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ACT AUDITOR–GENERAL'S

PERFORMANCE AUDIT REPORT

Invoicing and Payments for Digital Health Record Hosting Services

Report No. 13 / 2024

The ACT Audit Office acknowledges the Ngunnawal people as the traditional custodians of the ACT and recognises any other people or families with connection to the lands of the ACT and region.

The ACT Audit Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.

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AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

PA 24/15

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Speaker

I am pleased to forward to you a Performance Audit Report titled 'Invoicing and Payments for Digital Health Record Hosting Services' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

The audit has been conducted in accordance with the requirements of the *Auditor-General Act 1996* and relevant professional standards including *ASAE 3500 – Performance Engagements*.

Yours sincerely

Michael Harris
Auditor-General
13 December 2024

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Contents

Summary

The Digital Health Record was implemented in November 2022. On 23 December 2020 ACT Health entered into a Deed with NTT Australia Pty Ltd for the purpose of providing the necessary environments for the Digital Health Record to operate.

The term of the Deed is for an initial period of five years, expiring on 22 December 2025. The Deed includes five optional extensions of 12 months each. If all option periods were exercised by the Territory, the Deed would expire on 22 December 2030. The initial price for the services was set at $66 million (GST inclusive). The Deed has since been varied twice; once for extending the term of the Deed by 12 months at a cost of $13 million; and once for adding contracted services including systems migration, data centre services and software licenses to establish the Digital Health Record for $31 million. These variations have increased the total value of the deed to $110 million (GST inclusive).

The objective of the audit was to assess the effectiveness of ACT Health's management of payments to NTT Australia for hosting services for the Digital Health Record.

Conclusions

Management of invoicing and payments

ACT Health processes for the management of invoicing and payments for services provided by NTT Australia were ineffective. ACT Health had poor processes to provide assurance that services for which NTT Australia has invoiced for have:

- actually been provided; and
- been delivered to the relevant service standards.

The control deficiencies identified in this report limits the assurance that ACT Health can provide that the services paid for were actually received or that the price paid for those services was the correct price.

In January 2024 ACT Health implemented additional administrative processes and controls, which ACT Health expects to mitigate the control deficiencies identified throughout this report.

Relevant reviews and audits

Since at least 2022 there have been a series of reviews and internal audits conducted in relation to the Digital Health Record and the Digital Solutions Division of ACT Health. The reviews and internal audits have identified a range of issues associated with ICT program and project management, budget and financial management, governance and administration and organisational culture.

In response, ACT Health has implemented a DSD Business Improvement Program that seeks to oversee the recommendations from the reviews and audits and actions taken to respond, with oversight from a DSD Oversight Committee.

The Audit Office expects to conduct further performance audit activity in relation to the Digital Health Record during 2024-25.

Key findings

Management of invoicing and payments

Paragraph

Contractual arrangements

On 23 December 2020 ACT Health entered into a Deed with NTT Australia Pty Ltd for the purpose of 'Digital Health Record and Related Systems Hosting'. NTT Australia's services provide the necessary environments for the Digital Health Record to operate. The initial price for the services was set at $66 million (GST inclusive). The Deed has since been varied twice; once for extending the term of the Deed by 12 months at a cost of $13 million, and once for adding contracted services including systems migration, data centre services and software licenses to establish the Digital Health Record for $31 million. This has increased its total value to $110 million (GST inclusive). 2.18

The Deed anticipated that the services to be provided are outlined in the Deed and any Work Orders that are agreed between the parties. ACT Health has raised a total number of 296 Work Orders since the commencement of the Deed up to 30 June 2024. Up to 30 June 2024 the total value of Work Orders agreed with NTT Australia was $86.234 million and the total cumulative expenditure on services under the Work Orders was $60.977 million. 2.19

Invoicing and payment processes

ACT Health has implemented some processes and tools to provide assurance that services have been received prior to the payment of invoices under the Deed. This includes Grafana, which is a software tool that can provide live monitoring of the availability and usage of the hardware and software services that are provided and managed by NTT Australia to support the Digital Health Record. ACT Health uses Grafana to verify consumption charges related to services provided by NTT Australia. However, ACT Health does not retain the records of its analysis to verify that services have been received satisfactorily. This risk applies particularly to consumption and managed services provided by NTT Australia, which represent approximately 33 percent of the services paid for by ACT Health Directorate. This weakens the reliability of ACT Health's processes for invoice validation and confirmation of services being satisfactorily received. 2.47

For the purpose of procuring services under the Deed with NTT Australia, ACT Health is required to agree a Work Order with NTT Australia for the services and supply an approved Purchase Order to demonstrate that the expense has been appropriately budgeted and approved. A review of the listing of all NTT Australia transactions in APIAS shows: 2.56

- five transactions had neither an approved Work Order or Purchase Order;
- two transactions where a Purchase Order was raised after the invoice date, including by more than two years; and
- one transaction where the Purchase Order was issued without the Work Order.

Having neither a Work Order or Purchase Order seriously undermined the integrity of the procurement process and exposes ACT Health to significant risks. By not following established procurement procedures, it was difficult for ACT Health to demonstrate that purchases are necessary, appropriately budgeted for and properly authorised. 2.57

ACT Health has a system for managing and tracking Work Orders and Purchase Orders; the PurchaseOrder-2-Payment (or P2P) system. Work Orders should be entered into the P2P system to ensure delegate approval is given before invoices are processed. ACT Health does not have a formal policy that specifies the timeframe in which this is to happen. This can lead to delays in entering Work Orders into the P2P system and a lack of transparency in managing the procurement of services. 2.62

A review of invoices with Work Orders and Purchase Orders found a lack of detail in invoice line items to sufficiently describe the services being purchased and a lack of complete documentation in Work Orders and Purchase Orders to identify in sufficient detail the services being provided. The review also showed delays in processing invoices by ACT Health. These issues reduce ACT Health's ability to accurately and effectively control expenditure under the Deed with NTT Australia. 2.66

The Deed provides for the issuing of invoices in relation to Work Orders. Clause 5.3 of the Deed provides for the linking of invoices to Work Orders that have been issued and requires NTT Australia to 'provide the Territory with a single Correctly Rendered Invoice for each Work Order for each month for all Charges incurred under that Work Order during that month'. A review of 20 invoices processed and paid by ACT Health shows five invoices that were related to multiple Work Orders and Purchase Orders. The linking of multiple Purchase Orders and Work Orders to individual invoices gives rise to a number of administrative challenges. The payment process is made more complex as the reconciliation process is more difficult, more time is taken to verify the invoice and there is an increased risk of error. 2.76

The Deed between ACT Health and NTT Australia includes specific provisions for the issuing of invoices. Invoices for services must be submitted on a monthly or annual basis in arrears, or upon the completion of specific milestones; the Territory is not obliged to pay invoices submitted three or more months after the services have been 2.81

provided. One sampled invoice processed and paid by ACT Health related to services provided more than three months previously. Further review of NTT Australia invoices in APIAS showed multiple other instances where invoices had been paid for services provided more than three months prior. It is apparent that most of these invoices related to billing of previous consumption-based charges. This weakens ACT Health's financial control and management of the NTT Deed.

The APIAS system is an automated system used for processing invoices and managing accounts payable. It is designed to automate and streamline the accounts payable process, thereby ensuring that invoices are processed efficiently and in accordance with established procedures. APIAS does not enforce delegation limits where an invoice is being processed in connection with a previously approved Purchase Order. This means that any user with access to the system can approve an invoice if a Purchase Order has been previously approved, regardless of their authorisation level. ACT Health has introduced manual controls to address this control weakness. However, there remains a risk that payments are approved by individuals who do not have the required authorisation. 2.88

Management of the Deed

The NTT Deed describes arrangements for the formal acceptance of services provided by NTT Australia. The Deed describes the role of Acceptance Criteria and provides for ACT Health to issue a Certificate of Acceptance in the event that services have been provided satisfactorily by NTT Australia. This allows ACT Health to demonstrate that the services have fulfilled expectations and are compliant with the approved Work Order. ACT Health has not issued Certificates of Acceptance for the services provided by NTT Australia. While evidence existed of ACT Health validating and accepting the services provided by NTT Australia, there was a lack of documentation of acceptance criteria and validation by ACT Health to confirm these criteria had been met. Maintaining proper documentation for the receipt of services is essential for verifying that services have been delivered as agreed and ensuring that payments are made for services that have been received and accepted. 2.97

The Deed allows ACT Health to benchmark the cost and performance of services provided by NTT Australia to prevailing market terms. ACT Health has not undertaken any cost benchmarking since the Deed commenced. This means that ACT Health has not verified whether the prices charged by NTT Australia remain competitive with current market rates. ACT Health advised that, notwithstanding the lack of a benchmarking process in accordance with the Deed, it has been monitoring NTT Australia costs against other vendor costs and has 'has found no indication for unusual price increases'. Nevertheless, there is a risk that ACT Health is paying outdated or inflated prices without a formal mechanism to verify or challenge the supplier's pricing structure. By not undertaking benchmarking, ACT Health's ability to demonstrate value for money for the Territory is also undermined. 2.102

Accounting for transactions under the NTT Australia Deed

ACT Health's Chief Finance Officer has assessed the risks of material misstatements in ACT Health's annual financial statements as a result of potential payment issues 2.111

arising from the NTT Australia Deed. The Chief Finance Officer advised the Audit Office that:

- the amounts shown in the 2023-24 and 2022-23 financial statements are accurate;
- there is satisfactory receipt of goods and services against all invoices in the financial statements; and
- there are no duplicate payments related to NTT invoices.

The Audit Office's testing as part of this performance audit and through the audit of the 2022-23 and 2023-24 financial statements audit did not find any evidence that deficiencies in controls relating to the transactions under the NTT Australia Deed result in a material misstatement of the amounts reported in ACT Health's 2022-23 and 2023-24 financial statements. Although the dollar value of the expenditure is accurately recorded, the control deficiencies identified in this report mean that it is not possible to provide reasonable assurance that the services paid for were actually received or that the price paid for those services was the correct price. 2.112

Relevant reviews and audits

Reviews relevant to the Digital Services Division

An ACT Health internal audit, *ICT Program Governance and Digital Health Strategy*, was completed in September 2022. The audit found a variety of weaknesses that impaired the governance and oversight of ACT Health's ICT projects. A series of key findings related to ACT Health's: 3.11

- ICT portfolio management;
- program and project management; and
- portfolio, program and project assurance.

In January 2023 the report of the *In-Depth Health Check of Digital Solutions Division* was completed. The review examined staff, team and organisational issues through surveys, interviews and focus groups. The review found a range of issues associated with the organisational culture of the Digital Solutions Division as well as management and workplace behaviours. 3.16

The *Digital Solutions Division (DSD) Budget and Financial Management Review* was completed in August 2023. The review sought to assess the adequacy of the funding of the functions of the Digital Solutions Division when it was established in 2018. The review found a number of issues associated with the following aspects of the financial management of the Digital Solutions Division: 3.25

- workforce costs;
- suppliers and other costs;
- business case development and capital works budgeting and reporting; and

- budget management.

Reviews relevant to the Digital Health Record

The *Digital Health Record Program Assurance Review* was completed in July 2024. The review made a series of findings with respect to: 3.35

- governance and program management; and
- financial management, savings and benefits realisation.

Key findings identified through the review were that: 3.36

- key scope decisions had a significant impact on the cost of the Digital Health Record. This included the removal of a contingency budget from the program cost estimate, increased or rescoped services such as pathology, dental and medical imaging, shorter implementation timeframes and a lack of planning for future capital requirements after bringing budgeted capital injections forward, all of which increased the financial pressures on the Digital Health Record Program; and
- savings, such as those to be achieved through the decommissioning of legacy systems, were not achieved. The review found savings from the implementation of the Digital Health Record to be $6 million per year rather than $29.3 million reported in Digital Health Record Program Board papers. In key financial management and budgeting documentation, the quantum of expected savings was increased as the costs of implementing Digital Health Record increased.

Recommendations

Recommendation 1	Evidence to support payment approval

ACT Health should ensure appropriate records are captured and retained to demonstrate the analysis of services received prior to payments are made to NTT Australia.

Recommendation 2	Purchase Orders

ACT Health should establish a formal policy specifying the timeframe for entering approved Work Orders into the PurchaseOrder-2-Payment system, and monitor compliance with the policy.

Recommendation 3	Support for reconciliation and verification of invoices

ACT Health should:

a) require NTT Australia to ensure that the number of Purchase Orders associated with each invoice complies with the terms of the Deed; and

b) include sufficiently detailed line items in Purchase Order and Work Orders with NTT Australia to ensure they correspond directly to the goods and services being procured.

Recommendation 4 Compliance with delegation limits

ACT Health should:

a) implement assurance processes to ensure invoices are validly paid in line with delegations; and

b) work with Digital, Data and Technology Services to implement controls to ensure that invoices associated with a Purchase Order are approved for payment by an appropriate delegate.

Recommendation 5 Acceptance criteria for Work Orders

ACT Health should ensure Work Orders agreed with NTT Australia include acceptance criteria, and that ACT Health certify these criteria have been satisfied before making payment.

Recommendation 6 Cost benchmarking

ACT Health should:

a) benchmark the cost of NTT Australia services in line with its contractual rights; or

b) document its decision to not benchmark the cost of NTT Australia services and evidence to support this decision as part of its contract management activities.

Agencies' responses

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the ACT Health Directorate was provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report; and
- a final proposed report for further comment. All comments were considered and required changes were reflected in the final report.

In accordance with subsection 18(3) of the *Auditor-General Act 1996*, NTT Australia was also provided with extracts of the draft proposed report and final proposed report for comment.

All comments were considered and required changes were reflected in the final proposed report.

The following comments were provided for inclusion in this Summary chapter.

ACT Health Directorate

The ACT Health Directorate (ACTHD) notes the *Invoicing and Payments for Digital Health Record Hosting Services* audit findings and recommendations.

As outlined in the Report, there have been a number of audits and management-initiated reviews on matters relating to the Digital Solutions Division (DSD) in ACTHD and the DHR. ACTHD has proactively engaged independent sources to investigate areas of concern as they have arisen and has implemented a structured and thorough response to addressing the findings and recommendations.

With regard to NTT invoice processing and payments, the Directorate has implemented additional control procedures from the end of January 2024 in response to the management initiated *Internal Audit NTT Australia Invoices*.

ACTHD will continue to work closely with the ACT Audit Office on any future review to monitor these strengthened controls.

1 Introduction

Digital Health Record

Digital Health Record

1.1 The draft *Digital Health Record Program – Program Brief* (October 2019) described the Digital Health Record as follows:

> The Digital Health Record is:
>
> - a single record to capture all clinical interactions.
> - a record that will provide consistent and accurate information, improved clinical decision support and a more complete view of patient information.
> - a patient-centric record.

1.2 Implementation of the Digital Health Record was intended to be a key component of the ACT Health Directorate's *Digital Health Strategy 2019-2029*.

Digital Health Record Program

Digital Health Record Program objectives

Drivers for change

1.3 The *Digital Health Record Program Plan* (August 2020) identified three primary drivers for change:

> Access to information
>
> A Digital Health Record will maximise access to clinical information by the treating team at the point of care. Clinicians would no longer have to search multiple clinical systems and paper records to find the information needed to provide safe and high quality care.
>
> Further, access to patient information between speciality areas or between health services is difficult and a reliance on paper records remains. Recent coronial findings have highlighted this risk and concluded that a lack of access to information by clinical staff contributed to the circumstances that led to death of a health patient. The Digital Health Record will create a single system for the patient clinical record, making access to information efficient and user friendly.
>
> Stability of current systems
>
> The maintenance of 250 disparate IT systems is inefficient and under-resourced. Recent ICT system failures have highlighted the fragility of the current environment and the impacts on patient care when ICT systems fail. A review of ACT Health ICT systems by Deloitte found that 94 per cent of government critical systems and 96 per cent of business-critical systems within

ACT Health have a risk rating of extreme due to a number of reasons including lack of vendor support, aged infrastructure, and out of date software. The Digital Health Record will address the areas of greatest risk with the proposal including decommissioning of the highest risk systems.

Realisation of benefits from investment in health infrastructure and equipment.

Significant capital investment projects are planned for health services for the Territory. Without investment in the Digital Health Record, the development of these facilities will need to be built around an analogue window. For example, whiteboards will continue to be used to manage theatre usage. The Digital Health Record will facilitate the realisation of benefits from these investments. Ensuring the Digital Health Record is embedded prior to opening new facilities will enable those facilities to be designed for a digital workflow and will ensure that they are future proofed to meet the needs of the ACT community.

Further, clinical equipment and devices are increasingly being designed for interoperability. Implementation of the Digital Health Record will provide opportunities to maximise the impact of investments in new clinical equipment and devices by ensuring automatic transmission of data to the clinical record to facilitate access to information at the point of care and analysis of data to improve the safety and quality of care.

Vision statement

1.4 The *Digital Health Record Program Plan* (August 2020) identified a vision statement for the Digital Health Record as follows:

> The Digital Health Record will enable exemplary person-centred care through digital innovation.
>
> It will provide a person-centred view of clinical information at the point of care across the Territory, and will significantly reduce the number of systems that staff need to access.

1.5 The *Digital Health Record Program Plan* (August 2020) identified an intention to implement the Digital Health Record:

> … across all publicly funded facilities including the three public hospital facilities (Canberra Hospital, Calvary Public Hospital Bruce and University of Canberra Hospital), all public mental health facilities, community health centres, Walk-In-Centres and community-based care).

Program objectives

1.6 The *Digital Health Record Program Plan* (August 2020) identified the objectives of the Program were to:

- improve the quality, safety, effectiveness and efficiency of health care services by providing enabling technology to support the implementation of the Territory-wide health services;
- provide a real-time patient clinical record that can be accessed by all members of the treating team regardless of physical location or organisational affiliation;
- capture all clinical interactions performed in the one central repository;

- deliver improved clinical decision support with global best practice advanced tools and a more complete view of patient information;
- support research initiatives and clinical care innovations through access to high quality data, identification of patients that match studies and supporting collection of informed consent;
- standardise data capture of core activities;
- provide capabilities to support achievement of Healthcare Information and Management Systems Society (HIMSS) Electronic Medical Record Adoption Model (EMRAM) of Level 6 by 2023/24 and Level 7 by 2026/27; and
- replace the ACTPAS patient administration system to provide improved patient scheduling and administration as well as building the foundations for patient self-service.

Program benefits

1.7 The draft *Digital Health Record Program – Program Brief* (October 2019) identified a series of high-level benefits for the Digital Health Record as follows:

- reduction in scanning;
- reduction in paper charts, forms and print materials;
- reduction in drug wastage;
- reduction in adverse drug events;
- improved patient throughput;
- reduction in medical record storage costs;
- reduction in unnecessary diagnostic testing;
- reduction in unplanned readmissions;
- reduction in nursing time spent on documentation;
- reduction in allied health time spent on documentation;
- reduction in coding time; and
- improved clinical coding leading to increased revenue.

Digital Health Record implementation

1.8 The Digital Health Record was implemented in November 2022.

1.9 The effectiveness or otherwise of the Digital Health Record, including the extent to which it met its objectives, is not considered for the purpose of this report.

Digital Health Record Program funding

2018-19 Budget

1.10 Funding for work relating to the Digital Health Record commenced in the *2018-19 ACT Budget*. The Budget Outlook identified $22.620 million ($6.716 million in capital and $15.904 million in expenses) over four years through to 2021-22 to replace the ACT Pathology Laboratory Information System (LIS).

1.11 For the purpose of the *2018-19 ACT Budget*, the ACT Pathology Laboratory Information System (LIS) was identified as an Extreme risk system and its replacement identified as a key priority. A June 2018 Briefing for the Select Committee on Estimates 2018-2019 Budget noted:

> ACT Pathology provides results for approximately 678,000 patient episodes per annum to support medical diagnosis including 70% of critical clinical decisions and 100% of cancer diagnoses.
>
> The current Laboratory Information System or LIS (Kestral PLS introduced in 1996) has been assessed as an extreme risk to the continued operation of the pathology service …
>
> The project will deliver a modern pathology Laboratory Information System that will underpin the delivery of current and future pathology services in a more efficient, effective and timely manner. This will lead to improved client (clinical and laboratory staff and patient) satisfaction, improved patient safety, and will support the delivery of strategic ACT Health digital initiatives.

1.12 Costs associated with the replacement of the ACT Pathology Laboratory Information System (LIS) are recognised as relating to the Digital Health Record and its implementation.

2019-20 Budget

1.13 The *2019-20 ACT Budget* provided funding for the Digital Health Strategy. Capital and expenditure funding was provided under the 'ACT Health Core IT Systems to align with the Digital Health Strategy' initiative. A total of $106.384 million in capital funding over eight years was recorded in ACT Health's *2019-20 Budget Statement*. Expenses of $26.285 million over four years was also provided through to 2022-23. The Budget Outlook confirmed a significant component of this work was for the Digital Health Record:

> The Government will procure and implement a Digital Health Record for ACT Government-funded public health services. The Digital Health Record will provide a single point of reference for patient clinical records, supporting more consistent care and effective case management by replacing current electronic and paper-based systems.

1.14 The *Digital Health Strategy* (May 2019), also confirmed the Digital Health Record as a significant priority:

> Canberra Health Services currently operates … with both paper and electronic record keeping systems in place. Of the electronic record systems there are a number that perform medical

> record functions …This environment makes it challenging to deliver a seamless experience for patients and staff. Providing the right care, at the right time, hinges on ensuring that complete and timely information can be accessed by care-givers when and where required to inform clinical decision making.
>
> Investment will provide a single, comprehensive, contemporary, trusted, real-time person-centred clinical record that can be accessed by all members of the treating team regardless of physical location.
>
> …
>
> An integrated Digital Health Record will also provide a platform to support future directions in person-centre care …

2022-23 Budget

1.15 The *2022-23 ACT Budget* provided additional funding of $50.828 million ($26.070 million in capital and $24.758 million in expenses) between 2022-23 and 2025-26.

1.16 The associated initiative in the ACT Budget Outlook (*Investing in public health care – Digital Health Record – transforming the way health care is provided*):

> The Government is supporting the implementation of the Digital Health Record (DHR) including by enabling frontline health services staff to participate in training and implementation activities, as well as providing funding for related ongoing expenses. The implementation of the DHR across the public health system in late 2022 will transform the delivery of person-centred care and improve clinical practice, patient outcomes and patient experience.

2023-24 Budget Review

1.17 The *2023-24 ACT Budget Review* provided additional funding to support activities associated with the Digital Health Record. This included $64.055 million to ACT Health ($16.074 million in capital and $47.981 million in expenses) for 2023-24, and $1.000 million to the Chief Minister, Treasury and Economic Development Directorate over 2023-24 and 2024-25.

1.18 The purpose of the funding for the Chief Minister, Treasury and Economic Development Directorate was to investigate the circumstances associated with the ongoing financial management of the Digital Solutions Division and the Digital Health Record.

Total funding

1.19 A total of $289.313 million in funding has been provided for activities related to the Digital Health Record Program, including $155.244 million in capital and $134.069 million in expenses.

Deed with NTT Australia

1.20 On 23 December 2020 ACT Health entered into a Deed with NTT Australia Pty Ltd for the purpose of 'Digital Health Record and Related Systems Hosting' (Deed no: GS001054.110 – Deed for Digital Health Record and Related Systems Hosting).

1.21 Section A of the Deed Recitals states:

> The Territory is implementing a comprehensive Digital Health Record system (DHR System) using software and systems (together with related services) provided by Epic Systems Melbourne Pty Ltd … and other vendors providing goods and services relevant to the DHR System.
>
> The Territory may require the provision of hosting, service delivery, and managed ICT services in relation to the DHR System and in relation to any clinical, administrative, or other systems required for the administration and operation of the Territory's public health system (Related Systems), as further detailed in this Deed (the Services).

Services to be provided

1.22 NTT Australia's services provide the necessary environments for the Digital Health Record to operate. The services provided under the Deed fall into three broad categories as defined in Schedule 1:

- Hosting: the necessary cloud computing hardware, software and networking arrangements to host the Digital Health Record (as developed and implemented by Epic) and allow it to operate in a way that is secure, reliable and available to meet the needs of Canberra Health Services and the public. Critical components of these services are expected to be available 24 hours a day, 365 days a year with less than or equal to 52 minutes per year of unplanned unapproved system outages.
- Managed services: support for the databases, network operations (such as managing system availability and performance), security and software that the Digital Health Record needs to function.
- Service delivery: project management, planning, design, development and support services to allow the Digital Health Record to be implemented in the cloud computing environments supported by NTT Australia.

1.23 The term of the Deed is for an initial period of five years, expiring on 22 December 2025. The Deed includes five optional extensions of 12 months each. If all option periods were exercised by the Territory, the Deed would expire on 22 December 2030.

Background to the current audit

Proposed performance audit

1.24 The *Performance Audit Program 2024-25* was published in June 2024. The Program identified an intention to conduct a series of multi-year thematic audits relating to digital services implementation:

> The ACT Government has implemented various IT systems to support the delivery of essential public services to the Territory. The audits are intended to examine the planning and implementation of three IT systems. The audits could consider whether:
>
> - the needs of service users were well-defined and understood;
> - effective benefits realisation practices were implemented;
> - risks, including for data security and change management, were planned for, and managed effectively; and
> - there were appropriate governance arrangements in place.

1.25 The first audit envisaged to be undertaken was in relation to the Digital Health Record:

> The newly implemented patient management system launched in November 2022 for recording interactions with public hospitals, community health centres and Walk-in Centres.

Planning and scoping for the audit

1.26 Planning and scoping for the audits relating to digital services implementation, and specifically the audit in relation to the Digital Health Record, took place between May and July 2024. An audit scoping paper had been prepared and a preferred approach for the conduct of the audit identified in July 2024.

1.27 In the course of planning and scoping the audit, the Audit Office obtained copies of various reports of reviews and audits undertaken in relation to the Digital Health Record or the Digital Solutions Division including:

- *ICT Program Governance and Digital Health Strategy – ACT Health internal audit* (September 2022);
- *In-Depth Health Check of Digital Solutions Division – CPM Reviews* (January 2023);
- *Digital Solutions Division (DSD) Budget and Financial Management Review* – KPMG (August 2023); and
- *Digital Health Record Program Assurance Review – ACT Health internal audit* (July 2024).

Communication of issues associated with payments for services from NTT Australia

1.28 In late July 2024 ACT Health communicated with the Audit Office to advise of concerns that had been identified with respect to payments for services from NTT Australia. In doing so ACT Health provided:

- *NTT Australia Invoices – ACT Health internal audit* (April 2024)

1.29 The Audit Office was also advised that the ACT Integrity Commission had been communicated with. On 7 August 2024, the ACT Integrity Commission issued a media statement which stated:

> The ACT Integrity Commission has received a referral regarding the conduct of ACT Health executives involved in the delivery of the Digital Health Records Project.
>
> The Commission is currently investigating the matters that have been referred.
>
> No adverse inferences should be drawn about any individual while the Commission conducts its investigation.

Consideration of options for an audit

1.30 Throughout August 2024 the Audit Office sought further information from ACT Health and conducted further work to understand the issues associated with the ongoing funding risks associated with the Digital Health Record and the Digital Solutions Division. The Audit Office also conducted further work to:

- understand the nature of the contractual arrangement(s) between ACT Health and NTT Australia; and
- the invoicing and payment arrangements for services from NTT Australia.

1.31 The Audit Office noted that the purpose of the *NTT Australia Invoices – ACT Health internal audit* (April 2024) was primarily to review the large number of NTT Australia invoices received by the ACT Health Finance Team for inclusion in the 2022-23 financial statements. Given the Audit Office was in the process of auditing the 2023-24 financial statements of ACT Health and that this matter had not previously been drawn to the attention of the Audit Office, the Audit Office sought to understand the impact of the findings from the internal audit on ACT Health's financial statements using its own audit procedures to identify if there was any misstatement of the financial results.

1.32 The Audit Office also necessarily reconsidered its preferred approach for the conduct of a performance audit in relation to the Digital Health Record and its implementation.

Decision to conduct this audit

1.33 The Auditor-General formed an intention to conduct an audit in relation to the invoicing and payment arrangements for services from NTT Australia.

1.34 On 5 September 2024, the Auditor-General wrote to the Director-General of ACT Health advising of the conduct of this performance audit.

Audit objective and scope

Audit objective

1.35 The objective of the audit was to assess the effectiveness of the ACT Health Directorate's management of NTT Australia payments for services for the Digital Health Record.

Audit scope

1.36 The audit considered whether payments for services under the contract with NTT Australia are being effectively managed and recorded in ACT Health's financial accounts.

1.37 This included verification that there was appropriate evidence to support payment for services under the contract, and that services received were in alignment with contract terms. The audit also considered if ACT Health has appropriately accounted for services requested and received.

Evidence to support payments under the NTT Australia contract

1.38 The audit examined the evidence to support that:

- payments to NTT Australia, work orders and invoices are approved by the correct delegates;
- services have been received/rendered; and
- accrual of expenses are reasonable.

Accuracy of NTT Australia invoices

1.39 The audit also considered the accuracy of:

- invoice details against the work order/contract;
- completeness of invoices recorded and they have been recognised in the financial statements; and
- invoice calculations, account coding and accounting periods.

Alignment of services received with the NTT Australia contract

1.40 The audit considered the alignment with contract terms such as services, prices for services and timeframes of services delivered. The appropriateness of the contract terms for providing effective financial control for ACT Health was only considered to the extent necessary for the purpose of the audit.

Out of scope

1.41 The audit did not consider:

- payments for services associated with the Digital Health Record with any other suppliers;
- contract management activities by the Digital Solutions Division beyond those required to support payment for NTT Australia invoices; and
- the effectiveness of services received by ACT Health from NTT Australia.

1.42 The audit did not consider the ACT Health's activities for the procurement of NTT Australia services.

Audit criteria, approach and method

Audit criteria

1.43 To form a conclusion against the objective, the following criteria were used:

- Are there effective processes to support payment for services under the contract with NTT Australia for the Digital Health Record?
  - Does the contract provide effective financial control to the ACT Health Directorate?
  - Are payments effectively supported by appropriately approved Work Orders, Purchase Orders and invoices?
  - Have services received been effectively recorded through appropriate financial records?

Audit approach and method

1.44 The audit work performed in relation to the checking of financial records was undertaken in accordance with the Australian Auditing Standards applicable to financial audits. The audit work entailed:

- selecting samples of financial records from ACT Health's Digital Health Record, PurchaseOrder-2-Payment system, Accounts Payable Invoice Automation Solution and Oracle system; and
- tracing those to source documents including relevant contracts for services with NTT Australia.

1.45 The audit was performed in accordance with *ASAE 3500 – Performance Engagements.* The audit adopted the policy and practice statements outlined in the Audit Office's *Performance Audit Methods and Practices* (PAMPr) which is designed to comply with the requirements of the *Auditor-General Act 1996* and *ASAE 3500 – Performance Engagements*.

1.46 In the conduct of this performance audit the ACT Audit Office complied with the independence and other relevant ethical requirements related to assurance engagements.

2 Management of invoicing and payments

2.1 This chapter discusses ACT Health arrangements for the management of invoicing and payments for services provided by NTT Australia in relation to the Digital Health Record. The chapter also discusses aspects of ACT Health's broader management of the Deed with NTT Australia.

Summary

Conclusions

ACT Health processes for the management of invoicing and payments for services provided by NTT Australia were ineffective. ACT Health had poor processes to provide assurance that services for which NTT Australia has invoiced for have:

- actually been provided; and
- been delivered to the relevant service standards.

The control deficiencies identified in this report limits the assurance that ACT Health can provide that the services paid for were actually received or that the price paid for those services was the correct price.

In January 2024 ACT Health implemented additional administrative processes and controls, which ACT Health expects to mitigate the control deficiencies identified throughout this report.

Key findings

Contractual arrangements	Paragraph
On 23 December 2020 ACT Health entered into a Deed with NTT Australia Pty Ltd for the purpose of 'Digital Health Record and Related Systems Hosting'. NTT Australia's services provide the necessary environments for the Digital Health Record to operate. The initial price for the services was set at $66 million (GST inclusive). The Deed has since been varied twice; once for extending the term of the Deed by 12 months at a cost of $13 million, and once for adding contracted services including systems migration, data centre services and software licenses to establish the Digital Health Record for $31 million. This has increased its total value to $110 million (GST inclusive).	2.18
The Deed anticipated that the services to be provided are outlined in the Deed and any Work Orders that are agreed between the parties. ACT Health has raised a total number of 296 Work Orders since the commencement of the Deed up to 30 June 2024. Up to 30 June 2024 the total value of Work Orders agreed with NTT Australia	2.19

was $86.234 million and the total cumulative expenditure on services under the Work Orders was $60.977 million.

Invoicing and payment processes

ACT Health has implemented some processes and tools to provide assurance that services have been received prior to the payment of invoices under the Deed. This includes Grafana, which is a software tool that can provide live monitoring of the availability and usage of the hardware and software services that are provided and managed by NTT Australia to support the Digital Health Record. ACT Health uses Grafana to verify consumption charges related to services provided by NTT Australia. However, ACT Health does not retain the records of its analysis to verify that services have been received satisfactorily. This risk applies particularly to consumption and managed services provided by NTT Australia, which represent approximately 33 percent of the services paid for by ACT Health Directorate. This weakens the reliability of ACT Health's processes for invoice validation and confirmation of services being satisfactorily received. 2.47

For the purpose of procuring services under the Deed with NTT Australia, ACT Health is required to agree a Work Order with NTT Australia for the services and supply an approved Purchase Order to demonstrate that the expense has been appropriately budgeted and approved. A review of the listing of all NTT Australia transactions in APIAS shows: 2.56

- five transactions had neither an approved Work Order or Purchase Order;
- two transactions where a Purchase Order was raised after the invoice date, including by more than two years; and
- one transaction where the Purchase Order was issued without the Work Order.

Having neither a Work Order or Purchase Order seriously undermined the integrity of the procurement process and exposes ACT Health to significant risks. By not following established procurement procedures, it was difficult for ACT Health to demonstrate that purchases are necessary, appropriately budgeted for and properly authorised. 2.57

ACT Health has a system for managing and tracking Work Orders and Purchase Orders; the PurchaseOrder-2-Payment (or P2P) system. Work Orders should be entered into the P2P system to ensure delegate approval is given before invoices are processed. ACT Health does not have a formal policy that specifies the timeframe in which this is to happen. This can lead to delays in entering Work Orders into the P2P system and a lack of transparency in managing the procurement of services. 2.62

A review of invoices with Work Orders and Purchase Orders found a lack of detail in invoice line items to sufficiently describe the services being purchased and a lack of complete documentation in Work Orders and Purchase Orders to identify in sufficient detail the services being provided. The review also showed delays in 2.66

processing invoices by ACT Health. These issues reduce ACT Health's ability to accurately and effectively control expenditure under the Deed with NTT Australia.

The Deed provides for the issuing of invoices in relation to Work Orders. Clause 5.3 of the Deed provides for the linking of invoices to Work Orders that have been issued and requires NTT Australia to 'provide the Territory with a single Correctly Rendered Invoice for each Work Order for each month for all Charges incurred under that Work Order during that month'. A review of 20 invoices processed and paid by ACT Health shows five invoices that were related to multiple Work Orders and Purchase Orders. The linking of multiple Purchase Orders and Work Orders to individual invoices gives rise to a number of administrative challenges. The payment process is made more complex as the reconciliation process is more difficult, more time is taken to verify the invoice and there is an increased risk of error. 2.76

The Deed between ACT Health and NTT Australia includes specific provisions for the issuing of invoices. Invoices for services must be submitted on a monthly or annual basis in arrears, or upon the completion of specific milestones; the Territory is not obliged to pay invoices submitted three or more months after the services have been provided. One sampled invoice processed and paid by ACT Health related to services provided more than three months previously. Further review of NTT Australia invoices in APIAS showed multiple other instances where invoices had been paid for services provided more than three months prior. It is apparent that most of these invoices related to billing of previous consumption-based charges. This weakens ACT Health's financial control and management of the NTT Deed. 2.81

The APIAS system is an automated system used for processing invoices and managing accounts payable. It is designed to automate and streamline the accounts payable process, thereby ensuring that invoices are processed efficiently and in accordance with established procedures. APIAS does not enforce delegation limits where an invoice is being processed in connection with a previously approved Purchase Order. This means that any user with access to the system can approve an invoice if a Purchase Order has been previously approved, regardless of their authorisation level. ACT Health has introduced manual controls to address this control weakness. However, there remains a risk that payments are approved by individuals who do not have the required authorisation. 2.88

Management of the Deed

The NTT Deed describes arrangements for the formal acceptance of services provided by NTT Australia. The Deed describes the role of Acceptance Criteria and provides for ACT Health to issue a Certificate of Acceptance in the event that services have been provided satisfactorily by NTT Australia. This allows ACT Health to demonstrate that the services have fulfilled expectations and are compliant with the approved Work Order. ACT Health has not issued Certificates of Acceptance for the services provided by NTT Australia. While evidence existed of ACT Health validating and accepting the services provided by NTT Australia, there was a lack of documentation of acceptance criteria and validation by ACT Health to confirm these criteria had been met. Maintaining proper documentation for the receipt of services 2.97

is essential for verifying that services have been delivered as agreed and ensuring that payments are made for services that have been received and accepted.

The Deed allows ACT Health to benchmark the cost and performance of services provided by NTT Australia to prevailing market terms. ACT Health has not undertaken any cost benchmarking since the Deed commenced. This means that ACT Health has not verified whether the prices charged by NTT Australia remain competitive with current market rates. ACT Health advised that, notwithstanding the lack of a benchmarking process in accordance with the Deed, it has been monitoring NTT Australia costs against other vendor costs and has 'has found no indication for unusual price increases'. Nevertheless, there is a risk that ACT Health is paying outdated or inflated prices without a formal mechanism to verify or challenge the supplier's pricing structure. By not undertaking benchmarking, ACT Health's ability to demonstrate value for money for the Territory is also undermined. 2.102

Accounting for transactions under the NTT Australia Deed

ACT Health's Chief Finance Officer has assessed the risks of material misstatements in ACT Health's annual financial statements as a result of potential payment issues arising from the NTT Australia Deed. The Chief Finance Officer advised the Audit Office that: 2.111

- the amounts shown in the 2023-24 and 2022-23 financial statements are accurate;
- there is satisfactory receipt of goods and services against all invoices in the financial statements; and
- there are no duplicate payments related to NTT invoices.

The Audit Office's testing as part of this performance audit and through the audit of the 2022-23 and 2023-24 financial statements audit did not find any evidence that deficiencies in controls relating to the transactions under the NTT Australia Deed result in a material misstatement of the amounts reported in ACT Health's 2022-23 and 2023-24 financial statements. Although the dollar value of the expenditure is accurately recorded, the control deficiencies identified in this report mean that it is not possible to provide reasonable assurance that the services paid for were actually received or that the price paid for those services was the correct price. 2.112

Contractual arrangements

2.2 On 23 December 2020 ACT Health entered into a Deed with NTT Australia Pty Ltd for the purpose of 'Digital Health Record and Related Systems Hosting' (Deed no: GS001054.110 – Deed for Digital Health Record and Related Systems Hosting).

2.3 NTT Australia's services provide the necessary environments for the Digital Health Record to operate.

Deed arrangements

2.4 The Deed anticipates that the services to be provided are outlined in the Deed and any Work Orders that are agreed between the parties. Section E of the Deed Recitals states:

> The Services to be provided by the Supplier are described in:
>
> (a) this Deed, which is intended to operate as a standing offer by the Supplier to provide the full scope of the Services which may be required by the Territory; and
>
> (b) any Work Orders agreed between the parties from time to time, in accordance with the process set out in this Deed.

2.5 The Deed anticipates there will be at least three Work Orders. Section F of the Deed Recitals states:

> As at the Commencement Date, the Territory anticipates that at least the following Work Orders may be required under this Deed, provided that nothing in this Deed requires the Territory to enter into any Work Order:
>
> (a) Work Order 1: Domain (Non-Production and Production);
>
> (b) Work Order 2: Software Vendor Environments (Non-Production and Production); and
>
> (c) Work Order 3: System Migrations.

2.6 The Deed anticipates that NTT Australia will be given flexibility to determine how the services are to be performed. Section G of the Deed Recitals states:

> Subject to complying with the requirements for the Services described in this Deed (including each Work Order), the Supplier will be given flexibility (as described in this Deed and each Work Order) to determine how to best perform the Services in order to meet the requirements of this Deed (including each Work Order). Because of this flexibility:
>
> (a) the Supplier is expected to deliver the Services in a manner that is efficient, highly responsive, technologically contemporary, cost effective and offers ongoing value for money to the Territory;
>
> (b) the Territory places a greater reliance on the Supplier to adequately perform the Services than under standard ICT outsourcing arrangements (including to ensure that all Territory Data and Personal Information is properly protected in accordance with this Deed (including each Work Order) at all times);
>
> (c) the Supplier accepts responsibility for meeting the Territory's Objectives; and
>
> (d) the Supplier accepts that its performance will be measured both quantitatively and qualitatively.

2.7 The Deed expects NTT Australia to act as a 'trusted adviser' to the Territory. Section H of the Deed Recitals states:

> Another key feature of this Deed is the establishment of a close, working relationship between the Supplier, the Territory and Other Suppliers (including the Software Vendor). The Supplier must act as a trusted adviser to the Territory in relation to the Territory's ICT services and strategy and must offer holistic and strategic advice in relation to the Territory's ICT services requirements.

Standing Offer

2.8 The Deed serves the function of a standing offer for services, which are to be supported by further and additional Work Orders. Clause 4.1 of the Deed states:

> During the Term, this Deed is:
>
> 4.1.1 a standing offer by the Supplier to supply the Services to the Territory under Work Orders agreed between the parties in accordance with this clause 4; and
>
> 4.1.2 an agreement by the Supplier to comply with the terms and conditions of this Deed (including any Work Order), including to:
>
> (a) participate in the processes described in this Deed for preparing, negotiating and agreeing Work Orders;
>
> (b) comply with other provisions that apply to the Services required to be provided by the Supplier under this Deed (including Services provided under any agreed Work Orders); and
>
> (c) comply with its other obligations as described in this Deed (including Schedule 6 (Collaboration, Reporting and Governance).

Value of services under the Deed

2.9 The initial price for the services was set at $66 million (GST inclusive). The Deed has since been varied twice, which has increased its total value. These variations were:

- Deed of Variation 1 (dated 22 October 2021): the Territory exercised its first option to extend the term of the Deed to 22 December 2026. The impact of this variation was to increase the value of the services to $79 million (GST inclusive); and
- Deed of Variation 2 (dated 11 March 2022): an increase to the value of the services to $110 million (GST inclusive). A minute to the Director-General of ACT Health from the Chief Information Officer to support the execution of the variation identified the additional funding was for:
  - supplying Citrix software to facilitate access to the Digital Health Record developed by Epic at a cost of $4.844 million;
  - 'higher than anticipated costs for the COVID-19 response' and 'the migration of more workloads than expected from Digital, Data and Technology Solutions to NTT'. The minute advised 'this expenditure has been covered by specific

COVID-19 appropriations and also direct reimbursement by other ACT Government entities';

- the requirement to cost the Deed's value on the basis of 100 percent utilisation of the services for the entire period contained in Work Orders requested by ACT Health; and
- 'any future goods/services under new work orders that may be required'.

Work Orders

2.10 The Deed sets out a series of administrative requirements for the development and issuing of Work Orders. Clause 4.4 of the Deed states:

> From time to time the Territory may issue a request to the Supplier detailing the Services required and any information to be included in the Supplier's response (Request).

2.11 Clause 4.5 of the Deed states:

> The form of any Request will be determined by the Territory.

2.12 Clause 4.6 of the Deed states:

> After receiving a Request, the Supplier must (at no additional cost to the Territory):
>
> 4.6.1 respond to the Request:
>
> (a) within the timeframe and in accordance with any processes reasonably specified in the Request; and
>
> (b) providing information reasonably required by the Request; and
>
> 4.6.2 provide a draft Work Order (in the form of the template in Schedule 9 (Template Work Order) or such other form as required by the Territory from time to time) which contains the following detail (as applicable to the scope of the Request):
>
> (a) a scope of work with details of the requested Services;
>
> (b) the Supplier's quotation for the requested Services;
>
> (c) the commencement date for the Work Order and a completion date for the Work Order that does not exceed the Term of this Deed;
>
> (d) the applicable Milestones for the Work Order (including Acceptance Criteria for those Milestones);
>
> (e) any impact that the provision of the requested Work Order may have on the provision of other Services (including under this Deed or any other Work Order, including any circumstances or requirements in the Work Order that will, or are likely to, prevent the Supplier from meeting its obligations under this Deed and each Work Order, including its obligations in clause 13); and

(f) any other information reasonably required by the Territory, including:

(i) the Supplier's skills and experience in providing the requested Services; and

(ii) details of any Key Personnel for the requested Services.

2.13 Clause 4.7 of the Deed states:

The Supplier's scope of work under clause 4.6.2(a) must be consistent with applicable requirements of this Deed, including as set out in Schedule 1 (Statement of Work).

2.14 Clause 4.10 of the Deed states:

The Territory may:

4.10.1 agree to the draft Work Order in its absolute discretion (in which case both parties will sign the draft Work Order); or

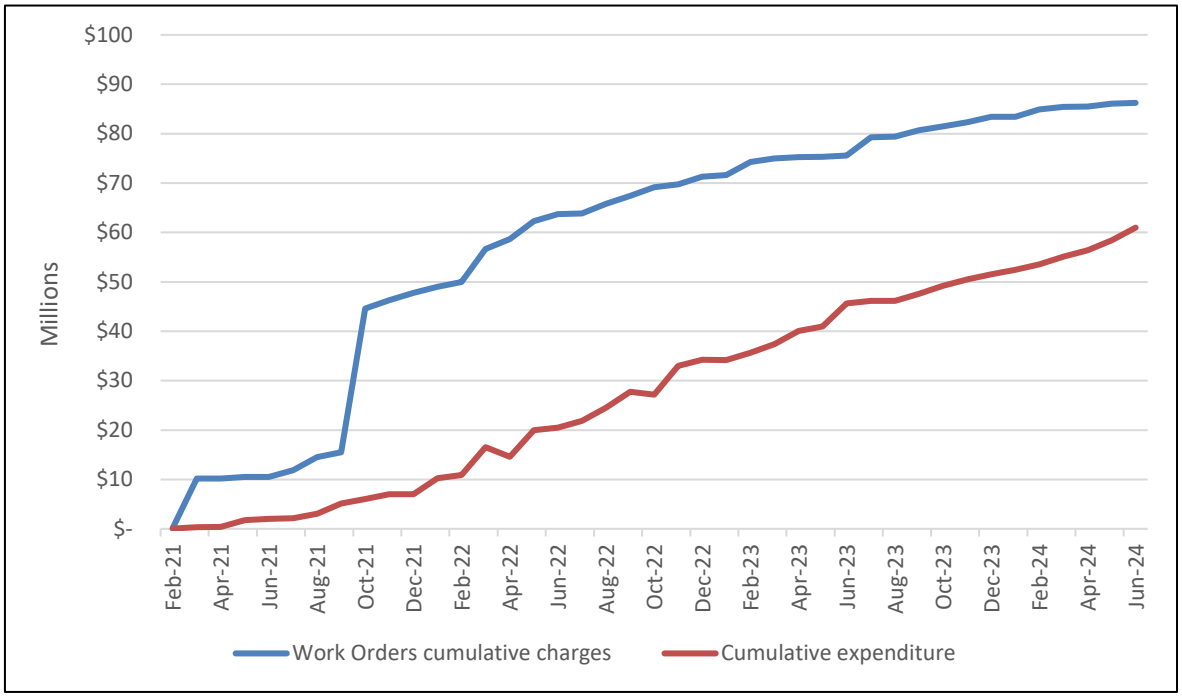
4.10.2 withdraw the Request, reject the draft Work Order, or enter into further discussions with the Supplier regarding any part of the Request or its response.

Total number of Work Orders

2.15 ACT Health has raised a total number of 296 Work Orders since the commencement of the Deed up to 30 June 2024. Figure 2-1 shows:

- the cumulative value of Work Orders agreed with NTT Australia from ACT Health's Work Order register since the commencement of the Deed up to 30 June 2024. (Work Orders that the Work Order register had recorded as not having been executed by ACT Health are excluded from the figure); and
- total cumulative expenditure incurred through the Work Orders.

Figure 2-1 Cumulative value of Work Orders agreed with NTT Australia and total expenditure incurred up to 30 June 2024 ($ million)



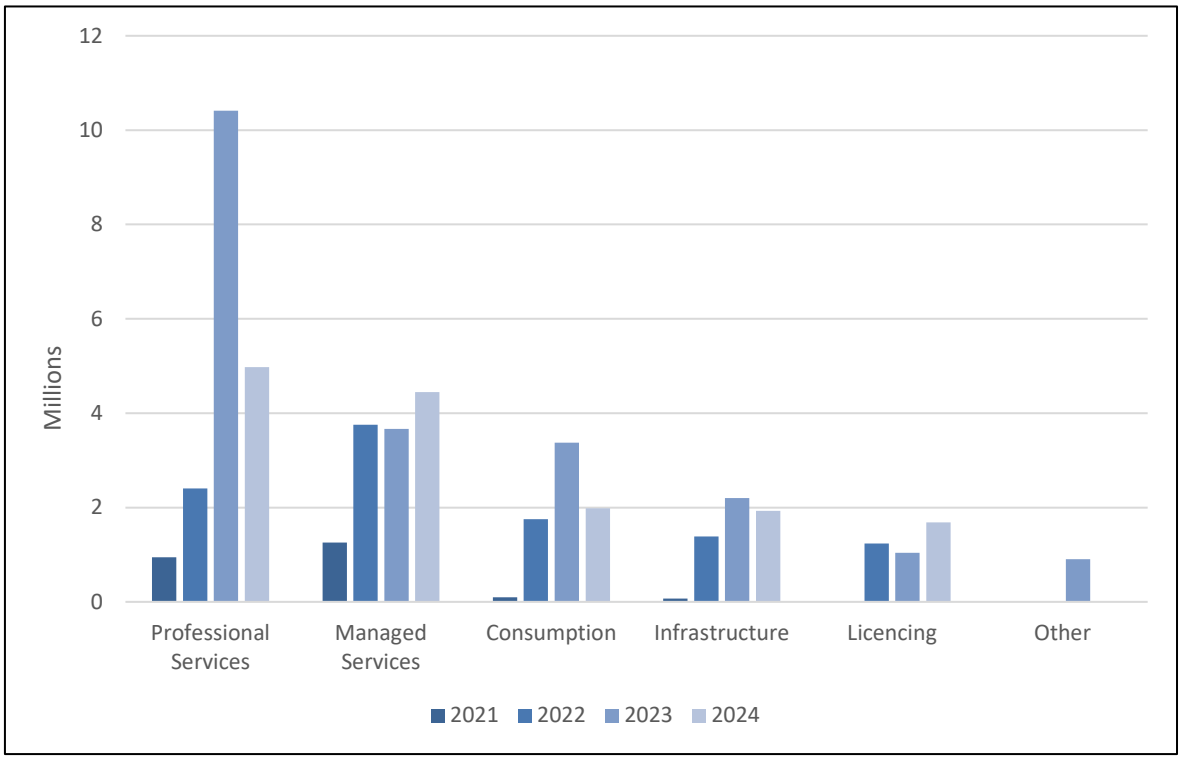
Source: ACT Audit Office analysis of ACT Health data

2.16 Figure 2-1 shows that up to 30 June 2024 the total value of Work Orders agreed with NTT Australia was $86.234 and the total cumulative expenditure on services under the Work Orders was $60.977 million.

2.17 Figure 2-2 shows the value of Work Orders broken down by the services purchased. The categorisation in the figure includes the following broad descriptions:

- Consumption – services charged for hosting the Digital Health Record on NTT and Microsoft Azure on cloud-based infrastructure;
- Infrastructure – data centre costs and related hardware leasing and network services;
- Licensing – software licensing for operating servers that host the Digital Health Record;
- Managed services – services provided under the Deed's service catalogue to manage and support Digital Health Record systems; and
- Professional services – project-based services such as the implementation by NTT Australia of new IT systems to support the Digital Health Record.

Figure 2-2 Breakdown of Work Orders by services purchased ($ million)



Source: Audit Office, based on ACT Health data.

2.18 On 23 December 2020 ACT Health entered into a Deed with NTT Australia Pty Ltd for the purpose of 'Digital Health Record and Related Systems Hosting'. NTT Australia's services provide the necessary environments for the Digital Health Record to operate. The initial price for the services was set at $66 million (GST inclusive). The Deed has since been varied twice; once for extending the term of the Deed by 12 months at a cost of $13 million, and once for adding contracted services including systems migration, data centre services and software licenses to establish the Digital Health Record for $31 million. This has increased its total value to $110 million (GST inclusive).

2.19 The Deed anticipated that the services to be provided are outlined in the Deed and any Work Orders that are agreed between the parties. ACT Health has raised a total number of 296 Work Orders since the commencement of the Deed up to 30 June 2024. Up to 30 June 2024 the total value of Work Orders agreed with NTT Australia was $86.234 million and the total cumulative expenditure on services under the Work Orders was $60.977 million.

ACT Health Internal Audit review of NTT Australia invoicing and payments

2.20 In April 2024 ACT Health Internal Audit undertook a review of the invoicing and payment processes for the Deed with NTT Australia (*NTT Australia Invoices – ACT Health internal audit* (April 2024)).

Objective of the review

2.21 The objective of the review was described as follows:

> The purpose of the 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.

Conduct of the review

2.22 The review examined all invoices submitted to ACT Health from NTT Australia for the month of June 2023. This included any NTT Australia invoice paid or accrued by ACT Health for the month of June 2023. The review was conducted within the following constraints:

> 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 ACT Health Directorate'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.

Review findings

2.23 The review found that:

> … [ACT Health] 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.

2.24 The review also found:

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

> [ACT Health] 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.
>
> [ACT Health] 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 [ACT Health] has not introduced controls to mitigate contract management risks.
>
> [ACT Health] does not actively identify and assess service credits as specified under the Deed. As a result, [ACT Health] may be paying for NTT services that did not achieve the agreed service levels.
>
> [ACT Health] 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, [ACT Health] has not demanded this or implemented its own quality improvement program.
>
> [ACT Health] was unable to demonstrate that NTT has provided (or that [ACT Health] has requested) assurance from NTT that its charges continue to be competitively priced.
>
> Although [ACT Health] regularly meet with NTT to discuss progress of Work Orders and payment of invoices, at the time of the review, [ACT Health] had no formalised, structured governance or oversight of the services under the Deed.

Response to the Internal Audit review

2.25 In its response to the Audit Office's draft proposed audit report, ACT Health advised that the internal audit commenced in mid 2023 and that actions to address the findings were progressively being undertaken prior to the finalisation of the report. ACT Health also advised that this work was being undertaken as part of a broader Digital Solutions Division Business Improvement Program, which was being overseen by a DSD Oversight Committee. ACT Health further advised:

> … the management responses to 3 of the 4 recommendations from the NTT Internal Audit have been completed, with continuous improvement opportunities ongoing where appropriate. The remaining management response is 90% complete with the outstanding action being finalisation of updates to the NTT Contract Management Plan (CMP). The CMP has been the subject of a significant review and updates and is awaiting formal agreement, noting that CMPs are considered live documents that are regularly reviewed through appropriate Governance arrangements.

Invoicing and payment processes

2.26 In accordance with ACT Health's procurement policies and contractual agreements, transactions for goods and services under the Deed with NTT Australia should be:

- initiated with a formal Work Order; and
- subsequently authorised through a Purchase Order raised in the PurchaseOrder-2-Payment (P2P) system.

2.27 These documents seek to ensure that purchases are properly authorised, budgeted and documented and provide a clear trail of accountability and control over expenditure as compared to the budget.

2.28 Given that over 95 per cent of work orders were established and approximately 86 per cent of total NTT Australia invoices were paid before January 2024, when ACT Health implemented additional controls in the invoice and payment processes, a significant amount of invoices reviewed by the Audit Office included those that were paid before this time. In its response to the draft proposed audit report, ACT Health advised that processes had improved since this time and that processes before January 2024 are not reflective of current activities to verify the receipt of services from NTT Australia prior to payment. This is discussed further in paragraphs 2.36 to 2.39.

Work Orders

2.29 Work Orders are formal documents that document:

- the scope of work to be procured;
- the cost of the work to be performed; and
- the terms and conditions under which goods or services are to be provided.

2.30 Work Orders also record approval for the commissioning of the work by the appropriate delegate.

2.31 Once approved, Work Orders should be entered into the P2P system to initiate the procurement and payment processes.

Purchase Orders

2.32 The information provided in the Work Order should be used to generate a Purchase Order through the P2P system, thereby ensuring that the procurement process is properly authorised and documented.

2.33 Purchase Orders are formal documents that authorise the purchase of goods or services. Purchase Orders should be detailed enough to facilitate reconciliation with invoices once the work has been delivered.

PurchaseOrder-2-Payment (P2P system)

2.34 The P2P system is used to manage the procurement process from requisition through to payment. The timely entry of Work Orders into this system is critical for maintaining efficient workflow and ensuring that all procurement activities are tracked and managed effectively.

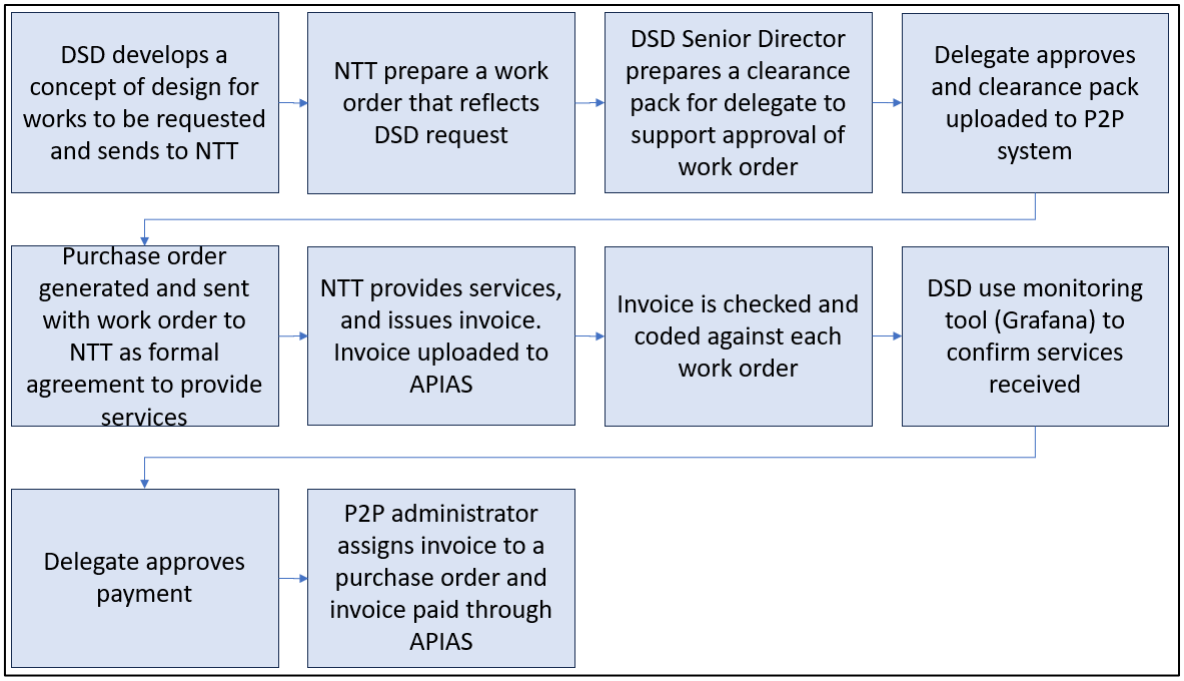
Invoices

2.35 Invoices are requests for payment from suppliers. Invoices should match the terms specified in Work Orders and Purchase Orders to ensure proper authorisation and accuracy including if goods or services have been satisfactorily received.

ACT Health payment workflow for NTT Australia invoices

2.36 ACT Health has an established process for agreeing Work Orders with NTT Australia and paying for these services through approved Purchase Orders and invoices. The workflow for this process prior to 31 January 2024 is shown in Figure 2-3.

Figure 2-3 ACT Health payment process for NTT Australia invoices (prior to 31 January 2024)



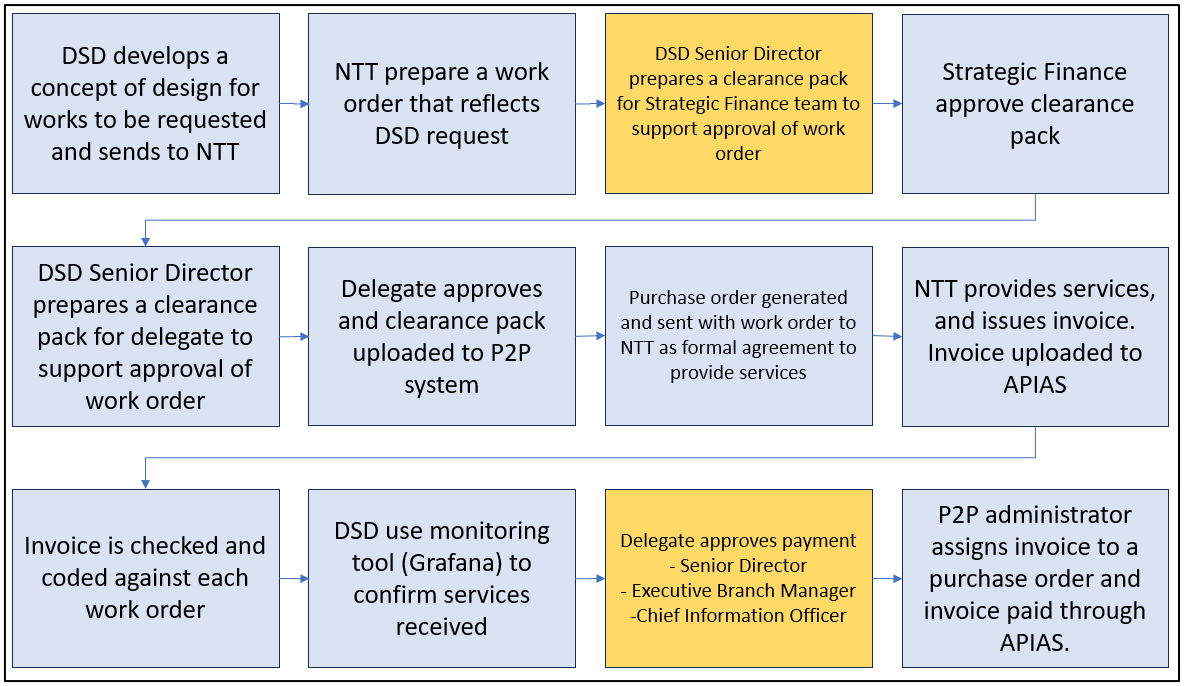
Source: Audit Office, based on ACT Health information.

2.37 After 31 January 2024, ACT Health introduced additional steps in the payment process to strengthen financial control by including:

- the Strategic Finance Team in the Work Order clearance process; and
- the structured use of delegates for approving the payment of invoices.

2.38 These additional steps are intended to provide more assurance to the delegate regarding the satisfactory receipt of goods or services prior to the approval of invoices for payment. The additional steps are highlighted in Figure 2-4.

Figure 2-4 ACT Health payment process for NTT Australia invoices (after 31 January 2024)



Source: Audit Office, based on ACT Health information.

2.39 Testing of invoices by the Audit Office focussed predominantly on the period before these adjustments were made.

Validation of invoices

Use of Grafana for assurance

2.40 ACT Health employs various technical tools, logs and verification processes to verify consumption charges related to services provided by NTT Australia. One of the platforms used for this verification is Grafana.

2.41 Grafana is a software tool that can provide live monitoring of the availability and usage of the hardware and software services that are provided and managed by NTT Australia to

support the Digital Health Record. While Grafana is monitoring these services, it captures logs of the services that ACT Health has configured it to monitor. It then presents these logs visually to allow live monitoring of service availability and Digital Solutions Division staff to query and interrogate the data to determine whether all services purchased are available and have been received throughout the period billed by NTT Australia.

2.42 While ACT Health has advised it has configured Grafana to monitor all services provided by NTT Australia, logs of these services are retained for a limited period of six months. This means that ACT Health can only use Grafana to verify services received from NTT Australia within the last six months.

2.43 During the audit, multiple invoices were identified that included consumption charges dating back more than six months. Due to the limitations of Grafana, ACT Health is unable to verify the accuracy of these charges, including the basis for providing a recommendation to the financial delegate that services purchased have been satisfactorily received. In response to the draft proposed report ACT Health noted that the work undertaken to improve payment processes (refer to paragraphs 2.36 to 2.39) has sought to address instances of services being invoiced months after delivery.

Alternative processes for assurance

2.44 ACT Health has other processes and tools to provide assurance that services have been received. This includes an inventory of services provided by NTT Australia in the form of a configuration management database. This database includes the identification of individual servers hosted by NTT Australia and any related software or other consumption and managed services that are provided. Reports are also generated using Power BI to verify the services that are provided by NTT Australia.

2.45 However, ACT Health does not capture records of the validation activities it undertakes, such as logs, queries and checks undertaken by the Digital Solutions Division, to satisfy the delegate that services were received before approving payment. This means that ACT Health is not able to demonstrate how it has confirmed that services had been received. This information can be considered to be a record of decision-making as well as support for information presented in ACT Health's financial statements. The information has not been retained in accordance with the *Territory Records Act 2002*.

2.46 As discussed at paragraph 2.16, the Deed covers five main categories of services. ACT Health advised that its inability to demonstrate the analysis performed to verify that services had been received was only applicable to consumption and managed services received from NTT Australia. ACT Health advised the value of these services across the last four financial years represented 33 percent of the total amount paid to NTT Australia. This consisted of:

- 2023-24: $5.180 million
- 2022-23: $5.008 million

- 2021-22: $4.648 million
- 2020-21: $1.322 million

2.47 ACT Health has implemented some processes and tools to provide assurance that services have been received prior to the payment of invoices under the Deed. This includes Grafana, which is a software tool that can provide live monitoring of the availability and usage of the hardware and software services that are provided and managed by NTT Australia to support the Digital Health Record. ACT Health uses Grafana to verify consumption charges related to services provided by NTT Australia. However, ACT Health does not retain the records of its analysis to verify that services have been received satisfactorily. This risk applies particularly to consumption and managed services provided by NTT Australia, which represent approximately 33 percent of the services paid for by ACT Health Directorate. This weakens the reliability of ACT Health's processes for invoice validation and confirmation of services being satisfactorily received.

Recommendation 1 Evidence to support payment approval

ACT Health should ensure appropriate records are captured and retained to demonstrate the analysis of services received prior to payments are made to NTT Australia.

Use of Work Orders and Purchase Orders

2.48 In accordance with ACT Health's procurement policies, the issuing of a Purchase Order must be preceded by a properly approved Work Order. The Work Order serves as the authorisation for the purchase and provides the necessary details about the goods or services to be procured.

2.49 The Audit Office reviewed a listing of all NTT Australia transactions in APIAS that related to the Digital Health Record. The listing of 868 transactions was examined for any that were not linked to either a Purchase Order or Work Order. Nine transactions met this criteria.

2.50 A sample of seven transactions that were not linked to either a Purchase Order or Work Order were then selected for further testing. Out of the seven transactions selected, five were found to have neither an associated Work Order or Purchase Order. Having neither a Work Order or Purchase Order seriously undermines the integrity of the procurement process and exposes ACT Health to significant risks.

2.51 The absence of Work Orders and Purchase Orders for these transactions suggests a lapse in oversight and control and increases the risk of unauthorised expenditure, budget overruns and potential fraud. Without the proper documentation, it is also difficult to maintain accurate financial records. This could then lead to discrepancies in financial reporting.

2.52 A series of other critical issues were also identified, which indicate lapses in the use of Work Orders and Purchase Orders:

- raising of a Purchase Order without an approved Work Order
  - the Purchase Order was issued without a corresponding Work Order that had been properly approved. This indicates a breach of established procedures, which require that all Purchase Orders be supported by an authorised Work Order.
- delayed issuing of a Purchase Order
  - the Purchase Order was raised more than two years after the invoice had been paid.
- lack of appropriate authorisation of a Purchase Order
  - the Purchase Order was not signed by the delegate. The lack of proper authorisation undermines the internal control environment and increases the risk of unauthorised transactions.

2.53 The lack of adherence to established procedures for the use of Work Orders and Purchase Orders:

- compromises accountability including management of budget;
- weakens internal controls; and
- increases the likelihood of financial mismanagement or unauthorized expenditures.

2.54 The delayed issuing of Purchase Orders and lack of proper authorisation can lead to financial discrepancies, including unauthorised or duplicate payments. This in turn may result in budget overruns and may negatively affect financial planning. The issuing of Purchase Orders without approved Work Orders or the necessary authorisations poses a significant compliance risk and can potentially lead to governance breaches including financial mismanagement.

2.55 In its response to the draft proposed audit report, ACT Health advised that additional controls have been implemented since 1 March 2023 to ensure:

- a complete list of financial approvers is included and updated in the P2P system; and
- purchase orders may only be approved by delegates with appropriate authority based on their level of financial delegation and cost centre responsibility.

2.56 For the purpose of procuring services under the Deed with NTT Australia, ACT Health is required to agree a Work Order with NTT Australia for the services and supply an approved Purchase Order to demonstrate that the expense has been appropriately budgeted and approved. A review of the listing of all NTT Australia transactions in APIAS shows:

- five transactions had neither an approved Work Order or Purchase Order;

- two transactions where a Purchase Order was raised after the invoice date, including by more than two years; and
- one transaction where the Purchase Order was issued without the Work Order.

2.57 Having neither a Work Order or Purchase Order seriously undermined the integrity of the procurement process and exposes ACT Health to significant risks. By not following established procurement procedures, it was difficult for ACT Health to demonstrate that purchases are necessary, appropriately budgeted for and properly authorised.

Recommendation 2 Purchase Orders

ACT Health should establish a formal policy specifying the timeframe for entering approved Work Orders into the PurchaseOrder-2-Payment system, and monitor compliance with the policy.

Timeliness of Work Orders

2.58 The timely entry of approved Work Orders into the P2P system is essential for:

- maintaining efficient procurement and payment processes; and
- ensuring that all procurement activities are tracked and managed effectively.

2.59 The timely entry of approved Work Orders into the P2P system also:

- ensures that the necessary approvals are in place before invoices are processed; and
- makes the entire procurement process more transparent and manageable.

2.60 The Audit Office identified that ACT Health does not have a formal policy specifying the timeframe within which an approved Work Order should be entered into the P2P system. This can lead to:

- inconsistencies and inefficiencies in the commissioning of services to be provided; and
- potential delays in the processing of invoices and payments.

2.61 Ultimately, the effective financial and budgetary management of the contractual arrangement and the relationship with the supplier may be affected as timely reconciliation of invoices with services and payments for invoices may be delayed.

2.62 ACT Health has a system for managing and tracking Work Orders and Purchase Orders; the PurchaseOrder-2-Payment (or P2P) system. Work Orders should be entered into the P2P system to ensure delegate approval is given before invoices are processed. ACT Health does not have a formal policy that specifies the timeframe in which this is to happen. This can

lead to delays in entering Work Orders into the P2P system and a lack of transparency in managing the procurement of services.

Matching of invoices to Work Orders and Purchase Orders

2.63 Effective procurement processes and financial management processes require invoice amounts to be accurately matched with corresponding Work Orders and Purchase Orders to ensure that all expenses are justified and approved. The matching process ensures that payments are made for goods or services that were ordered and received in accordance with agreed terms and conditions.

2.64 The Audit Office identified the following key issues with the matching of invoices to Work Orders and Purchase Orders:

- lack of detailed line items
  - Work Orders and Purchase Orders often lacked detailed line items that correspond directly to those on invoices. This lack of detail makes it difficult to verify that the invoiced amounts match the quantities and prices agreed upon in the Work Orders and Purchase Orders.
- inadequate documentation practices
  - current practices do not ensure that all necessary details are captured in Work Orders and Purchase Orders to facilitate straightforward matching with invoices. This results in a manual and error-prone reconciliation process, which increases the workload for Digital Solutions Division teams and increases the risk of errors and ability for independent verification by the delegate.
- invoice processing time
  - the current payment processing time is excessively long. Payments take over a month from invoice receipt to settlement.

2.65 The inaccurate matching of invoices with Work Orders and Purchase Orders can lead to incorrect payments, including overpayments or payments for unauthorised goods or services. This can impact financial accuracy and control. The difficulty in reconciling invoices with Work Orders and Purchase Orders also leads to inefficiencies in the payment process and may cause delays and potential disputes with suppliers.

2.66 A review of invoices with Work Orders and Purchase Orders found a lack of detail in invoice line items to sufficiently describe the services being purchased and a lack of complete documentation in Work Orders and Purchase Orders to identify in sufficient detail the services being provided. The review also showed delays in processing invoices by ACT Health. These issues reduce ACT Health's ability to accurately and effectively control expenditure under the Deed with NTT Australia.

Recommendation 3 **Support for reconciliation and verification of invoices**

ACT Health should:

a) require NTT Australia to ensure that the number of Purchase Orders associated with each invoice complies with the terms of the Deed; and

b) include sufficiently detailed line items in Purchase Order and Work Orders with NTT Australia to ensure they correspond directly to the goods and services being procured.

Issuing of invoices

2.67 The Deed provides for the issuing of invoices in relation to Work Orders. Clause 5.2 of the Deed states:

> The Supplier must invoice the Territory:
>
> 5.2.1 for a Milestone, only once that Milestone has been met and Accepted in accordance with the applicable Work Order and this Deed; and
>
> 5.2.2 on a monthly basis in arrears for all other Charges payable in accordance with the applicable Work Order and this Deed or at such other times as specified in the applicable Work Order.

2.68 Clause 5.3 of the Deed provides for the linking of invoices to Work Orders that have been issued:

> The Supplier must provide the Territory with a single Correctly Rendered Invoice for each Work Order for each month for all Charges incurred under that Work Order during that month.

2.69 Clause 5.4 and Clause 5.7 of the Deed requires clarity in the issuing of invoices. Clause 5.4 of the Deed states:

> The Supplier must invoice the Territory in a way that clearly reflects the Charges specified in the Work Order and in a manner that is consistent with this Schedule 3 (Charges and Payments).

2.70 Clause 5.7 of the Deed states:

> The Supplier must not invoice the Territory more than once a month for any Service (provided that the Suppler may invoice the Territory when a Milestone has been met). If the Supplier does invoice the Territory more than once in a month for any of the Services, the Territory may reject the invoices received after the first invoice, with reference to this clause.[1]

[1] Source: Schedule 3, Charges and Payments, Clauses 5.2, 5.3 and 5.7.

Issuing of invoices

2.71 NTT Australia has not issued ACT Health with a single correctly rendered invoice for each Work Order as required by the Deed. A review of 20 invoices showed that five invoices related to multiple Work Orders.

2.72 The linking of multiple Purchase Orders and Work Orders to individual invoices gives rise to a number of administrative challenges:

- complexity in reconciliation;
- administrative time and effort; and
- increased risk of errors.

2.73 **Complexity in reconciliation:** The process of matching a single invoice to multiple Purchase Orders and Work Orders is inherently complex. When an invoice is linked to as many as 80 Purchase Orders, the acquittal process becomes cumbersome, thereby increasing the likelihood of errors in identifying and allocating the correct consumption charges to each Purchase Order.

2.74 **Administrative time and effort:** The manual effort required to reconcile invoices with multiple Work Orders is significantly higher, thereby leading to delays in processing and potential bottlenecks in the overall workflow. This inefficiency not only strains the resources of the Invoice Acquittal Team but also delays payment processing, which could impact vendor relationships.

2.75 **Increased risk of errors:** The high number of Purchase Orders linked to a single invoice increases the risk of misallocation of charges, which can result in financial discrepancies. Such errors can lead to potential overpayments, or underpayments, and potentially, financial loss for ACT Health.

2.76 The Deed provides for the issuing of invoices in relation to Work Orders. Clause 5.3 of the Deed provides for the linking of invoices to Work Orders that have been issued and requires NTT Australia to 'provide the Territory with a single Correctly Rendered Invoice for each Work Order for each month for all Charges incurred under that Work Order during that month'. A review of 20 invoices processed and paid by ACT Health shows five invoices that were related to multiple Work Orders and Purchase Orders. The linking of multiple Purchase Orders and Work Orders to individual invoices gives rise to a number of administrative challenges. The payment process is made more complex as the reconciliation process is more difficult, more time is taken to verify the invoice and there is an increased risk of error.

Timeliness of invoicing

2.77 The Deed outlines requirements for the provision of invoices for services. Clause 45.5 of the Deed states:

> If a Work Order requires Charges for Services to be invoiced on a monthly or annually in arrears basis or on completion of a Milestone, the Territory is not obliged to pay the amount specified in any invoice for those Services where the invoice is provided three or more months after:
>
> 45.5.1 for a monthly invoice, the end of the month in which those Services were performed;
>
> 45.5.2 for an annual invoice, the end of the 12 month calendar period in which the Services were performed; and
>
> 45.5.3 for an invoice for a Milestone payment, the end of the month in which that Milestone has been achieved.

Timing of invoices

2.78 The Deed between ACT Health and NTT Australia includes specific provisions for the issuing of invoices for services rendered.

2.79 Invoices for services must be submitted on a monthly or annual basis in arrears, or upon the completion of specific milestones. The Territory is not obliged to pay invoices submitted three or more months after the services have been provided.

2.80 The Audit Office found one sampled invoice where ACT Health processed and paid invoices related to services provided more than three months previously. On review of the population of NTT Australia invoices through APIAS, it was found that there were multiple other instances where invoices had been paid for services provided more than three months prior. It is apparent that most of these invoices related to billing of previous consumption-based charges.

2.81 The Deed between ACT Health and NTT Australia includes specific provisions for the issuing of invoices. Invoices for services must be submitted on a monthly or annual basis in arrears, or upon the completion of specific milestones; the Territory is not obliged to pay invoices submitted three or more months after the services have been provided. One sampled invoice processed and paid by ACT Health related to services provided more than three months previously. Further review of NTT Australia invoices in APIAS showed multiple other instances where invoices had been paid for services provided more than three months prior. It is apparent that most of these invoices related to billing of previous consumption-based charges. This weakens ACT Health's financial control and management of the NTT Deed.

APIAS delegation limits

2.82 The ACT Government requires that most directorates, including ACT Health, process their invoices through the whole-of-government accounts payable system, Accounts Payable Invoice Automation Solution (APIAS).

2.83 The APIAS system is an automated system used for processing invoices and managing accounts payable. It is intended to promote efficiency and adherence to procurement policies.

2.84 The APIAS system is designed to automate and streamline the accounts payable process, thereby ensuring that invoices are processed efficiently and in accordance with established procedures. Effective approval controls are essential to prevent unauthorised payments and maintain financial integrity. Segregation of duties and proper delegation limits are key components of these controls.

2.85 Delegation limits are specific authorisation limits set for approving payments. Delegation limits ensure that only designated individuals with appropriate authority can approve transactions.

2.86 The APIAS system does not automatically enforce delegation limits, where a Purchase Order has previously been approved by an appropriate financial delegate. However, ACT Health has introduced manual controls to ensure the delegate is added to the workflow in APIAS for approval. This is captured in the additional steps in the payment process introduced in January 2024 and depicted in Figure 2-4. Since delegation limits are not automatically enforced, there is a risk that payments are approved by individuals who do not have required authorisation. This may lead to unauthorised or inappropriate payments.

2.87 The absence of system processes to ensure there is appropriate senior review of invoices prior to paying invoices associated with a Purchase Order compromises the control environment, and potentially allows invoices to be processed and paid without appropriate oversight and approval.

2.88 The APIAS system is an automated system used for processing invoices and managing accounts payable. It is designed to automate and streamline the accounts payable process, thereby ensuring that invoices are processed efficiently and in accordance with established procedures. APIAS does not enforce delegation limits where an invoice is being processed in connection with a previously approved Purchase Order. This means that any user with access to the system can approve an invoice if a Purchase Order has been previously approved, regardless of their authorisation level. ACT Health has introduced manual controls to address this control weakness. However, there remains a risk that payments are approved by individuals who do not have the required authorisation.

Recommendation 4	Compliance with delegation limits

ACT Health should:

a) implement assurance processes to ensure invoices are validly paid in line with delegations; and

b) work with Digital, Data and Technology Services to implement controls to ensure that invoices associated with a Purchase Order are approved for payment by an appropriate delegate.

Management of the Deed

2.89 The Audit Office reviewed the contractual arrangements and found that several aspects of the Deed have not been adhered to by ACT Health and NTT Australia.

Certificates of Acceptance

Deed terms and conditions

2.90 The Deed describes arrangements for the formal acceptance of services provided by NTT Australia. Clause 16.1 of the Deed states:

> The Services (including any Deliverables) will be subject to Acceptance in accordance with the requirements set out in this clause 16 of this Deed, Schedule 1 (Statement of Work), or a Work Order specifies that the applicable Service is subject to Acceptance by the Territory.

2.91 The Deed describes the role of Acceptance Criteria in the formal acceptance of services provided by NTT Australia. Clause 16.3 of the Deed states:

> The Services must comply with applicable Acceptance Criteria specified in Schedule 1 (Statement of Work) or a Work Order.

2.92 The Deed provides for ACT Health to issue a Certificate of Acceptance in the event that services have been provided satisfactorily by NTT Australia. Clause 16.13 of the Deed states:

> If the Territory finds that a Service:
>
> 16.13.1 has satisfied the Acceptance Criteria, the Territory must within 15 Business Days issue a Certificate of Acceptance in respect of that Acceptance Criteria in accordance with this Deed (and the Services will then be deemed to have been Accepted by the Territory); or
>
> 16.13.2 has not satisfied the Acceptance Criteria, the Supplier must (at no cost to the Territory):

> (a) do all things necessary to rectify any problems to ensure that the Acceptance Criteria are met; and
>
> (b) repeat the Acceptance Testing as soon as practicable or within the time period required by the Territory, and this clause 16.13 will apply to the repeated Acceptance Testing.

ACT Health issuing of Certificates of Acceptance

2.93 ACT Health has not issued Certificates of Acceptance for the services provided by NTT Australia. The Audit Office tested 20 sample invoices for the period December 2020 to 30 June 2024 and noted that Certificates of Acceptance had not been provided for any of the Work Orders associated with the sampled invoices.

2.94 ACT Health advised that while it did not provide Certificates of Acceptance, NTT Australia did provide documentation of what work had been completed and that ACT Health had provided written acceptance of these documents. There was also evidence that ACT Health had verified that these documents were an accurate reflection of the services provided. In response to the draft proposed report ACT Health advised:

> … a process is in place that recognises and records [ACT Health] formal acceptance of services provided:
>
> - Upon completion NTT Australia provides a As Built Design Document that includes detailed information on the specifications. This documentation is signed by both parties which reflects [ACT Health] acceptance of the product.
> - [ACT Health] also holds and maintains a register of completions of work by NTT Australia.
>
> Noting the above, a separate process for issuing Certificates of Acceptance has not been identified as necessary as the intent has been and continues to be delivered via another acceptable mechanism.

2.95 Notwithstanding these processes, as part of acceptance testing by ACT Health there was:

- no documentation of the acceptance criteria for the services; or
- an assessment of whether the services met these criteria.

2.96 Maintaining proper documentation for the receipt of services is essential for verifying that services have been delivered as agreed and ensuring that payments are made for services that have been received and accepted. Documentation, such as Certificates of Acceptance, serves as a key control mechanism in the procurement process, and helps to prevent disputes, ensure compliance and facilitate accurate financial reporting.

2.97 The NTT Deed describes arrangements for the formal acceptance of services provided by NTT Australia. The Deed describes the role of Acceptance Criteria and provides for ACT Health to issue a Certificate of Acceptance in the event that services have been provided satisfactorily by NTT Australia. This allows ACT Health to demonstrate that the services have

fulfilled expectations and are compliant with the approved Work Order. ACT Health has not issued Certificates of Acceptance for the services provided by NTT Australia. While evidence existed of ACT Health validating and accepting the services provided by NTT Australia, there was a lack of documentation of acceptance criteria and validation by ACT Health to confirm these criteria had been met. Maintaining proper documentation for the receipt of services is essential for verifying that services have been delivered as agreed and ensuring that payments are made for services that have been received and accepted.

Recommendation 5 Acceptance criteria for Work Orders

ACT Health should ensure Work Orders agreed with NTT Australia include acceptance criteria, and that ACT Health certify these criteria have been satisfied before making payment.

Cost benchmarking

2.98 Cost benchmarking is a process that may be used to compare the prices charged by a supplier with similar services or goods in the market to ensure the buyer is paying a fair and competitive price. It is a crucial mechanism for validating that prices charged are fair and competitive and performance expectations are reflective of the market, especially in long-term contracts where market conditions may change over time.

2.99 The Deed provides ACT Health with the right to benchmark services provided by NTT Australia to ensure services remain competitively priced. Clause 58 of Deed states:

> From time to time during the Term [of the Deed], the Territory may:
>
> - test the market for any or all of the Services [provided through the Deed];
>
> - undertake benchmarking to measure the standards of deliver and cost of the Services or any other part of this Deed (including the Work Orders) in part or in the aggregate to determine if the performance of the Supplier matches and the Charges are competitive with, then current market prices and standards of delivery for Similar Services (Benchmarking).
>
> Benchmarking will only be taken after the first anniversary of the Commencement Date of the Deed and will be performed no more frequently than once every contract year.
>
> ..
>
> The Benchmarking must be conducted following generally accepted industry processes, using appropriate statistical sampling methods and cost analysis.

2.100 Despite having this right in the Deed, ACT Health has not undertaken any benchmarking exercises. This means that ACT Health has not verified whether the prices charged by NTT Australia remain competitive with current market rates. As a result, there is a risk that ACT Health is paying outdated or inflated prices without a formal mechanism to verify or

challenge the supplier's pricing structure. By not undertaking benchmarking, ACT Health's ability to demonstrate value for money for the Territory is undermined.

2.101 In response to the draft proposed report ACT Health advised:

> While ACT Health has not undertaken a formal benchmarking process as allowed under the Deed, DSD management has been monitoring NTT Australia infrastructure and service cost since DHR go-live against other vendor costs. This exercise has found no indication for unusual price increases.
>
> …
>
> the benchmarking clause should be used when a) there are indications that vendor prices are no longer in line with market prices, b) there is uncertainty about current market prices, or c) the Territory's negotiation position might compel the vendor to lower prices. Formal benchmarking under the contract is often restricted by the willingness of competitors to participate in the benchmarking. Hence, [ACT Health] has decided to formally test the market via a new open tender procurement at the end of the first contract term.

2.102 The Deed allows ACT Health to benchmark the cost and performance of services provided by NTT Australia to prevailing market terms. ACT Health has not undertaken any cost benchmarking since the Deed commenced. This means that ACT Health has not verified whether the prices charged by NTT Australia remain competitive with current market rates. ACT Health advised that, notwithstanding the lack of a benchmarking process in accordance with the Deed, it has been monitoring NTT Australia costs against other vendor costs and has 'has found no indication for unusual price increases'. Nevertheless, there is a risk that ACT Health is paying outdated or inflated prices without a formal mechanism to verify or challenge the supplier's pricing structure. By not undertaking benchmarking, ACT Health's ability to demonstrate value for money for the Territory is also undermined.

Recommendation 6 Cost benchmarking

ACT Health should:

a) benchmark the cost of NTT Australia services in line with its contractual rights; or

b) document its decision to not benchmark the cost of NTT Australia services and evidence to support this decision as part of its contract management activities.

Comparison of work by ACT Health internal audit and ACT Audit Office performance audit

2.103 This audit by the Audit Office differs in substance and nature from the work of the ACT Health internal audit. The key differences between the conduct of these two activities are shown in Table 2-1.

Table 2-1 Comparison of work undertaken by ACT Health and ACT Audit Office

Feature	**ACT Health Internal Audit review of NTT invoices**	**ACT Audit Office performance audit**
Type of assurance activity	Review	Reasonable assurance audit
Applicable standards	None disclosed	ASAE 3500 Performance Engagements
Scope of work	Invoices received by DSD in June 2023 and associated Work Orders	Invoices received since the start of Deed until 30 June 2024 and associated Work Orders
Extent of work	- Review of invoices in June 2023 - Expert opinion on level of substantiation documents provided by NTT Australia for each invoice - Review of ACT Health Work Order documentation and substantiation.	- Sample testing of 20 invoices received under the Deed since commencement until 30 June 2024. Examination of: - whether payments, Work Orders and invoices are correctly approved. - evidence to support whether services have been received. - accrual of expenses is reasonable. - accuracy of invoice details against the Work Order. - completeness of invoices recorded and whether they have been correctly recognised in the annual financial statements. - correctness of invoice calculations, account coding and accounting periods. - alignment of services received with the NTT Deed.

Source: ACT Audit Office and analysis of *NTT Australia Invoices – ACT Health internal audit* (April 2024)

2.104 Table 2-1 shows that the work performed by the Audit Office is more extensive in scope and work than that performed through the ACT Health internal audit.

Substantiation of findings from ACT Health Internal Audit review

2.105 On the basis of the work performed by the Audit Office, the findings made in the ACT Health Internal audit review were re-examined. Table 2-2 shows the results of this comparison.

Table 2-2 ACT Audit Office observations on findings identified in the ACT Health internal audit

ACT Health Internal Audit finding	ACT Audit Office able to confirm?	Notes
There is a significant risk that [ACT Health] has paid (or accrued) for products and services that are inconsistent with the terms and conditions of the Deed.	Yes, but low number.	Audit Office has identified few Work Orders that do not align with the intent of DHR hosting agreement (i.e. end user hardware purchased).
[ACT Health] 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.	Yes but partially.	Audit Office noted that the software tool/dashboard (Grafana) that ACT Health is using to verify receipt of services does not retain data more than 6 months. Audit Office did not assess the competency and skill set of staff members as part of financial audit.
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.	No.	Can not validate.
[ACT Health] 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 from 1 December 2020 to 30 June 2023.	Yes, but has since been addressed.	ACT Health has since addressed this finding and the amount has been changed on the ACT Contracts Register.
NTT has not developed or delivered a contract risk management plan as specified under the Deed, and [ACT Health] has not introduced controls to mitigate contract management risks.	Yes, but has since been partially addressed.	The current contract risk management plan from NTT Australia was provided; however, the Audit Office did not request risk management plans from previous years. The contract risk management plan provided by ACT Health was last signed in August 2020, and no updated plan has been provided.
[ACT Health] does not actively identify and assess service credits as specified under the Deed. As a result, [ACT Health] may be paying for NTT services that did not achieve the agreed service levels.	No.	Can not validate.

ACT Health Internal Audit finding	ACT Audit Office able to confirm?	Notes
[ACT Health] has not been providing NTT with Certificates of Acceptance on the achievement, delivery or completion of Work Order deliverables.	Yes.	Audit Office asked for Certificates of Acceptance for selected sample of invoices, but no certificate was provided.
NTT has not delivered a quality improvement program for the delivery of the Deed. At the same time, [ACT Health] has not demanded this or implemented its own quality improvement program.	No.	Can not validate.
[ACT Health] was unable to demonstrate that NTT has provided (or that [ACT Health] has requested) assurance from NTT Australia that its charges continue to be competitively priced.	Yes.	Audit noted that no cost benchmarking is performed by ACT Health to ensure the price it is paying is competitive.
Although [ACT Health] regularly meet with NTT Australia to discuss progress of Work Orders and payment of invoices, at the time of the review, [ACT Health] had no formalised, structured governance or oversight of the services under the Deed.	No.	Can not validate.

Source: ACT Audit Office and analysis of *NTT Australia Invoices – ACT Health internal audit* (April 2024)

2.106 The table shows that most findings of the ACT Health internal audit were confirmed by the work of the Audit Office. ACT Health also advised that some of these issues have now been addressed.

Accounting for transactions under the NTT Australia Deed

2.107 As part of its work for the audit of ACT Health's 2022-23 and 2023-24 financial statements, the Audit Office sought assurance from ACT Health's Chief Finance Officer that purchases under the Deed had been correctly accounted for.

2.108 The Chief Finance Officer of ACT Health advised in an accounting position paper to the Audit Office that:

- there were internal controls in place to ensure that capital assets, such as ICT assets, were correctly identified and tracked to recognise the correct value of capital works in progress, property, plant and equipment, and intangible assets in its 2022-23 and 2023-24 annual financial statements;

- there were processes in place to review property, plant and equipment as well as intangible assets held by ACT Health to determine if they were impaired and unlikely to reflect the value stated in its financial statements;
- divisions in ACT Health are required to substantiate costs that are to be paid after the end of each financial year to ensure payables and accrued expenses are correctly stated. The Strategic Finance Team then verifies this information;
- appropriate segregation of duties is enforced by APIAS and no invoices were paid outside the system;
- the Digital Solutions Division and Strategic Finance examined a sample of eleven invoices paid prior to June 2023 and requested NTT Australia provide supporting documents to ACT Health. No evidence of incorrect payment was noted. The Digital Solutions Division and Strategic Finance also conducted spot checks of over 80 invoices worth over $8 million. The work that had been completed to date found that invoices could be reconciled appropriately. No overpayments were identified as a result of this work;
- the Digital Solutions Division and Strategic Finance have worked to implement additional controls to ensure the Digital Solutions Division provide written confirmation of satisfactory receipt of goods or services in addition to a prompt to acknowledge receipt of goods and services;
- additional training was provided on 29 August 2023 to Digital Solutions Division staff to remind them of their responsibilities under the *Financial Management Act 1996*; and
- no fraud or indicators of fraud had been identified.

2.109 On the basis of this assessment, the Chief Finance Officer concluded that:

> … the amounts shown in the 2023-24 and 2022-23 financial statements are accurate. There is satisfactory receipt of goods/services against all the invoices included in financial statements and there are no duplicate payments recorded in financial statements related to NTT invoices.

2.110 In addition to these assurances, the results of the testing conducted by the Audit Office as part of this performance audit as well as part of its broader testing of ACT Health's 2022-23 and 2023-24 annual financial statements did not find evidence that the dollar value of the transactions reported under the NTT Australia Deed had been materially misstated.

2.111 ACT Health's Chief Finance Officer has assessed the risks of material misstatements in ACT Health's annual financial statements as a result of potential payment issues arising from the NTT Australia Deed. The Chief Finance Officer advised the Audit Office that:

- the amounts shown in the 2023-24 and 2022-23 financial statements are accurate;
- there is satisfactory receipt of goods and services against all invoices in the financial statements; and

- there are no duplicate payments related to NTT invoices.

2.112 The Audit Office's testing as part of this performance audit and through the audit of the 2022-23 and 2023-24 financial statements audit did not find any evidence that deficiencies in controls relating to the transactions under the NTT Australia Deed result in a material misstatement of the amounts reported in ACT Health's 2022-23 and 2023-24 financial statements. Although the dollar value of the expenditure is accurately recorded, the control deficiencies identified in this report mean that it is not possible to provide reasonable assurance that the services paid for were actually received or that the price paid for those services was the correct price.

3 Relevant reviews and audits

3.1 This chapter discusses a series of reviews and other audits that have been undertaken with respect to the ACT Health's Digital Services Division and the Digital Health Record (DHR) since 2022. The chapter also discusses the Audit Office's intention to conduct further performance audit work in relation to the Digital Health Record and its implementation.

Summary

Conclusions

Since at least 2022 there have been a series of reviews and internal audits conducted in relation to the Digital Health Record and the Digital Solutions Division of ACT Health. The reviews and internal audits have identified a range of issues associated with ICT program and project management, budget and financial management, governance and administration and organisational culture.

In response, ACT Health has implemented a DSD Business Improvement Program that seeks to oversee the recommendations from the reviews and audits and actions taken to respond, with oversight from a DSD Oversight Committee.

The Audit Office expects to conduct further performance audit activity in relation to the Digital Health Record during 2024-25.

Key findings

Reviews relevant to the Digital Services Division	Paragraph
An ACT Health internal audit, *ICT Program Governance and Digital Health Strategy*, was completed in September 2022. The audit found a variety of weaknesses that impaired the governance and oversight of ACT Health's ICT projects. A series of key findings related to ACT Health's: • ICT portfolio management; • program and project management; and • portfolio, program and project assurance.	3.11
In January 2023 the report of the *In-Depth Health Check of Digital Solutions Division* was completed. The review examined staff, team and organisational issues through surveys, interviews and focus groups. The review found a range of issues associated with the organisational culture of the Digital Solutions Division as well as management and workplace behaviours.	3.16

The *Digital Solutions Division (DSD) Budget and Financial Management Review* was completed in August 2023. The review sought to assess the adequacy of the funding of the functions of the Digital Solutions Division when it was established in 2018. The review found a number of issues associated with the following aspects of the financial management of the Digital Solutions Division: 3.25

- workforce costs;
- suppliers and other costs;
- business case development and capital works budgeting and reporting; and
- budget management.

Reviews relevant to the Digital Health Record

The *Digital Health Record Program Assurance Review* was completed in July 2024. The review made a series of findings with respect to: 3.35

- governance and program management; and
- financial management, savings and benefits realisation.

Key findings identified through the review were that: 3.36

- key scope decisions had a significant impact on the cost of the Digital Health Record. This included the removal of a contingency budget from the program cost estimate, increased or rescoped services such as pathology, dental and medical imaging, shorter implementation timeframes and a lack of planning for future capital requirements after bringing budgeted capital injections forward, all of which increased the financial pressures on the Digital Health Record Program; and
- savings, such as those to be achieved through the decommissioning of legacy systems, were not achieved. The review found savings from the implementation of the Digital Health Record to be $6 million per year rather than $29.3 million reported in Digital Health Record Program Board papers. In key financial management and budgeting documentation, the quantum of expected savings was increased as the costs of implementing Digital Health Record increased.

Reviews relevant to the Digital Services Division

3.2 The ACT Health Directorate has conducted three reviews specifically related to the Digital Services Division and its operations and activities since 2022. These include:

- *ICT Program Governance and Digital Health Strategy – ACT Health internal audit* (September 2022);
- *In-Depth Health Check of Digital Solutions Division – CPM Reviews* (January 2023); and

- *Digital Solutions Division (DSD) Budget and Financial Management Review – KPMG* (August 2023).

ICT Program Governance and Digital Health Strategy (September 2022)

Audit objective

3.3 The objective of the audit was to:

> … provide [ACT Health] with assurance that it has appropriate governance frameworks to realise the digital ready future technology desired outcomes specified in the Digital Health Strategy. This included assessing whether the Directorate had appropriate governance frameworks, policies and procedures:
>
> - to monitor and report its performance in delivering the Digital Health Strategy
> - to manage and monitor the costs, timeframes, quality, scope, risks and benefits of all programs and projects applicable to the Digital Health Strategy
> - to ensure there is clear visibility for expenditure on programs and projects versus business-as-usual ICT activities
> - that are consistent with ICT portfolio, program and project best practice
> - to manage urgent unscheduled requests for new systems and re-prioritise existing commitments.

Audit approach

3.4 The scope of the audit was identified as follows:

> … the review focused on:
>
> - whether the Directorate's Executive had appropriate visibility of [Digital Solutions Division] services and Digital Health Strategy delivery including accuracy of reporting of project status
> - program and project interaction with, and operations of, the [Digital Solutions Division] Portfolio Management Team supporting risk monitoring, performance monitoring and reporting with respect to initiatives delivering the Digital Health Strategy
> - operations of the [Digital Solutions Division] Portfolio Management Team with respect to dependency management between programs and projects
> - validating the application of the Directorate's portfolio, program and project management framework to a sample selection of initiatives.

3.5 The audit considered one program and four projects managed by the Digital Services Division. The Digital Health Record Program was not one of those considered for the purpose of the audit.

Audit findings

3.6 The audit found a variety of weaknesses that impaired the governance and oversight of ACT Health's ICT projects. Key findings for the audit related to ACT Health's:

- ICT portfolio management;
- program and project management; and
- portfolio, program and project assurance.

3.7 A key finding of the audit was that:

> … the Digital Committee (and the Directorate's Executive) are not provided with all the information they need to assess whether the Digital Health Strategy's strategic themes and goals will be realised by 2029 (the strategy end date).

3.8 Key findings related to ACT Health's ICT portfolio management included:

- unclear roles and responsibilities for the governance committees and internal assurance functions responsible for oversighting ACT Health ICT projects. Following changes to internal assurance teams and oversight committees, it could not be confirmed if all responsibilities of the previous functions had been successfully transferred due to a lack of documented and up-to-date roles and responsibilities;
- the ACT Health governance committee responsible for prioritising and approving investment decisions had the Chief Information Officer as its chair or co-chair at different points in time. This meant the executive who was responsible for implementing ICT programs of work was also approving the work to be undertaken. The audit identified better practice should be that these roles should be segregated;
- there was no clear linkage between individual ICT programs/projects, and the goals of the Digital Health Strategy, as well as a lack of documented performance measures and methodology to assess whether the ICT portfolio would result in delivery of the Digital Health Strategy;
- governance committees did not meet as scheduled to provide executive leadership, oversight and direction to the structure and implementation of ACT Health's ICT portfolio. When the Technology Strategy Committee met between February 2020 and June 2021, it often suffered from:
  - poor attendance; and
  - untimely provision of meeting papers (that often contained hundreds of pages).
- meeting papers for governance committees did not provide members with information needed to make informed decisions about ICT investment priorities, and committee minutes did not clearly evidence how investment decisions were made;
- three different reports used by the Digital Solutions Division to manage the portfolio of ICT programs and projects could not be reconciled with respect to the number of activities being delivered, their associated budget or expenditure; and

- there was a lack of evidence to support that interdependencies between ACT Health's ICT programs and projects were identified and actively managed.

3.9 Key findings related to ACT Health's ICT program and project management included:

- the lack of management frameworks to deliver projects using the Agile software development approach. The Check in CBR project, examined by the auditors, did not have the documentation in place associated with the Agile software development approach;
- Digital Solutions Division project management methods were not always applied completely and systematically; and
- over half of ACT Health's ICT projects as at May 2021 did not report to the Technology Strategy Committee, and over a third of projects as at March 2022 did not report to the Digital Committee, reducing oversight of the directorate's portfolio of ICT projects.

3.10 Key findings related to ACT Health's ICT portfolio, program and project assurance included:

- the Digital Solutions Division had established internal assurance functions, but had not explicitly determined how they would review projects with respect to project size and risk;
- roles for internal assurance functions were not clearly documented and their activities were not reported to the Digital Committee to assist executives to understand the assurance they provided; and
- status reporting on ACT Health's ICT programs and projects included appropriate measures. But no assurance was given that reported information was accurate.

3.11 An ACT Health internal audit, *ICT Program Governance and Digital Health Strategy*, was completed in September 2022. The audit found a variety of weaknesses that impaired the governance and oversight of ACT Health's ICT projects. A series of key findings related to ACT Health's:

- ICT portfolio management;
- program and project management; and
- portfolio, program and project assurance.

In-Depth Health Check of Digital Solutions Division (January 2023)

Review objective

3.12 CPM Reviews was engaged:

> … to examine and report on staff views of workplace culture – including identified strengths and issues of concern.

3.13 The review involved a workplace health check that sought to identify:

- any differences in perceptions among Digital Solutions Division staff of performance within the division;
- any factors which may inhibit high performance related to job demand and level of employee control, resourcing, job characteristics and exposure to job related trauma, including bullying and harassment;
- issues associated with team/group dynamics including: support for staff from colleagues and supervisors, manager and leadership capability, clarity of roles and responsibilities, adequacy of training, quality of communication, management of conflicts, accountability for outcomes and the building of trust and commitment; and
- organisational-related factors such as the impact of change and availability of support and the identification of any identifying strengths and opportunities to enhance performance.

Review approach

3.14 The review involved a three-part approach that included:

- an online survey of Digital Solutions Division staff, which included a mix of structured response and free-text response questions;
- one-to-one interviews with Digital Solutions Division staff; and
- three focus groups with Digital Solutions Division staff.

Review findings

3.15 On the basis of the surveys, interviews and focus groups, the review's findings noted the following issues:

- communication:
  - a perceived difference of views between Digital Solutions Division executives and ASO-level staff on the quality of communication.
- work, work planning and structure:
  - unreasonable workloads and expectations of staff, with poor planning of projects;
  - cultural norms of accepting poorly configured systems and a lack of documentation to get work done;
  - perceived favouritism and lack of acting in a way that values staff;
  - poor management of workplace entitlements such as flextime and leave;
  - poor planning of work without guidance and ongoing timing challenges;
  - a lack of transparency around recruitment processes; and
  - managers with good technical skills lacking people management and communication skills.

- access to training and development:
  - lack of access to training and development, particularly around training for non-technical skills; and
  - staff not having access to induction training.
- performance management:
  - absence of adhering to performance management requirements including performance development plans, regular feedback and management of underperformance.
- morale:
  - variable perceptions of trust and respect within the Digital Solutions Division, with a noted lack of trust of senior managers by staff.
- adherence to employee and employer obligations:
  - prioritisation of achieving operational goals at the expense of staff wellbeing;
  - no direct claims of bullying and harassment, but the review team believed some behaviours of senior leaders were bordering on this;
  - persistent claims of favouritism, nepotism and consequential negative effects on staff.

3.16 In January 2023 the report of the *In-Depth Health Check of Digital Solutions Division* was completed. The review examined staff, team and organisational issues through surveys, interviews and focus groups. The review found a range of issues associated with the organisational culture of the Digital Solutions Division as well as management and workplace behaviours.

Digital Solutions Division (DSD) Budget and Financial Management Review (August 2023)

Review objective

3.17 The objective of the review was to:

> … examine the cause of the [Digital Solutions Division's] budget pressure and to provide advice on the design and operating effectiveness of the [Digital Solutions Division's] key controls for the management and oversight of its ICT projects, costs, forecasting and budget management… also examine the financial governance framework supporting accountability for the [Digital Solutions Division's] IT sustainment budget practices and processes.

Review approach

3.18 The review sought to assess the adequacy of the funding of the functions of the Digital Solutions Division when it was established in 2018. In doing so it considered:

- adequacy of funding
- adequacy of costings for new initiatives at the time they were costed;

- work undertaken that was not funded;
- changes in project scope;
- cost growth beyond indexation;
- changed security requirements; and
- any other relevant factors.

3.19 The review involved:

- obtaining and reviewing relevant documentation required for the analysis and assessment of baseline, future forecast and growth projections, and governance and risk; and
- conducting interviews and process walkthroughs with key stakeholders.

Review findings

3.20 The review found a number of issues associated with the following aspects of the financial management of the Digital Solutions Division:

- workforce costs;
- suppliers and other costs;
- business case development and capital works budgeting and reporting; and
- budget management.

3.21 In relation to the management of workforce costs, the review found:

- additional staff were used to support ACT Health's ICT operations and the implementation of the Digital Health Record. These positions were unfunded;
- additional employee costs associated with providing 24/7 support for clinical systems and personnel associated with the Digital Health Record were not provided for within the Digital Services Division's internal budgets;
- capital costs associated with employees working on the development of the Digital Health Record that were beyond the approved capital budget were expensed to the Digital Services Division operating budget.

3.22 In relation to the management of suppliers and other costs, the review found:

- the Digital Services Division's budget was largely committed through existing contracts and arrangements with Digital, Data and Technology Services for ICT service charges. The Digital Services Division's budget also relied on reducing legacy systems by implementing the Digital Health Record, but these benefits were not being realised as legacy systems remained operational;

- the whole of life costs of operating the Digital Health Record were not clear in relevant budget documentation;
- while the Digital Services Division's budget increased over time through indexation, contracts managed by the Digital Services Division were subject to price increases that were subject to external factors such as international price increases and the usage of the Digital Health Record based on factors such as patient numbers or health system activity-based costs.

3.23 In relation to business case development and capital works budgeting and reporting, the review found:

- ACT Health budget reporting does not effectively monitor employees working on capital projects. This means there is a risk of unfunded employee expenses once permanent staff are released on project completion;
- the contingency allowance for the Digital Health Record was removed as part of the finalisation of the Digital Health Record business case. The business case also relied on savings that were outside the Digital Services Division's control and without documented approval from responsible executives;
- there was limited discussion and oversight of decisions to bring forward future capital injections for the Digital Health Record; and
- Digital Health Record program and project reporting did not reconcile with ACT Health corporate internal financial reporting.

3.24 In relation to budget management, the review found:

- there were unclear roles and responsibilities within ACT Health for budget management and control;
- there was inconsistent application of budget management practices;
- budgets did not include adequate linkages between operating costs, capital costs and planned replacement costs as assets reach the end of their useful lives;
- internal ACT Health budgets did not reconcile with external budgets as approved in the ACT Budget; and
- there was a lack of engagement between Digital Services Division, ACT Health's Strategic Finance team and governance committees such as the Digital Committee.

3.25 The *Digital Solutions Division (DSD) Budget and Financial Management Review* was completed in August 2023. The review sought to assess the adequacy of the funding of the functions of the Digital Solutions Division when it was established in 2018. The review found a number of issues associated with the following aspects of the financial management of the Digital Solutions Division:

- workforce costs;

- suppliers and other costs;
- business case development and capital works budgeting and reporting; and
- budget management.

Reviews relevant to the Digital Health Record

3.26 The ACT Health Directorate, or ACT Government more broadly, have conducted reviews specifically related to the Digital Health Record and its implementation or aspects of its operation. These include:

- *NTT Australia Invoices – ACT Health internal audit* (April 2024); and
- *Digital Health Record Program Assurance Review – ACT Health internal audit* (July 2024).

NTT Australia Invoices (April 2024)

3.27 The findings of the ACT Health internal audit relating to invoicing and payment arrangements for the NTT Australia services were discussed in paragraphs 2.20 to 2.25.

Digital Health Record Program Assurance Review (July 2024)

Review objective

3.28 The objective of the review was to:

> … provide assurance over the financial and performance elements of the [Digital Health Record] Project's delivery with a view to understanding the risks and challenges and include advice on compliance, decision-making processes and the underlying financial governance of the [Digital Health Record] Project.

3.29 The review also sought to identify:

> … improvement opportunities which will support of the ongoing delivery and management of the [Digital Health Record] Project and provide lessons learned for application in future projects delivered by the Directorate.

Review approach

3.30 The review focused on assessing the performance of the Digital Health Record Program and providing assurance (from initial business case to project closure and transition to the ongoing program), with respect to:

- project and program governance and management including budget and financial management;

- procurement processes and ongoing contract management;
- budget and financial management including Digital Health Record budget management within the broader Digital Solutions Division budget;
- delivery of business outcomes and benefits, including the savings identified in the business case; and
- risk management process and practices.

3.31 The review examined documentation relevant to the assessment of the Digital health Record Program's performance and undertook stakeholder consultation and interviews with ACT Health staff.

Review findings

3.32 The review made a series of findings with respect to:

- governance and program management; and
- financial management, savings and benefits realisation.

3.33 Key findings in relation to governance and program management included:

- the purpose and function of the governance bodies responsible for oversighting the Digital Health Record Program were inconsistently defined across various documents. Terms of reference were under-defined and lacked detail and specificity. No single body was responsible for the Digital Health Record Program in full. Responsibility for financial management and benefits realisation was absent from the various terms of reference for oversighting bodies;
- the Chief Financial Officer was not a member of the Digital Health Record Program Board and was not able to provide advice to the program;
- inconsistencies between program and directorate-wide financial reporting;
- projected savings to be realised by the Digital Health Record increased as its costs increased; and
- risk reporting was not effective.

3.34 Key findings in relation to financial management, savings and benefits realisation included:

- there was poor understanding of how costs associated with key contracts for services were determined, as well as a lack of control over the delivery of services and payment of invoices for the contractual arrangements with NTT Australia;
- key scope decisions had a significant impact on the cost of the Digital Health Record. This included the removal of a contingency budget from the program cost estimate, increased or rescoped services such as pathology, dental and medical imaging, shorter implementation timeframes and a lack of planning for future capital requirements

after bringing budgeted capital injections forward, all of which increased the financial pressures on the Digital Health Record Program; and

- savings, such as those to be achieved through the decommissioning of legacy systems, were not achieved. The review found savings from the implementation of the Digital Health Record to be $6 million per year rather than $29.3 million reported in Digital Health Record Program Board papers. In key financial management and budgeting documentation the quantum of expected savings was increased as the costs of implementing Digital Health Record increased.

3.35 The *Digital Health Record Program Assurance Review* was completed in July 2024. The review made a series of findings with respect to:

- governance and program management; and
- financial management, savings and benefits realisation.

3.36 Key findings identified through the review were that:

- key scope decisions had a significant impact on the cost of the Digital Health Record. This included the removal of a contingency budget from the program cost estimate, increased or rescoped services such as pathology, dental and medical imaging, shorter implementation timeframes and a lack of planning for future capital requirements after bringing budgeted capital injections forward, all of which increased the financial pressures on the Digital Health Record Program; and
- savings, such as those to be achieved through the decommissioning of legacy systems, were not achieved. The review found savings from the implementation of the Digital Health Record to be $6 million per year rather than $29.3 million reported in Digital Health Record Program Board papers. In key financial management and budgeting documentation, the quantum of expected savings was increased as the costs of implementing Digital Health Record increased.

Future ACT Audit Office activity on the Digital Health Record

3.37 In light of the issues noted through previous reviews and the findings identified in Chapter 2 of this report, the ACT Audit Office expects to conduct further performance audit activity in relation to the Digital Health Record during 2024-25.

3.38 Future performance audit activity associated with the Digital Health Record is expected to cover the following areas:

- implementation of the Digital Health Record, including:
  - the quality of initial planning;
  - governance and oversight, including the quality of information and metrics supporting key decisions;

  - policies, processes and procedures to govern the delivery of the Digital Health Record; and
  - the quality of program assurance activities.

- Digital Solutions Division culture and operations, including:
  - whether culture is consistent with better practice IT governance and management as well as ACT Health and ACT Public Service vision, values and role;
  - use of policies and frameworks that support operational efficiency and effectiveness such as project management, IT service delivery and resource allocation;
  - compliance with ACT Health and ACT Public Service frameworks and principles; and
  - stakeholder engagement, including within ACT Health, the ACT Public Service and key suppliers.

- benefits realisation, including:
  - the appropriateness of the Digital Health Record Program benefits, and whether they are consistent with the objectives of the program;
  - whether they address the risks to the current Health ICT environment identified in the program's business case

- procurement of goods and services for development and implementation of the Digital Health Record;

- contract management by ACT Health's of key vendor contracts to develop and implement the Digital Health Record; and

- management data security for the Digital Health Record.

3.39 In the conduct of the future performance audit activity, ACT Health's activities to establish the DSD Business Improvement Program and the DSD Oversight Committee will be considered as necessary, specifically with respect to recognising recommendations arising from the reviews and audits and overseeing their implementation.

Audit reports

Reports Published in 2024-25	
Report No. 12 - 2024	2023-24 Financial Audits – Financial Results and Audit Findings
Report No. 11 - 2024	Governing boards of selected ACT Government entities
Report No. 10 - 2024	Safer Families Levy
Report No. 09 - 2024	2023-24 Financial Audits – Overview
Report No. 08 - 2024	Annual Report 2023-24
Report No. 07 - 2024	Reusable Facility Services Procurement
Report No. 06 - 2024	Business Transformation Program: ICT renewal activities
Reports Published in 2023-24	
Report No. 05 - 2024	Management and oversight of ACT Policing services
Report No. 04 - 2024	Planning and delivery of services for young people with moderate to severe mental health illness
Report No. 03 - 2024	Management of the Growing and Renewing Public Housing Program
Report No. 02 - 2024	Management of key contracts under A Step Up For Our Kids
Report No. 01 - 2024	Urban Tree Management
Report No. 11 - 2023	2022-23 Financial Audits – Financial Results and Audit Findings
Report No. 10 - 2023	Human Resources Information Management System (HRIMS) Program
Report No. 09 - 2023	2022-23 Financial Audits Overview
Report No. 08 - 2023	Supports for students with disability in ACT public schools
Report No. 07 - 2023	Annual Report 2022-23
Report No. 06 - 2023	Implementation of the ACT Aboriginal and Torres Strait Islander Agreement
Report No. 05 - 2023	Activities of the Government Procurement Board
Reports Published in 2022-23	
Report No. 04 - 2023	Procurement of a hybrid electric fire truck
Report No. 03 - 2023	Financial Management Services for Protected Persons
Report No. 02 - 2023	Management of Operation Reboot (Outpatients)
Report No. 01 - 2023	Construction occupations licensing
Report No. 10 - 2022	2021-22 Financial Audits Financial Results and Audit Findings
Report No. 09 - 2022	ACT Emergency Services Agency cleaning services arrangement
Report No. 08 - 2022	2021-22 Financial Audits – Overview
Report No. 07 - 2022	ACT Childhood Healthy Eating and Active Living Programs
Report No. 06 - 2022	Annual Report 2021-22
Report No. 05 - 2022	Procurement and contracting activities for the Acton Waterfront Project

These and earlier reports can be obtained from the ACT Audit Office's website at http://www.audit.act.gov.au.