

A collection of white medical icons including a syringe, heart with pulse line, DNA helix, another syringe, a nurse's cap, a computer monitor with a pulse line, a first aid kit, two pills, a clipboard, a doctor, and an ambulance. These icons are arranged on a grid of white hexagons. In the background, a hand holds a stethoscope, and a white pulse line graphic runs across the top.

AUDITING PUBLIC HEALTH SECTOR ENTITIES

16 NOVEMBER 2020

# The Institute of Internal Auditors Australia Health Sector Assurance Forum

Presented by Claudia Migotto – Assistant Auditor-General Performance Audit



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1. The importance of performance auditing and how it can be reflected in internal audit programs



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2. Insights from the Auditor-General on performance in the NSW health sector – key findings and lessons learned



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3. Practicalities of assessing performance in the health sector



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4. Keys to success in presenting actionable reports on performance and efficiency issues



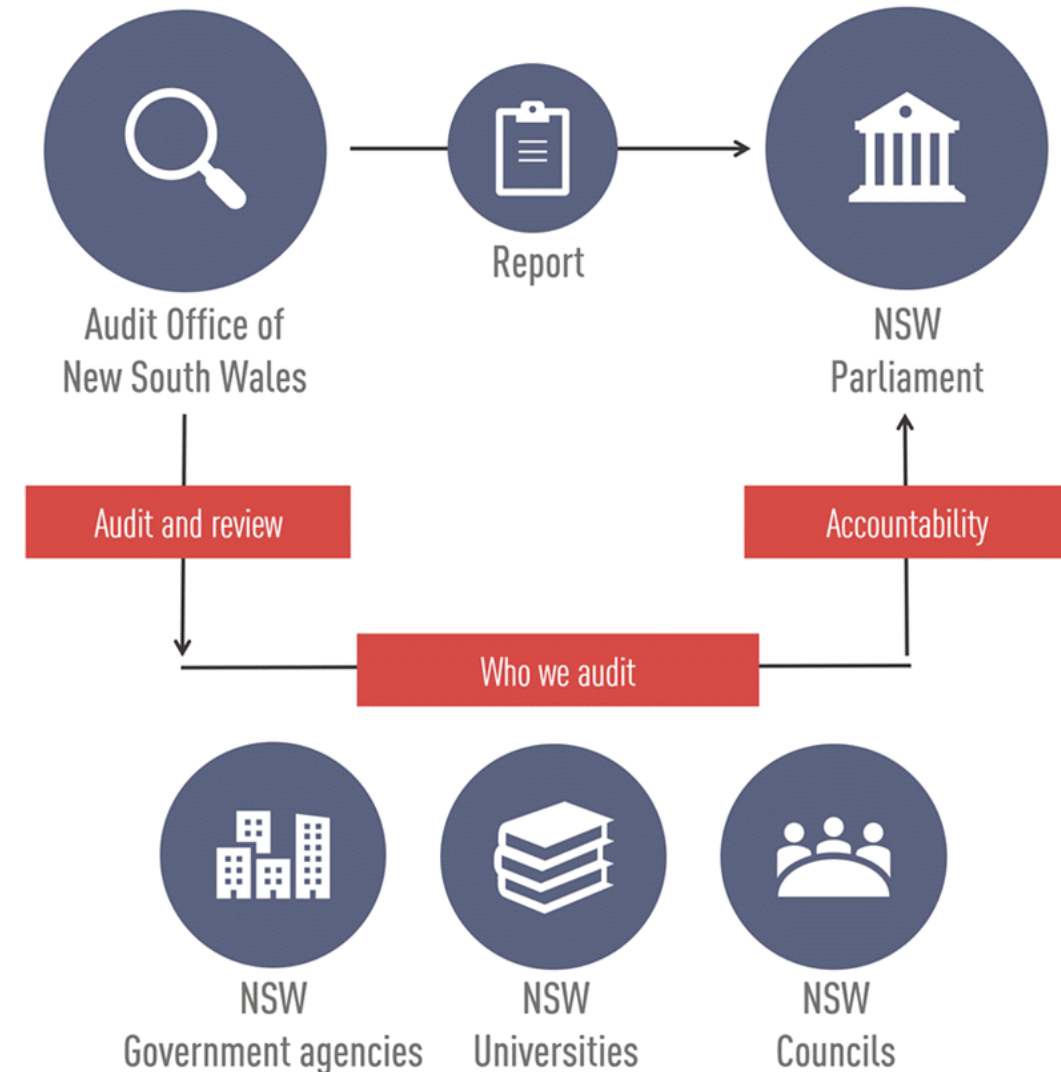
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5. Resources

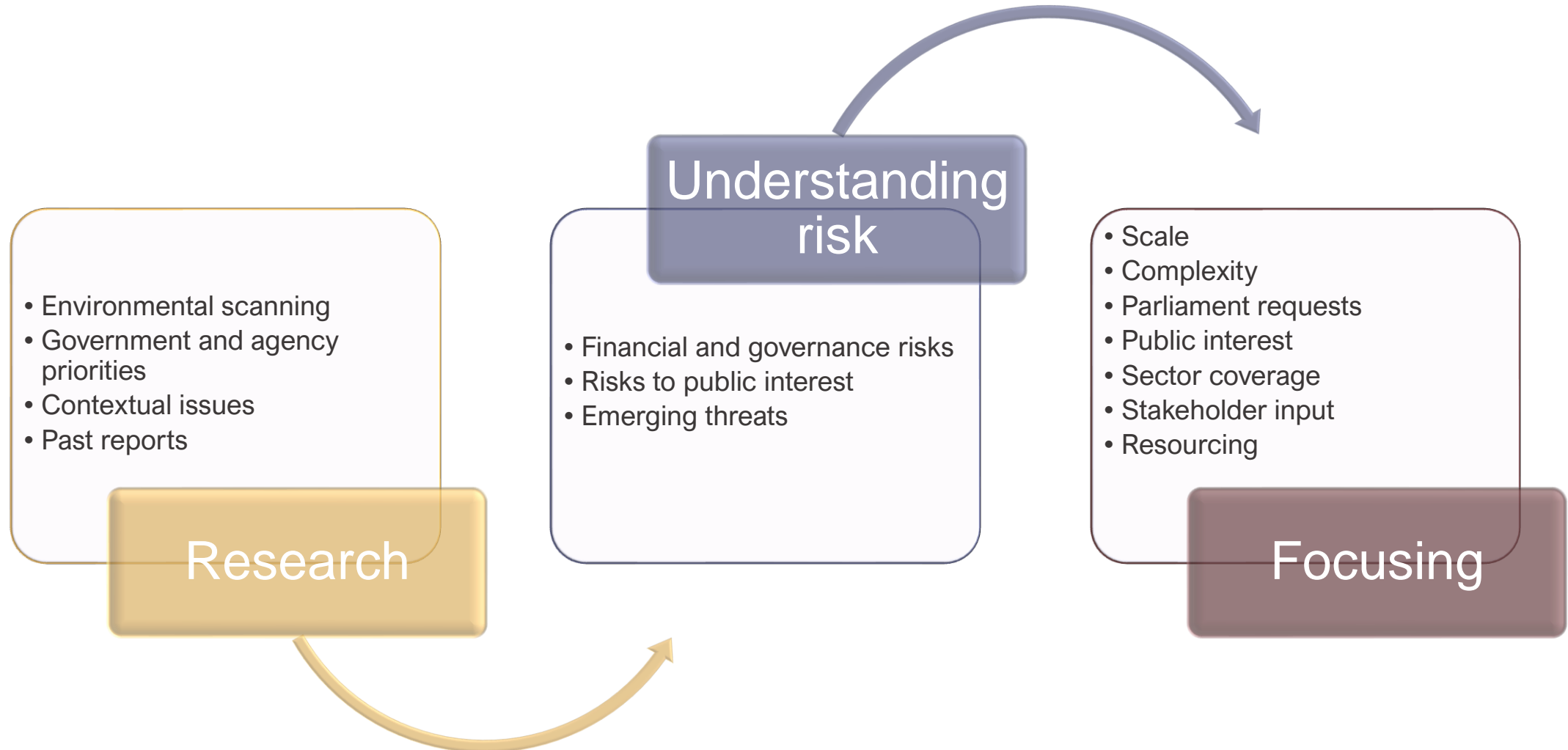
# The importance of performance auditing and how it can be reflected in internal audit programs

# What are performance audits?

- Assess efficiency, effectiveness and compliance with relevant laws
- Cover all or part of a government entity
- Identify problem areas and opportunities for improvement
- Reported to Parliament, and to the public
- Parliament follows up on progress after 12 months

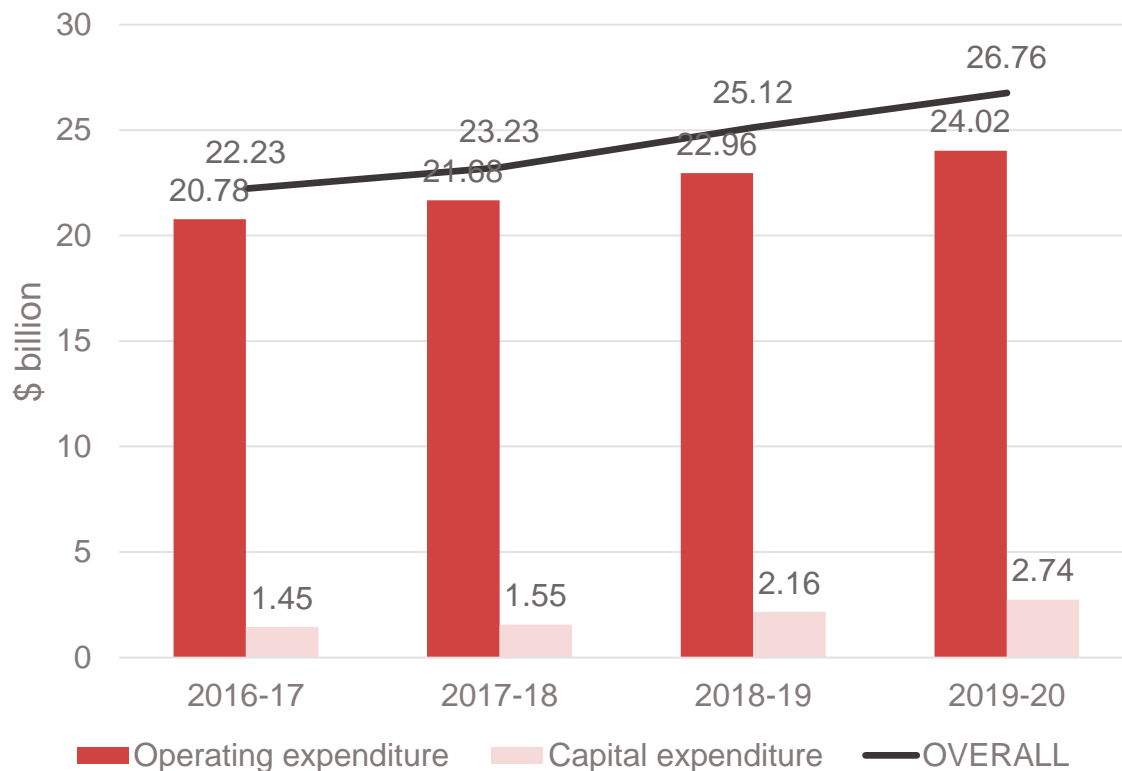


# How do we select our topics?



# NSW Health has one of the largest budgets in the public sector and has received more funding for COVID-19 response

**NSW Health Cluster budget  
(2016-17 to 2019-20)**



- Nature of work is complex, highly visible, highly significant
- One of the biggest employers in NSW
- Risk tolerances in the sector are generally low, while community expectations about performance are high
- COVID-19 has spurred further investment in the NSW Health Cluster with \$2.3 billion announced as at August 2020. This funding includes the following initiatives:
  - hospitals and purpose built wards
  - testing and tracing
  - research
  - mental health
  - personal protective equipment
  - recommencing elective surgeries.

# Key messages:

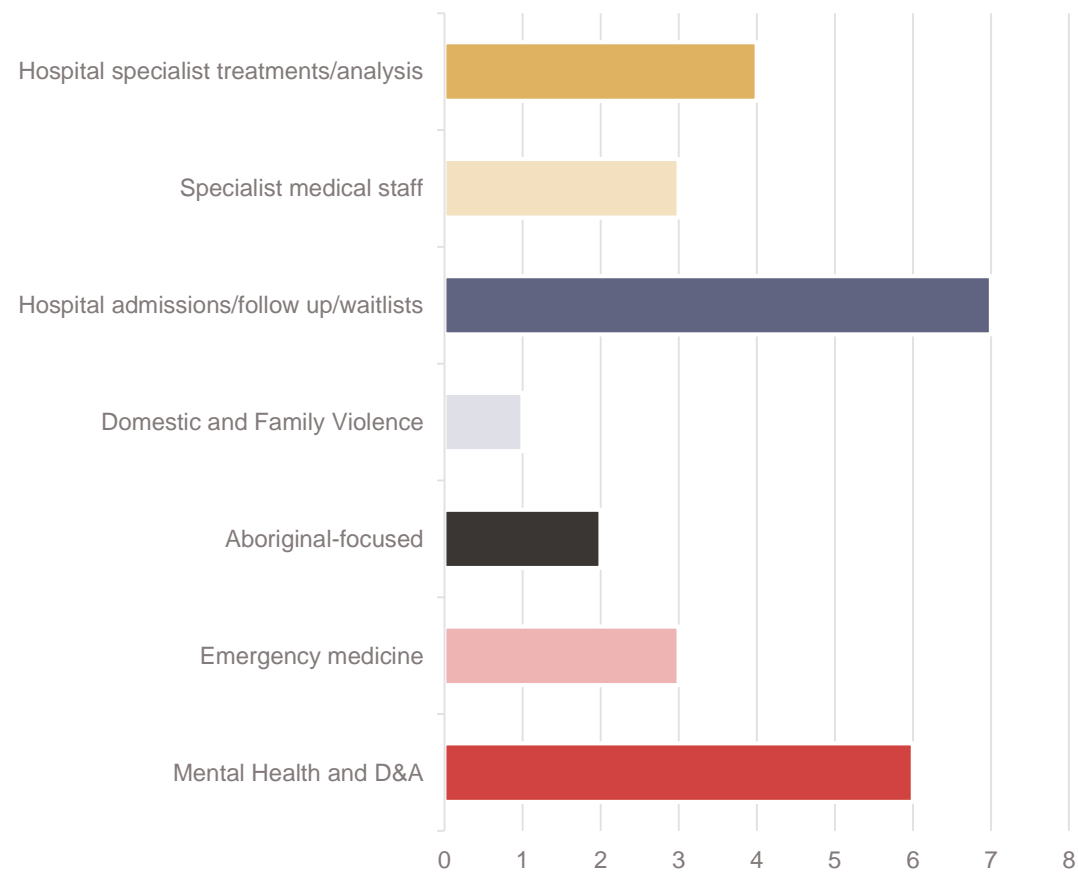
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1) Internal auditors have an opportunity to position their work strategically at the frontline of key risks facing the health sector.

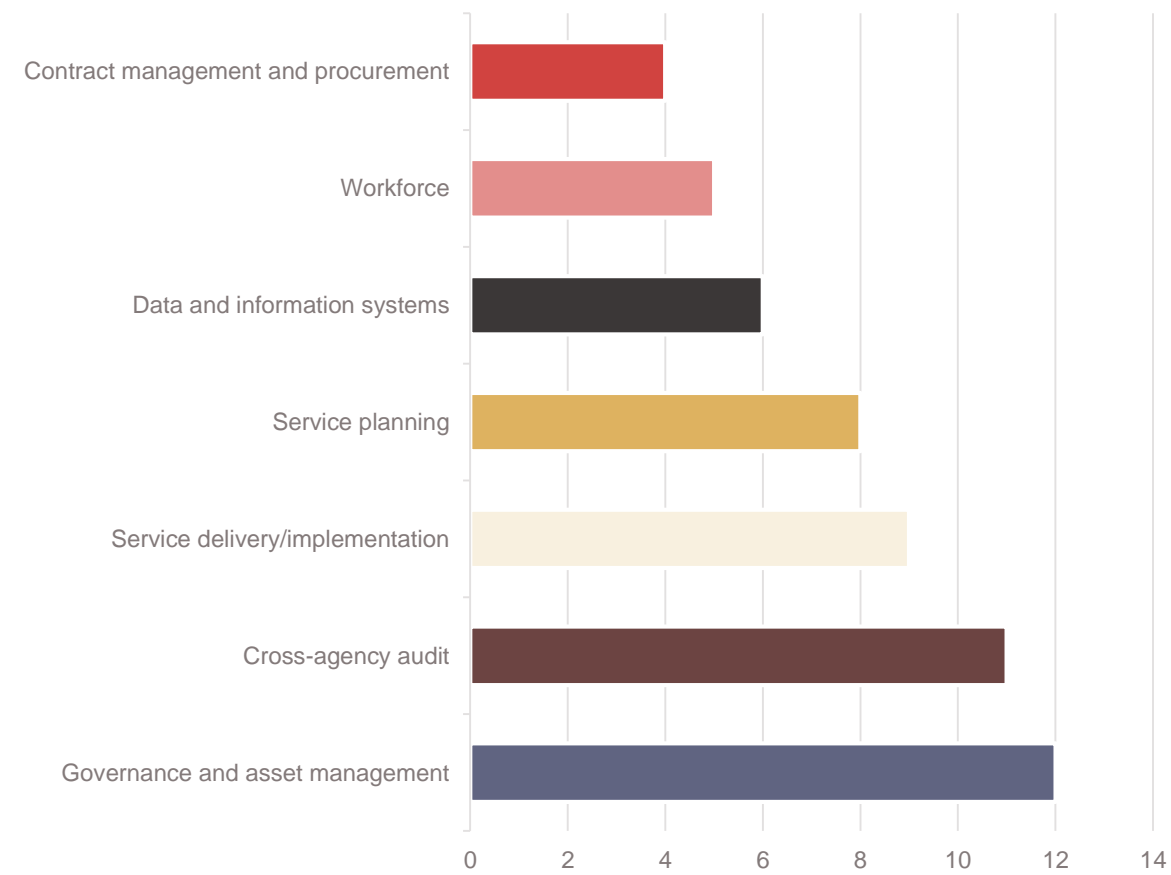
2) Performance audits can help you identify what those risks are likely to be.

# From 2009 to 2020, we published 29 performance audits of NSW Health and its entities

Health audits by specialty area (2009-2019)



Health audits by theme (2009 to 2019)





# There is room for public sector internal auditors to improve how they plan and respond to risks

- Government guidelines on Internal Audit and Risk Management note that the internal audit function should provide timely and useful information to management about:
  - the adequacy of and compliance with the system of internal control
  - whether agency results are consistent with established objectives
  - whether operations or programs are being carried out as planned.
- That said, in 62% of Assurance maps are not always used to inform the development of internal audit plans



# Incorporating lessons and findings from a performance audit into your audit plan and engagements: Practical examples

## Audit Plan

- ✓ Indicator of areas of risk for noncompliance
- ✓ Indicator of areas of risk for poor performance
- ✓ Considered in assurance mapping exercises
- ✓ Input into strategic risk planning exercises

## Engagement

- ✓ Use our validated audit criteria in designing an engagement
- ✓ Consider applicability of reports from other clusters under similar business activities
- ✓ Test statewide findings on a local level (i.e. hospital, district, business unit)
- ✓ Incorporate audit findings into context for management



# Insights, key findings and lessons learned from performance audits

# Common themes from our health performance audits since 2015

## Lack of overarching statewide strategy, or outdated strategy

- Mental health service planning for Aboriginal people in New South Wales
- Health Capital Works
- HealthRoster
- Managing Demand for Ambulance Services
- Palliative Care

## Lack of transparency in demonstrating the evidence base and assumptions underpinning decision making

- Mental health service planning for Aboriginal people in New South Wales
- Health Capital Works

## Ineffective information management systems

- Palliative Care
- Mental health service planning for Aboriginal people in New South Wales
- Managing medical equipment

## Opportunities for Ministry of Health to improve in its responsibility as system manager

- Health Capital Works
- Governance in LHDs
- Managing medical equipment

# Common themes from our health performance audits since 2015 (2)

## Weaknesses in stakeholder engagement

- Mental health service planning for Aboriginal people in New South Wales
- Palliative Care
- Governance in LHDs
- Managing risk in the NSW Public Sector

## Opportunities to improve data quality or ability to rely on data

- Managing Medical Equipment
- Activity based funding
- Mental health service planning for Aboriginal people in New South Wales
- Managing demand for ambulance services
- Mental Health post-discharge care
- Managing length of stay and unplanned readmissions in NSW public hospitals

## Processes put in place by devolution not fully achieving intended outcomes

- Governance of LHDs
- Health Capital Works
- Activity based funding
- Managing medical equipment

## Growing need to implement new service delivery models

- Health capital works
- Palliative care

## Strategies and actions to improve efficiency not effective

- Managing demand for ambulance services
- Mental health service planning for Aboriginal people in New South Wales
- Identifying productivity in the NSW public sector
- Managing length of stay and unplanned readmissions in NSW public hospitals

# Practicalities of assessing performance in the health sector

# Identifying measures for effective performance reviews

- Organisational KPIs can provide perverse incentives to reduce resourcing to areas most in need of improvement.
- The NSW Public Sector is progressively moving towards Outcomes Budgeting – a move away from measuring outputs only to measuring and monitoring outcomes.
- Our audits often consider benefits management and evaluation, including what has been set up at the outset of a given activity/program/project, and what has been done.

## Appendix two – About the audit

### Audit objective

This audit assessed the effectiveness of planning and delivery of major capital works to meet demand for health services in NSW.

### Audit criteria

We addressed the audit objective by assessing agencies against the following criteria:

1. The Ministry of Health has effective procedures for planning and prioritising investments in major health capital works.
2. Health Infrastructure develops robust business cases for major capital works that reliably inform government decision making.
3. Health Infrastructure has effective project governance and management systems that support delivering projects on time, within budget and achievement of intended benefits.

### Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. The Ministry of Health has effective procedures for planning and prioritising investments in major health capital works that:
  - a) are transparent, reliable, and evidence-based
  - b) effectively assure capital priorities are reliable and have the greatest merit.
2. Health Infrastructure develops robust business cases for major capital works that reliably inform government decision making by demonstrating:
  - a) robust, transparent processes and controls for evaluating options, costs and benefits
  - b) compliance with NSW policies and guidelines and good practice
  - c) advice on recommended solutions is supported by rigorous assessments of all options.
3. Health Infrastructure has effective project governance and management systems that support delivering projects on-time, within budget and achievement of intended benefits demonstrated by:
  - a) effective oversight of compliance with policies, guidelines and good practice
  - b) effective monitoring and reporting on project progress, cost and quality
  - c) effective monitoring and management of risks to planning and delivery of projects.

This audit focused on health capital works worth \$10.0 million or more.



# Keys to success in presenting actionable reports on performance and efficiency issues



# Keys to presenting actionable reports

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- Scope
  - Be clear about what is in scope, and what is not in scope. Avoid potential for miscommunication and/or scope creep
  - Be clear about quality review processes
  - Brief other internal stakeholders to alleviate potential for confusion
  - Be clear about what measures are being used to assess performance: eg what do we mean by effective, efficient, economical.



# Keys to presenting actionable reports (continued)

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## Process

- No surprises approach
- Bring auditee along the journey – regular check ins, multiple rounds of review
- Opportunity to publish response and/or comments (defined by legislation for us, opportunity for IA)
- Benchmark against other clients – eg hospitals, districts, businesses
- Lessons learned analysis and survey for each completed review
- Develop recommendations with input from the auditee.



# Case Study: Implementing Performance Audit Recommendations (2015)

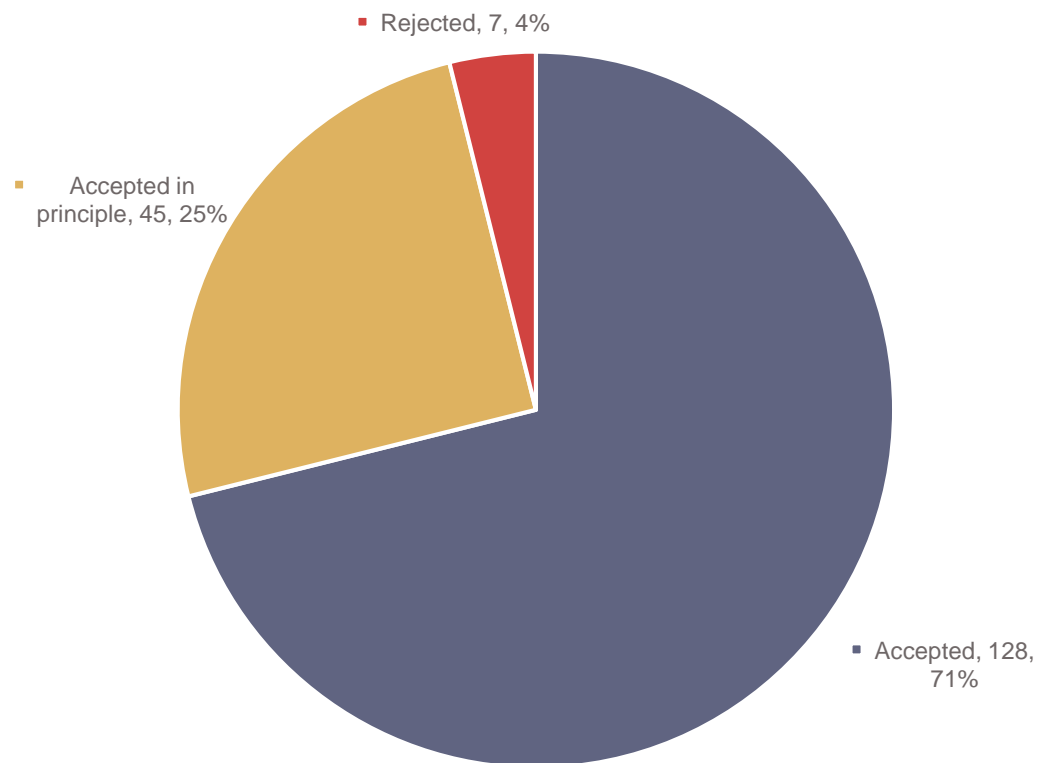
- Implementation checklist (refer right).
- Exhibit 2: Incorporating recommendations into business planning
  - In July 2013, the Auditor-General tabled a performance audit report on managing operating theatres. The report contained recommendations addressed to Local Health Districts, to be implemented with the support of the Ministry of Health and the Agency for Clinical Innovation. The Agency of Clinical Innovation included the implementation of the audit's recommendations in its business plan, and the work plans of individual officers who were managing projects. It reported quarterly on its progress to the Ministry of Health, including copies of outputs such as draft guidelines.

## Following a performance audit, agencies should:

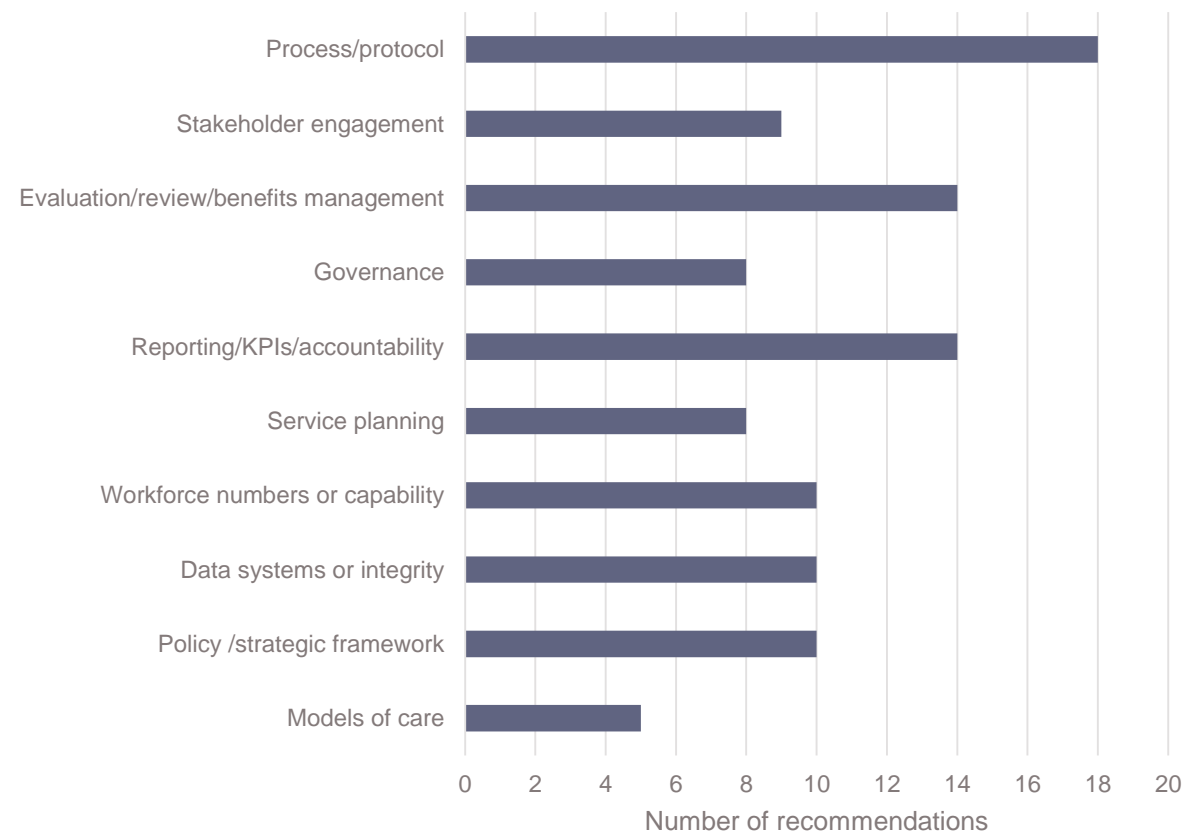
- ☒ Assign responsibility for coordinating the implementation of recommendations accepted to a single person or branch.
- ☒ Raise staff awareness of the outcomes of the performance audit and invite feedback on how best to implement the recommendations.
- ☒ Develop proposed actions for each recommendation including a timetable for implementation and clarify roles and responsibilities.
- ☒ Develop mechanisms to monitor and report on progress and review proposed actions in the plan to ensure they remain appropriate.
- ☒ Allocate sufficient resources to implement proposed actions and set realistic and achievable time frames and targets.
- ☒ Have proposed actions endorsed by the CEO and where appropriate, the Board and the minister.
- ☒ Incorporate proposed actions in other planning documents such as the corporate plan, business plans or performance agreements.
- ☒ Provide regular reports on the progress of implementation of the recommendations to the CEO and where appropriate, the Board and the minister.
- ☒ Ensure that the Audit and Risk Committee monitors performance audit recommendations.
- ☒ Change proposed actions if the operating environment changes – determine how best to address the issue identified in the recommendation.
- ☒ Report progress and actions taken to address issues raised in the performance audit in the annual report, reporting progress each year until implementation is complete.

# How many audit recommendations were accepted? (2019)

## Acceptance of Recommendations



## Types of recommendations - overall



# Looking ahead

- Our response to COVID-19 has been supported by technology and flexibility in our approach to engaging with clients
- Our audit focus moving forward:
  - Continue to provide Parliament and the public with transparency to health efficiency effectiveness and economy.
  - Increasing expenditure directed towards responding to pandemics and other emergencies
  - Assess longer term impacts
  - Upcoming audit program available on website.



# Resources

# Our work

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## Performance audit reports tabled in the NSW Parliament

- [Health capital works \(2020\)](#)
- [Ensuring contract management capability in government – HealthShare NSW \(2019\)](#)
- [Mental health service planning for Aboriginal people in New South Wales \(2019\)](#)
- [Governance of Local Health Districts \(2019\)](#)
- [HealthRoster benefits realisation \(2018\)](#)
- [Managing demand for ambulance services \(2017\)](#)
- [Planning and evaluating palliative care services in NSW \(2017\)](#)
- [Medical equipment management in NSW public hospitals \(2017\)](#)

## Performance audit insights

- [Performance audit insights: key findings from 2014-2018](#)

## Insights from Financial Audit

- Internal Controls and Governance Reports:
  - [2019](#)
  - [2018](#)
  - [2017](#)
- NSW Health Cluster Reports
  - [2019](#)
  - [2018](#)
  - [2017](#)

## Our future program of works

- [Annual work program 2020-21](#)

# Planned audits to 2022-23

Planned commencement	Audit Topic
2020-21	Provision of health services in custodial settings
2020-21	Security and privacy of patient information
2021-22 - 22-23	Health workforce planning
2021-22 - 22-23	Value-based health care
2021-22 - 22-23	Paediatric and early childhood specialist services capability
2021-22 - 22-23	Enhancing community-based healthcare
2021-22 - 22-23	Place-based responses to crystal methamphetamine ('Ice') use
2021-22 - 22-23	Ambulance superstations



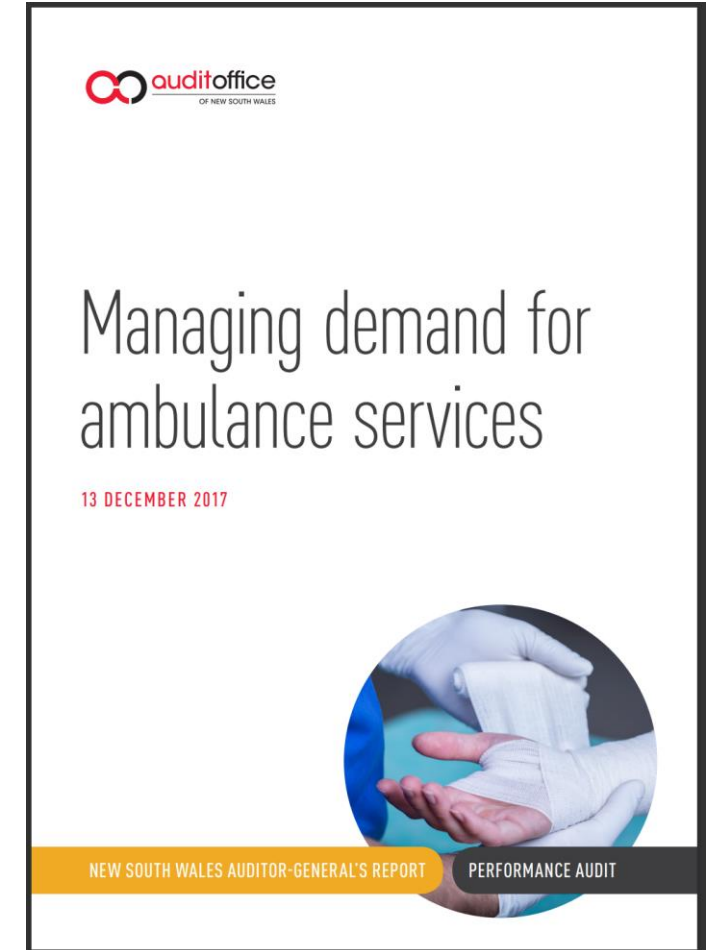
# Incorporating lessons from performance audit into your audit plan: Case studies

- In this multi-agency audit, we examined how effectively government entities, including NSW Health were building risk management capabilities and embedding a sound risk culture throughout their organisations.
- What we found:
  - NSW Health (as one of four agencies subject to the audit) was taking steps to strengthen its risk culture. There was good tone from the top, and risk management policies, functions were in place to oversee risk management.
  - There was opportunities to improve how employees engage and understand risk culture within an agency.
- Opportunities
  - Apply sector wide learnings
  - Consider need for culture audits – only 28 per cent of audited entities in our Internal Controls and Governance Report 2019 had a culture audit on the internal audit plan.



# Case Study: Managing demand for ambulance services

- NSW Ambulance introduced several initiatives that aim to manage demand for its services from less urgent cases more efficiently.
- There was no overall strategy for these initiatives and NSW Ambulance's data systems do not measure their outputs or outcomes. As a result, we were unable to assess the impact of NSW Ambulance's demand management initiatives on the efficiency of ambulance services. More focus was needed to ensure these initiatives achieve the efficiency improvements necessary to help NSW Ambulance meet future increases in demand.
- Themes: demand management; strategy; efficiency; risk; lack of clear goals and performance targets, implementation; data systems, transparency.
- How IA might do it:
  - Review one ambulance station's efficiency or selected few for a review of time to service
  - Benchmarking within the portfolio using data analytics and balanced scorecard
  - Systems and/or data integrity
  - Benchmark performance against the statewide findings of the audit



# Case study: Managing medical equipment

- Equipment management for PET-CT scanners across a sample of five hospitals could be improved by better performance reporting and planning for replacements.
- Biomedical equipment needed more timely testing and maintenance, and that the information systems used to record the service histories of biomedical equipment were inefficient and inadequate.
- Internal Audit function could note:
  - impacts on compliance with relevant standards and any certification requirements
  - contract management and
  - asset management.
- Internal audit opportunities:
  - controls testing for data integrity
  - apply audit criteria and questions at a hospital/district/business unit not covered
  - benchmark performance against that noted in the report.



# Case Study: Activity based funding data quality

- Clearly setting out definitions and interpretations – Appendix 2 About the Audit
- “Our objective is to provide assurance to NSW Parliament and the public that NSW Health has robust systems and processes that promote quality data for the implementation of ABF. In addition we also seek to examine whether NSW Health has sufficient resources (such as staffing and IT) to support those systems and processes.
- By ‘Activity Based Funding data’, we refer to both patient activity and costing data relevant to the implementation of ABF.
- By ‘data governance’, we refer to both: data quality controls’: checks to assess and maintain the quality of data being collected and managed to a level that is fit for purpose; and “data quality assurance’: planned system of review procedures carried out by personnel not directly involved in the data collection process. This includes independent reviews or audits, such as internal audits and peer reviews on methodology and procedures, external evaluations of ABF data quality, etc.”

