories

Risk Rating	Category Description
High	Those matters which pose significant risks for ACTHD and need to be addressed by appropriate level of management immediately from the date of notification of the matter/s
Medium	Those matters which pose moderate risks for ACTHD or matters that have been referred to management in the past and have not been addressed satisfactorily
Low	Those matters, including lack of management control, project management and communication skills of a non-systemic nature, and which pose minor risk for ACTHD

Background and Context

To support the implementation of the DHR System using systems provided by Epic Systems Melbourne Pty Ltd, ACTHD sought responses for the provision of hosting, service delivery and managed ICT services in relation to the DHR System. NTT were the successful respondents, and a deed¹ for the provision of hosting, service delivery and managed ICT services was executed on 23 December 2020 with an expected value of \$60 million (excluding GST) over five years.

The Deed includes the option to extend with up to five option periods each of 12 months. The Deed was varied on 21 October 2021 to extend it by one year (taking the expected costs to \$72 million excluding GST) with a second variation on 11 March 2022 extending the deed to a value of \$100 million (excluding GST).²

All services were to be defined in Work Orders, which document the scope of work, the supplier's quotation for the requested services, the commencement date, milestones, impact on services or other Work Orders and other information reasonably required by ACTHD. At the time of drafting of the Deed, there were three work orders:

- Work Order 1: Domain (Non-Production and Production);
- Work Order 2: Software Vendor Environments (Non-Production and Production); and
- Work Order 3: System Migrations.

The Deed allows for additional Work Orders and *“At any time, the Territory may request the Supplier to provide a quote for the provision of Additional Services as described in the request”*. As of September 2023 (three years into the six-year contract), approximately \$83 million had been agreed through 227 Work Orders and Work Order Variations.

In addition to the Deed, NTT has at least two other current deeds with ACTHD for the provision of equipment and services. These are:

- 30015.120 Provision of clinical work devices in the amount of \$7,536,069.68 (executed on 21 December 2018); and
- CLD25702 Provision of Medigate software licences in the amount of \$190,676.21 (executed on 21 June 2023).

Clauses in the Deed require regular invoicing by NTT with invoices to be paid by ACTHD within 20 days. Clause 45.5 of the Deed allows ACTHD to not pay an invoice for a monthly service where the invoice is issued more than three months after the delivery of the service.

In June 2023, ACTHD Finance estimated that they had or would receive 118 separate invoices, issued by NTT either in June 2023, or for processing in June 2023, which were to be included in the 2023 ACTHD financial statements. With this significant number of invoices and the large value of these invoices falling payable in June 2023 (or at least to be accrued in June 2023), ACTHD Finance became concerned about increasing financial risks relating to the invoicing and the acquittal of the NTT invoices. ACTHD requested a review of the NTT invoices and the processes in place for approval of works through to acquittal of invoices.

¹ GS001054.110 - Deed for Digital Health Records and Related Systems Hosting.

² Paragraph 3 in “Confidential Text – Deed of Variation 2 – DHR Hosting Agreement.pdf”

The purpose of this review was to assess the NTT invoices received in June 2023 for inclusion in the 2023 financial statements and to:

- a) conduct a reasonableness check for the invoice amounts;
- b) conclude on the level of substantiation documents provided by NTT for each invoice;
- c) assess the Work Order documentation and substantiation;
- d) consider invoices paid or accrued in June 2023 for NTT; and
- e) provide other recommendations for improved practices.

Findings

NTT invoices

Background

NTT issue invoices as PDF documents in a format consistent with the requirements of the Australian Taxation Office (refer to Appendix C – ATO Tax invoice requirements) for the issuance of invoices in Australia.

For hosting services provided under the Deed, NTT produce a “detailed line report” (as a spreadsheet – Refer to Appendix D – Detailed line report) which lists related Work Orders, services and charges. For other invoices, NTT list the multiple Work Orders to which the services are related.

The ACT Government requires most Directorates (including ACTHD) to process their invoices through the ACT’s whole-of-government accounts payable environment - Accounts Payable Invoice Automation Solution (APIAS). Invoices are transmitted electronically or via email to APIAS, which obtains invoice information using optical character recognition. APIAS then distributes invoices to the ACT Government staff responsible for acquitting the invoice against approved purchase orders. The invoice then progresses through the ACT Whole-of-Government Oracle Financials for payment. APIAS was implemented to deliver:

- efficient distribution of invoices;
- reduced reliance on traditional mail networks and associated expenses;
- a more timely payment lifecycle;
- the ability for Shared Services to provide constant, real-time visibility and tracking of your invoice payment progress; and
- significant reductions in errors.

To achieve the efficiencies that APIAS delivers, the information contained on an invoice must be transferred to APIAS correctly. A correctly rendered invoice for APIAS contains:

- the supplier invoice number;
- the supplier ABN;
- the supplier bank account details;
- a description and value of goods / services; and
- an ACT Government contact name (first and last name) or an ACT Government Purchase Order Number (noting PO or Purchase Order in front of the number), if applicable – ensuring that these are noted in the top third of the tax invoice page.

Findings

There is a significant risk that ACTHD has paid (or accrued) for products and services that are inconsistent with the terms and conditions of the Deed.

Clause 45.5 of the Deed allows ACTHD to not pay an invoice for a monthly service where the invoice is issued more than three months after the delivery of the service. Analysis of NTT invoices and the Work Order register between 1 June 2023 to 30 June 2023 showed that:

- in June 2023, NTT charged for services dating back to November 2022. As per clause 45.5, ACTHD is not required to pay for services which are invoiced more than three months after the delivery of the service. However, in June 2023, ACTHD has paid (or accrued) for services dating back to November 2022. The value of the services in question is \$2,114,108 (based on detailed line reports).
- accruals for the period included services covering the period 1 January 2023 to 31 May 2023 where the Work Order (WO178 – Advanced Managed Services Epic Renewal 1 Jan 2023 – 23 Dec 2026) was not signed until August 2023. The four-year value of this Work Order (which includes back billing to 1 January 2023) is for \$3,430,516.

The implication for ACTHD is that it is being billed and paying for services outside of the terms of the Deed.

ACTHD staff do not have the time, skills and systems to adequately acquit the products and services specified in NTT invoices before those invoices have been paid.

ACTHD uses the ACT Government's APIAS system to process all NTT invoices. Due to the complex nature of NTT invoicing (by including detailed line reports associated with different Work Orders and summary lines linked to multiple Work Orders), APIAS is unable to effectively process NTT invoices. As a result, manual processes are performed to attempt to link invoice line items to Work Orders. While ACTHD Work Orders are tied one-on-one to Purchase Orders, NTT provide invoices with multiple Purchase Order numbers linked to single lines. As Work Orders can span many months, NTT invoices will list Purchase Orders multiple times with part billing against Purchase Orders each month (refer to sample invoice in Appendix B – Example invoices).

For the period November 2022 to May 2023, 17,307 lines of service catalogue charges were included as attachments to NTT invoices (refer to Appendix D – Detailed line report). These service catalogue charges needed to be acquitted. Examples of these service catalogue line items include: \$0.17 for additional disk space (listed 57 times); through to a single line for \$55,367.47 for 325,691 units of additional disk space priced at \$0.17 per unit in April 2023 under Work Order WO21. A total of \$222,687.40 was billed under Work Order WO21 relating to additional disk space for the period November 2022 to May 2023. A further \$48,730.00 was billed for additional disk space across all other Work Orders. ACTHD has no established mechanism to obtain assurance that it has received 325,691 units of additional disk space.

Due to the large number of line items contained within detailed line reports attached to NTT invoices; the technical nature of the products and services listed in these invoices; and the listing of multiple purchase orders against single invoices, there is a significant risk that staff do not have the time and skills to adequately acquit the NTT's invoices and obtain adequate assurance that ACTHD is obtaining value for money from the goods and services provided.

In interviews with ACTHD's invoice review team, team members advised they do not have the ICT technical knowledge required or access to key ICT infrastructure and personnel, to obtain the required assurance that every invoice line item contained in NTT invoices:

- is consistent with the products and services to be provided to ACTHD under the Deed;
- matched the products and services received by ACTHD; and
- did not include errors or duplicates.

From the interviews, the ACTHD invoice review team focus their attention on assessing whether invoices result in purchase order totals being exceeded. However, the review team notes this approach is not appropriate as the approach by NTT to list multiple purchase orders against a single invoice creates significant challenges and increases the risk of misalignment of invoices to work orders and purchase orders.

Although ACTHD's current approach to acquitting NTT invoices does not achieve the level of granularity required to adequately acquit each invoice, the ACTHD invoice review team advised that they have identified numerous errors that have required NTT to resubmit invoices before they have been paid.

The NTT proposal for the provision of hosting, service delivery and managed ICT services in relation to the DHR System included descriptions of "NTT CloudControl™" which can be used by ACTHD for the purpose of "administration, provision, management, support, metering and billing of cloud resources". Part of the NTT CloudControl™ includes a "Spend Dashboard" that summaries and explains NTT charges for products and services. At the time of the review, the ACTHD invoice review team did not have access to, or use, these tools.

NTT has billed for services where services are either not listed in the service catalogue or the pricing in the catalogue has been amended without clear explanation.

Analysis of the detailed line reports provided by NTT as attachments to invoices and the service catalogue (versions 1.1 and 1.3) found that:

- there were service items listed for which there was no corresponding item number in the service catalogue.
- all prices increased between Service Catalogue 1.1 and Service Catalogue 1.3 by a factor of at least 6.02% while on at least one service the price increased by 30%. The accompanying documentation does not explain the factors.
- one item (SC-5.06 Colocation Per RU) is listed in Service Catalogue 1.1 as \$115.00 "one off AUD charges", however, by Service Catalogue 1.3 this item had increased to \$121.93 and changed to being billed per month. Total charges for the six months included in the June 2023 invoices relating to this line item were \$330,860.74.

When invoicing, any charges must correspond to the prices listed in the Deed service catalogue. Each invoiced item should be verifiable against the service catalogue entries to ensure alignment with the agreed-upon terms. If ACTHD is unable to verify the pricing in the invoices against the agreed service catalogue, ACTHD is at risk of paying excess charges for services or for services not agreed.

Table 3: Recommendations

Rec #	Risk Rating	Recommendation
1	High	<p>To adequately acquit NTT invoices before those invoices are paid, it is recommended that ACTHD work closely with NTT to strengthen its invoice acquittal process at both an invoice level and at a detailed line level. This includes:</p> <ul style="list-style-type: none"> • for all invoices prior to June 2023, performing detailed analysis of applicable invoices to obtain appropriate assurance that ACTHD has only paid for: <ul style="list-style-type: none"> ○ products and services covered by the terms and conditions of the Deed; and ○ products and services that have been delivered by NTT. • working closely with NTT to revise the invoicing processes so that ACTHD can easily link invoices to Work Orders and so that ACTHD has assurance that the services invoiced have been delivered and not double billed. This should include using the dashboards NTT reference in their tender response and requiring that NTT invoices link individually to Work Orders. • developing the tools, capacity, and capability within the ACTHD Account Management team to be able to effectively and efficiently examine each invoice to gain assurance that the invoiced services have been delivered; and that the services delivered link to an approved Work Order. • reconciling invoiced services against the service catalogue and verifying that charges applied on the invoice are correctly priced as per the service catalogue. • obtaining a documented variation to the Deed for any changes to the pricing in the service catalogue. <p>Management Response Agree</p> <ul style="list-style-type: none"> • ACTHD will use a risk-based approach and review applicable invoices prior to June 2023. • Steps have already been put in place to working with NTT through monthly meetings in relation to performance and contract management processes. These processes will continue to be strengthened to support this recommendation. • An approach, will be developed, to assist with the ongoing management of the NTT Contract including the: <ul style="list-style-type: none"> ○ roles and responsibilities for processing invoices ○ development of tools, capacity, and capability for the examination, processing and approval of invoices ○ management of variations and changes to the pricing in the service catalogue <p>Implementation date 30 June 2024</p>

Contract governance and management

Background

The Deed is an extensive document for the provision of an extensive service. The Deed covers 416 pages, describing in detail, the actions to be taken by both parties (ACTHD and NTT) in the conduct of this engagement. It also requires that all Work Orders (developed by NTT and signed by ACTHD) form part of the contractual obligations of the Deed. The Deed itself does not set a contracted price for the services or an upper limit, as pricing for service delivery and product is documented in the Work Orders. As of 10 September 2023, there were 227 Work Orders (and variations to Work Orders).

Key features of the Deed are as follows:

- The Deed is a standing offer by NTT to supply services described in Work Orders.
- The Deed allows NTT to supply any good or service to ACTHD, provided it is described in a Work Order.
- The Deed allows ACTHD to direct source any good or service from NTT provided it is described in a Work Order.
- The Deed requires:
 - NTT to work closely with ACTHD to continuously improve the quality of the services and the management of the Deed.
 - A quality assurance program to be provided for the management of the Deed and the services.
 - NTT to provide a contract risk management plan.
 - ACTHD to provide NTT with “Certificates of Acceptance” upon completion of services or the delivery of products.
- ACTHD has the right to withhold payment and to claim service credits where services may not have been delivered in accordance with requirements.
- ACTHD has the right to not pay for any service which is not invoiced within three months of the service being consumed.
- The Deed requires that each year, NTT provide ACTHD with assurance that NTT maintains competitive pricing for the services provided.

Findings

Due to its size and complexity, numerous individuals, and teams in ACTHD are involved in the management of the Deed. This complexity has resulted in either misunderstanding within ACTHD as to the management of the Deed or contractual obligations being missed. There were seven key findings applicable to the ACTHD’s management and oversight of the deed.

ACTHD has classified the Deed on ACT Tenders as a panel contract, resulting in a representation that NTT has only been contracted to provide \$833,835 in goods and services in the period of 1 December 2020 to 30 June 2023.

The purpose of ACT Tenders is to provide transparency for the public into the procurements conducted by the ACT Government. Analysis of ACT Tenders found that NTT is registered as a supplier to ACTHD under contracts and under panels. Under the search option of contracts, NTT is noted as supplying just \$833,835, while under the panel contract it is registered as having secured

\$84,581,005 for the same period. Signed minutes for the approval of Deed variations indicate that the expected value of the Deed is currently \$110 million over six years.

ACTHD has only one other current panel arrangement executed in the same period listed on ACT Tenders for “Provision of Prosthetics and Orthotics Panel”. The value of this panel is \$6million spread across five suppliers, each with an anticipated spending of \$1.2 million.

A reader of ACT Tenders may interpret that NTT has secured contracts for \$833,835 where in fact they have secured Work Orders for \$84,581,005 and the panel (of one) has a potential value of \$110 million. This creates a risk for ACTHD that it may not have been transparent with the true contract value of NTT’s services.

NTT has not developed or delivered a contract risk management plan as specified under the Deed, and ACTHD has not introduced controls to mitigate contract management risks.

A contract risk management plan is a vital part of large complex contracts such as the Deed. Contract risk management plans can help both parties reduce the impact and consequences of certain situations arising in the delivery (or non-delivery) of the contract. Such plans are effective in identifying issues that may impact the achievement of the contract, including cost management and service delivery of the contract. Without a documented, tracked and monitored contract risk management plan, there is a potential for service delivery to underachieve against the contract, for excess costs to be incurred by ACTHD and for relations between parties to sour.

ACTHD does not actively identify and assess service credits as specified under the Deed. As a result, ACTHD may be paying for NTT services that did not achieve the agreed service levels.

Under the Deed, ACTHD can claim service credits (a type of refund) when services delivered by NTT do not achieve (or have not achieved) the service levels expected under the contract. Service credit clauses are included in contracts to allow clients to disincentivise service providers from under-delivering their services. For ACTHD to be able to claim service credits, it must be able to demonstrate that the services received did not meet the service levels expected under the Deed. At the time of the review, ACTHD had not claimed service credits and did not have a proactive process or mechanism in place to identify services that were not delivering at the expected service level.

A generic example of a service credit in a contract like that of the Deed could be that the provider implements and charges for 16Gb of disk space. However, after the client has been billed for that additional disk space it is found that the original installation of 16Gb of disk space was faulty and it was not actually operating during the month for which the client was billed. In such a case, the client could apply for a service credit. As ACTHD has not been monitoring for service credits and do not have access to tools that record achieved service levels, it is not possible (in this review) to calculate the extent of any service credits that may be due.

ACTHD has not been providing NTT with Certificates of Acceptance on the achievement, delivery, or completion of Work Order deliverables.

The Deed requires that services comply with Acceptance Criteria and that ACTHD issue a Certificate of Acceptance within 15 days of receipt of a service. Such certificates of acceptance are important

for clients to demonstrate to the supplier of the services that they are satisfied with the product or service delivered and that the client is now prepared to accept the risks relating to the use of the product or service. The issue of Certificates of Acceptance is a key method for service providers to know that they may now bill for their services. At the same time, they are useful for the accounts payable team to demonstrate that the product or service has been delivered in a manner consistent with contractual requirements and that invoices relating to the service delivery can now be paid.

When organisations rely on ad hoc communications to advise fulfilment or delivery of a service there is a risk that undue pressure is applied by a supplier for payment of the invoice, or invoices are paid for services which have not either been fully delivered or have not met the agreed requirements. As ACTHD is not issuing Certificates of Acceptance in a controlled, documented, repeatable manner, and is not maintaining a register of these certificates, there is a risk that ACTHD is paying for services that have not met business expectations or have not achieved the requirements specified in the Work Orders.

NTT has not delivered a quality improvement program for the delivery of the deed. At the same time, ACTHD has not demanded this or implemented its own quality improvement program.

With complex, long-term contracts, such as this engagement, it is important that both parties recognise the opportunity for continuous improvement relating to all parts of the contract. A quality improvement program allows both parties to request changes and implement changes to all aspects of the contract that deliver efficiencies in the contract. A quality improvement program may involve periodic reviews of key aspects of the engagement or periodic group sessions where both parties present ideas for opportunities to improve the delivery of services.

A quality improvement program would allow ACTHD to advise NTT that the current invoicing processing is causing ACTHD to incur costs greater than expected in relation to invoicing. This could result in ACTHD and NTT working closely together to identify steps to achieve improvements and reduce unexpected costs.

ACTHD was unable to demonstrate that NTT has provided (or that ACTHD has requested) assurance from NTT that its charges continue to be competitively priced.

A key part of long-term contracts, where a provider essentially has a monopoly over the delivery of services, is that the provider must demonstrate throughout the term of the contract that they continue to price competitively compared to the market. In situations where providers can lock in services and prices without competition there is a risk that the client pays a premium while the service delivery reduces, resulting in increased costs to the client.

Despite the Deed being listed on ACT Tenders as a panel arrangement where usually there are multiple providers, NTT is a sole provider of these services and can deliver any service provided it is documented in a Work Order. In situations such as this, it is important that ACTHD periodically obtains assurance that NTT continues to deliver services priced competitively with the market. Examination of invoices found that the following Work Orders were issued without competitive pricing being sought, despite other market participants being able to deliver these products and services:

- Spectralink at a cost of \$102,532.77;

- Deployment of CT Scanners at a price of \$96,375.43;
- Building a Grafana system at a cost of \$62,167.35; and
- Buying Dell monitors at a cost of \$80,275.42

Further, from consultation with the ACTHD Account Management team and Accounts Payable team, ACTHD has not sought from NTT the annual assurance that their pricing remains competitive.

Although ACTHD regularly meet with NTT to discuss progress of Work Orders and payment of invoices, at the time of the review, ACTHD had no formalised, structured governance or oversight of the services under the Deed.

Consultations with the Accounts Payable Team, Account Management team and ACTHD Executives noted that while ACTHD is managing individual Work Orders, there is no strategic governance for the Deed. This has resulted in issues as noted in this report including:

- a loss of transparency with respect to the Deed value;
- approval for purchases under the Deed where services should have sought pricing from an open market;
- a loss of control of Work Order creation and variation; and
- expansion of the services being delivered.

There is a significant risk that without closer and strategic oversight of the Deed that ACTHD will incur substantial costs for services not tied directly to the Deed and those services may be delivered without competitive pricing.

Table 4: Recommendation/s

Rec #	Risk Rating	Recommendation
2	High	<p>To achieve greater value for money on the Deed, ACTHD should strengthen its engagement with NTT and provide increased assurance that both parties adhere to their contractual requirements. This includes ACTHD:</p> <ul style="list-style-type: none"> • requesting from NTT their contract risk management plan and then implement processes to monitor and report on risks associated with the contract. • requesting from NTT their quality improvement plan and developing an internal quality improvement plan for ACTHD to identify opportunities for continuous improvement. Both plans should then be actively monitored, with quality improvements tracked and reported. • assessing opportunities to claim service credits and implement processes to identify potential service credit claims and then lodge claims for service credits. • requesting from NTT their annual certification and assurance that the pricing applied by NTT remains competitive with the market. • obtaining quotes from alternate service providers for products and services that are not directly linked to the provision of core services under the deed (hosting, service delivery and managed services). <p>Management Response Agree</p> <p>ACTHD will review and strengthen the Contract Management Plan for the NTT contract to ensure that there are clear roles and responsibilities in relation to who is</p>

		<p>responsible for monitoring key aspects of the contract, including both NTT and ACTHD:</p> <ul style="list-style-type: none"> • risk management • quality improvement tracking and reporting • monitoring of service credits • annual certification and pricing competitiveness <p>ACTHD will also ensure that products and services outside the core services under the deed, follow appropriate procurement processes to ensure a competitive process occurs.</p> <p>ACTHD will assess opportunities to claim service credits and implement processes to identify potential service credit claims and then lodge claims for service credits.</p> <p>Implementation date 30 June 2024</p> <p>Implementation date Insert Date</p>
3	High	<p>To ensure that ACTHD receives competitive pricing for the services described in the Deed, it is recommended that ACTHD seek pricing from the open market to drive value for money from the Deed and for the services provided. This includes:</p> <ul style="list-style-type: none"> • utilising the clauses in the contract that allow for validation against the open market and not defer to the Deed for the fulfilment of all works relating to information technology systems relating to DHR. • seeking pricing from the market to ensure that NTT maintains competitive pricing. • preparing now for re-tendering in 2026 to maintain competitive pricing. <p>Management Response Agree</p> <p>As referred to in the response to recommendation 2 above, ACTHD will ensure that products and services outside the core services under the deed, follow appropriate procurement processes in an open competitive process.</p> <p>DSD will work with the Health Procurement team to start the planning for the expiry of the NTT contract and ensure that decisions are made early to allow for a thorough tender process for services beyond 2026.</p> <p>DDTS will be consulted in respect of products and services that they may offer ahead of any competitive procurement process or will be provided the opportunity to respond to competitive procurement processes to ensure that DDTS products and service offerings are considered fully. Transition costs, risks and benefits regarding product and service options will also be considered within all procurement processes.</p> <p>Implementation date 30 June 2024</p>

4	High	<p>To provide strategic clarity and effective governance of the Deed and the services delivered by NTT under this Deed, ACTHD should:</p> <ul style="list-style-type: none"> • limit the scope of the Work Orders created under the Deed to the original intent of the Deed and the Request for Tender. • revisit the internal approval process for new Work Orders considering appropriate delegations. • establish a process for overseeing and independent governance of Work Orders. <p>Management Response Agree</p> <p>ACTHD will commence a review of all work orders to start to close out individual work orders that don't link to core services under the Deed. Separate work orders will be established purely to manage the core services going forward.</p> <p>DSD, through its Governance Committees and delegate approval processes will ensure clear approval steps are in place if a new work order is needed under the Deed. Clear risk assessment will be conducted for any new work orders.</p> <p>DSD has already commenced constructing a reporting system to manage NTT orders and invoices executed under the Deed. In addition, DSD has done a comprehensive review of all work orders to ensure that continuing orders are in alignment with the intent of the Deed.</p> <p>Implementation date 30 June 2024</p>
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Appendix A – Review Scoping

Review of all NTT invoices submitted to ACTHD for the month of June 2023. This review's findings will be within the following constraints:

- a review of the services provided by NTT (according to the invoice period) and a reasonableness check for the invoice amount;
- an expert opinion on the level of substantiation documents (support) provided by NTT for each invoice;
- a review of the ACTHD's Work Order documentation and substantiation;
- review period – any NTT invoice paid or accrued by ACTHD for the month of June 2023; and,
- any other finding that will result in improved practices.

Appendix B – Example invoices

Standard invoice



NTT Australia Pty Ltd

GPO BOX 4059
 Sydney NSW 2001
 Australia
 A.B.N. 65 003 371 239
 A.C.N. 003 371 239

Invoice To:

ACT Health Directorate
 Peter McNiven, Rachel Hourigan & Glenn Loughton
 2-6 Bowes Street
 Phillip ACT 2606
 Australia
 Phone: 02 6207 9000

Contact Details:

Payment Terms: 30 days
 Invoice Queries PH: 02 9001 2194
 Invoice Queries Email: credit.au@globalntt
 Invoice Queries Fax: (02) 8249 5587

Tax Invoice

Transaction Details:

Invoice Number: D90959284.1
 Invoice Date: 30/01/2023
 PO Number: Hosting Access Agreement
 Customer: ACT Health Directorate
 Customer Code: 109781
 Client Manager: Dwas Rimal
 Contract Number: 25178500
 Service Provided To: ACT Health Directorate
 Status: Active

Total Net Price:	485,208.05
GST Payable:	48,520.81
Total (Inc GST): CURRENCY: AUD	533,728.86

Item	Service	Details	Service Coverage	Net Price (EX GST)	GST	Value (Inc GST)
10	MSAUE100005	PGC & MS Charges for CSOC for December 2022	01/12/2022 To 31/12/2022	485,208.05	48,520.81	533,728.86

Additional Invoice Comments: Hosting Access Agreement CLD10127, CLD10148, CLD10149, CLD10180, CLD10222, CLD10238, CLD10657.1, CLD10683, CLD10712, CLD10952, CLD11047, CLD11359, CLD11476, CLD11700, CLD11703, CLD11711, CLD11712, CLD11752, CLD11753, CLD11754, CLD11755, CLD11760, CLD11879, CLD12113, CLD12115, CLD12144, CLD12145, CLD12151, CLD12168, CLD12314, CLD12317, CLD12332, CLD12413, CLD12857.1, CLD12863, CLD12901, CLD12906.1, CLD12909, CLD12910, CLD13114, CLD13628.1, CLD14332, CLD15097, CLD15435, CLD15590, CLD15637, CLD15641, CLD15722, CLD15724, CLD17901, CLD17902, CLD18602, CLD19595, CLD7363, CLD9026, CLD9380, CLD9672, CLD9703, CLD9706, CLD9728, CLD9989, Q3798514, Q3836067, Q3855886.2, Q3855960.1, Q3914401.1, Q3914418.2

Attachments: Line Report D90959284 - ACT Health - December 2022 V2.xlsx

Reference to attachments of detailed line reports.

Example of multiple purchase orders marked against a single invoice line.

 All these Purchase Orders relate to the single line with the detail "PGC & MS Charges for CSOC for December 2022"

Bank details: A/C Name: NTT Australia P/L, BSB: 012-201, A/C#: 837120709
 Standard Terms and Conditions of Supply:

Appendix C – ATO approved tax invoice

1 Tax invoice

2 Windows to Fit Pty Ltd
ABN: 32 123 456 789 **3**

15 Burshag Road
Festler NSW 2755

4 Date: 1 August 2013

To: Building Company **8**
254 Burshag Road
Festler NSW 2755

Qty	Description of supply	Unit price	GST	Total
5 50	Window frames	\$150	\$15	\$8,250
10	Deadlocks	\$40	\$4	\$440
			6	
TOTAL AMOUNT PAYABLE				\$8,690

The total price includes GST **7**

The Australian Taxation Office provides guidance on items to be included on a tax invoice, which is to include the following:

1. the document is intended to be a tax invoice;
2. seller's identity;
3. seller's Australian business number (ABN);
4. date the invoice was issued;
5. brief description of the items sold, including the quantity (if applicable) and the price;
6. GST amount (if any) payable;
7. extent to which each sale on the invoices is a taxable sale; and
8. the buyer's identity.

Additionally, invoices submitted to APIAS must include:

9. ACT Government contact (first name and last name) or ACT purchase order; and
10. supplier bank account details.

Taken from the ATO website - <https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/tax-invoices>

Appendix D – Detailed line report

April 2023 Invoice Summary

PGC & MS Charges for CSOC for April 2023 \$ 536,987.08

Total	\$ 536,987.08
GST 10%	\$ 53,698.71
Total Inc GST	\$ 590,685.79

Line Report for April 2023

Work Order #	Additional Description	Product name	Quantity	Billing start date	Billing end date	Billing amount	Location
W011	TFYSDBS001 - BloodBank - Non PROD	SC-4.21 RedHat 7 64-bit 4 CPU	1	01-04-2023	30-04-2023	\$ 190.74	CDC PGC Fywhick
W025	TFYSAPR028 - Philips I2P - Non PROD	SC-4.15 Windows 2016 STD 4 CPU	1	01-04-2023	30-04-2023	\$ 271.54	CDC PGC Fywhick
W053	TAUCKESSQL01 - Kestral - PROD	SC-4.33 Additional RAM 24G-48G	20	01-04-2023	30-04-2023	\$ 220.20	CDC PGC Fywhick
W009	Epiphany	SC-4.45 Additional VLAN	1	01-04-2023	30-04-2023	\$ 30.88	CDC PGC Fywhick
W012	SSMS Session Host - SSMS - PROD	SC-4.32 Additional RAM 1G - 24G	24	01-04-2023	30-04-2023	\$ 262.24	CDC PGC Fywhick
W041	TFYSAPP19 - Corepoint - Non PROD	SC-4.15 Windows 2016 STD 4 CPU	1	01-04-2023	30-04-2023	\$ 271.54	CDC PGC Fywhick
W0123	PFYSAPP001 - PICS	SC-4.38 Additional Disk Standard	100	01-04-2023	30-04-2023	\$ 17.00	CDC PGC Fywhick
W0121	PFYSAPP002 - Philips IBE - SC-4.39 Additional DISK Fast	SC-4.39 Additional Disk Fast	287	01-04-2023	30-04-2023	\$ 114.80	CDC PGC Fywhick
W040.1	IDSEPICTESTWCF - AGFA PACS - SC-4.15 Windows 2016 STD 4 CPU	SC-4.15 Windows 2016 STD 4 CPU	1	01-04-2023	30-04-2023	\$ 271.54	CDC PGC Fywhick
W073	PAUCSGL007 - Tradereferential - PROD	SC-4.32 Additional RAM 1G - 24G	8	01-04-2023	30-04-2023	\$ 88.08	ACT Phillip 1
W028	PFYSAPP041 - Heyes - PROD	SC-4.38 Additional Disk Standard	4960	01-04-2023	30-04-2023	\$ 843.20	CDC PGC Fywhick
W0111	DFYSDBS001 - BloodBank - Non PROD	SC-4.32 Additional RAM 1G - 24G	56	01-04-2023	30-04-2023	\$ 616.56	CDC PGC Fywhick
W041	TFYSAPP19 - Corepoint - Non PROD	SC-4.32 Additional RAM 1G - 24G	8	01-04-2023	30-04-2023	\$ 88.08	CDC PGC Fywhick
W0123	TFYSAPP001 - PICS	SC-4.38 Additional Disk Standard	100	01-04-2023	30-04-2023	\$ 17.00	CDC PGC Fywhick
W040	TFYSAPP007 - AGFA PACS - Non PROD	SC-4.38 Additional Disk Standard	203	01-04-2023	30-04-2023	\$ 34.51	CDC PGC Fywhick
W002	NFYSSQL004 - DHR - Non Prod	SC-4.32 Additional RAM 1G - 24G	12	01-04-2023	30-04-2023	\$ 132.12	CDC PGC Fywhick
W0123	TFYSAPP001 - PICS - SC-4.38 Additional Disk Standard	SC-4.38 Additional Disk Standard	100	01-04-2023	30-04-2023	\$ 17.00	CDC PGC Fywhick
W016	TFYSAPP004 - Pyxis - Non PROD	SC-4.41 Additional STD CPU > 12	2	01-04-2023	30-04-2023	\$ 22.32	CDC PGC Fywhick
W041	TFYSAPP030 - Corepoint - PROD	SC-4.15 Windows 2016 STD 4 CPU	1	01-04-2023	30-04-2023	\$ 271.54	CDC PGC Fywhick
W040	TFYSAPP020 - AGFA PACS - SC-4.38 Additional Disk Standard	SC-4.38 Additional Disk Standard	464	01-04-2023	30-04-2023	\$ 78.88	CDC PGC Fywhick
		4.49 Windows Serve					
		4 Windows 2016					
		Additional Disk					
		Windows 2016					
		RAV					
		Disk					
		4					
		SC-					
W075	NAUCPPSSQL01 - CPF and Abbey - Non PROD	SC-5.0, /Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	ACT Phillip 1
W046	PAUCAPR028 - HealthLink - PROD	SC-5.05 A, # on OS	1	01-04-2023	30-04-2023	\$ 23.00	ACT Phillip 1
W005	PHU4DHRAPP037 - DHR / EPIC - PROD	SC-6.08 Virtu, Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Hume
W0121	PFYSAPP001 - Philips IBE - SC-6.08 Virtual Managed Server (OS) PROD	SC-6.08 Virtual s, Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Fywhick
W005	PHU4DHRAPP026 - DHR / EPIC - PROD	SC-6.08 Virtual Ma, Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Hume
W088	PAUCMMSGPD01 - LMS - SC-5.05 Anti-Virus installed on OS	SC-5.05 Anti-Virus inst, # on OS	1	01-04-2023	30-04-2023	\$ 22.00	AUC Azure Central
W0128	PAUCMSSQL001 - Metas - SC-5.01 Monitoring of OS/Physical Equip	SC-5.01 Monitoring of O,Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	AUC Azure Central
W005	NFYSDHAPP025 - DHR / EPIC - Non PROD	SC-5.05 Anti-Virus installed on OS	1	01-04-2023	30-04-2023	\$ 22.00	CDC PGC Fywhick
W005	NFYSDHAPP042 - DHR / EPIC - Non PROD	SC-6.09 Virtual ManagedServer(OS)NonPROD	1	01-04-2023	30-04-2023	\$ 91.80	CDC PGC Fywhick
W005	PHUACTAL001 - DHR / EPIC - PROD	SC-5.01 Monitoring of OS/Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	CDC PGC Hume
W017	PAUCWERO22 - Accellion - PROD	SC-5.05 Anti-Virus installed on OS	1	01-04-2023	30-04-2023	\$ 22.00	AUC Azure Central
W043	PAUCAPR022 - MS - Windscribe - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Fywhick
W005	PFYSDHAPP027 - DHR / EPIC - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Fywhick
W068	PFYSWB046 - Epicare & Hyperspace - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	ACT Phillip 1
W005	PFYSWB046 - DHR / EPIC - PROD	SC-5.01 Monitoring of OS/Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	CDC PGC Fywhick
W046	PAUCAPR028 - HealthLink - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	ACT Phillip 1
W005	PHU4DHRAPP026 - DHR / EPIC - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Hume
W005	PFYSXTDCC001 - DHR / EPIC - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Fywhick
W003	PAUCSGL004 - PBRC - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	AUC Azure Central
W005	PFYSWBAPP006 - DHR / EPIC - PROD	SC-5.01 Monitoring of OS/Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	CDC PGC Fywhick
W002	NFYSWERO32 - DHR - Non Prod	SC-5.01 Monitoring of OS/Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	CDC PGC Fywhick
W005	PHUACTXDC002 - DHR / EPIC - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	CDC PGC Hume
W005	PFYSDHAPP019 - DHR / EPIC - PROD	SC-5.01 Monitoring of OS/Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	CDC PGC Fywhick
W005	PFYSDHAPP025 - DHR / EPIC - PROD	SC-5.01 Monitoring of OS/Physical Equip	1	01-04-2023	30-04-2023	\$ 35.50	CDC PGC Fywhick
W0129	PAUCMMSGPD02 - Rhoady - SC-6.08 Virtual Managed Server (OS) PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	AUC Azure Central 2
W037	PAUCCAPR003 - Capsule - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	AUC Azure Central
W017	PAUCAPR025 - Accellion - PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	AUC Azure Central
W0137	PAUCTRKBSS001 - TrakaWeb - SC-6.08 Virtual Managed Server (OS) PROD	SC-6.08 Virtual Managed Server (OS) PROD	1	01-04-2023	30-04-2023	\$ 268.91	AUC Azure Central