



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Public Accounts Committee

Public Hearing Transcript

12 noon, Tuesday, 28 October 2014

Litchfield Room, Parliament House

Members: Mrs Lia Finocchiaro, MLA, Chair, Member for Drysdale
Mr Gary Higgins, MLA, Member for Daly
Mr Nathan Barrett, MLA, Member for Blain
Ms Nicole Manison, MLA, Member for Wanguri
Mr Gerry Wood, MLA, Member for Nelson

Witnesses: Aero Medical Services, Department of Health
Dr Len Notaras, Chief Executive Office
Mr Michael Kalimnios, Executive Director Funding, Performance and Corporate
Ms Allison Grierson, Acting Chief Procurement Officer, Strategic Procurement and Contracting
Grants Management System, Department of Health
Mr Michael Kalimnios, Executive Director Funding, Performance and Corporate
Mr Stephen Moo, Chief Information Officer

Madam CHAIR: I just want to welcome everyone at home who is listening via our webcast. Welcome and we hope you enjoy the public hearing. On behalf of the committee I would like to welcome everyone to this public hearing into aeromedical services and the Grants Management System.

I welcome to the table to give evidence to the committee Dr Len Notaras, Stephen Moo, Michael Kalimnios and Allison Grierson. Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. A transcript will be made for use of the committee and may be put on the committee's website.

If at any time during the hearing you are concerned that what you will say should not be made public you may ask that the committee go into a closed session and take your evidence in private. I will ask each witness to state their name for the record and the capacity in which they appear. I will then ask you to make a brief opening statement before proceeding to the committee's question.

Dr Notaras, could you please state your name and the capacity in which you appear and then everyone next to you.

Dr NOTARAS: Thank you, Madam Chair. Len Notaras, the CEO of the Department of Health.

Mr MOO: Stephen Moo, Chief Information Officer for Department of Health.

Mr KALIMNIOS: Michael Kalimnios, Executive Director, Funding Performance and Corporate, Department of Health.

Ms GRIERSON: Allison Grierson, Chief Procurement Officer, Strategic Procurement and Contracting.

Madam CHAIR: Thank you. Dr Notaras, would you like to make an opening statement?

Dr NOTARAS: Certainly, thank you Madam Chair and thank you for having us. Thank you for the opportunity to attend this hearing of the committee to provide information following up the Auditor-General's questions surrounding both NT Health's Grant Management System and the Top End Aeromedical Service contract.

This is my first appearance since taking on the role of CEO back on April 28 of this year. I have been apprised of the history since commencing this particular role and indeed the status of the matters by senior members in the department and those members are with me here today.

These officers have been responsible for managing the matters prior to my taking the role of CEO six months ago and I would like to take the opportunity on the record of commending them for their commitment and indeed the commitment they have shown both myself and indeed the department. Together with these officers I look forward to providing you with satisfactory answers to the questions that you might have and would also note Madam Chair, as you have already mentioned, that some matters may be commercial-in-confidence and need to be dealt with that way.

I believe the information that we are able to provide the committee today on the status of the audit recommendations and, indeed, the management of the Grants Management System and Top End aeromedical contract will provide a level of assurance and, indeed, the confidence that the department now has a robust governance framework and, indeed, project management process in place relating to these two issues and also to all other ICT projects and major contracts.

Thank you, Madam Chair.

Madam CHAIR: Thank you, Dr Notaras, and it was remiss of me not to acknowledge Julie Crisp, our brand new sparkling new Auditor-General. We are very pleased to have you and please if at any stage you would like to come up just pop forward and we would love to hear from you.

We might start with aeromedical services if that is all right with you, Dr Notaras. We would be interested generally I suppose if you could give us an update on where we are at. Our questions include: what action has the department taken in response to the audit? Has the department accepted all of the auditor's recommendations, and have the recommendations been implemented?

Mr NOTARAS: Madam Chair, once again, I thank you for the opportunity to attend this hearing about the Top End Aeromedical Service contract.

As the committee is aware, the Top End Aeromedical Service contract has a very long history. Significant over the past six years has been changes to both the model of service and the service provider, most recently with the awarding of the contract for 10 years to CareFlight for an amount in excess of \$0.25bn.

There has been significant investment made. That investment will benefit, and is benefitting, both Territorians and visitors to the Top End of the Northern Territory.

For the first time, the Northern Territory has a fully integrated aero-retrieval service operating out of the state-of-the-art hangar with four fixed-wing assets and one rotary-wing asset, which makes our Top End retrieval service of the highest possible quality and, indeed, responsiveness.

Since the awarding of the contract, the department has made significant improvement to its management and the way in which we deliver our service. The changes came about as a result - as you alluded to - a number of audits undertaken from about 2005, one by John Cornish, another by the Auditor-General in June 2012 and one which we, as a department, commissioned from Ernst & Young in 2012. There was a follow-up audit as well by Auditor-General of the Northern Territory in August 2013.

The constant theme of the early audits related to improving the coordination and the tasking of the service and the provision of timely data necessary to manage such a significant contract.

I am very pleased to advise the status of the recommendations from these audits is that of 28 recommendations, 24 have now been completed, including the resolution of the matter concerning \$185 000. Of the four remaining, they are in the process of being finalised as we speak.

It is fair to say that our management of the major contract initially was less than satisfactory. However, through the audit process, we have put in place a number of measures to ensure this and other major contracts are managed much more appropriately. Some of the measures now in place, which will be discussed subsequently by both Michael Kalimnios and Allison Grierson, include a dedicated contract management unit which has been established with staff who have contract management skills and experience, a contract governance group, contract management committee, joint Aeromedical Service operational committee and a clinical reference group, all of which have been established to ensure improved operational clinical and contractual attention to matters.

There has been formal monthly reporting to the chief executive that outlines progress against audit and other key recommendations and issues including financial status and risk analysis, as well as monthly reporting to Mr Michael Kalimnios, the Director of Finance, on all accruals and payments.

A budget working groups has now been established with senior financial representation from the department from the Royal Darwin Hospital and the Top End Health Service. As well, there are regular internal audits of flying hours to ascertain the accuracy of invoicing.

Apart from the improvements to management of this particular contract, we have learnt many lessons which are now being applied, not just in the aero-retrieval contract, but across a number of other contracts as well.

A contract framework management is now, I argue, robust, transparent and effective, and our staff within the contract management branch have skills, experience and qualifications to ensure the issues of the past are well addressed and efficient contract management and reporting continues.

Thank you, Madam Chair.

Madam CHAIR: Thank you, Dr Notaras. As a follow-up on that, you mentioned that 24 out of 28 recommendations have been completed. It is the department's intention to complete all 28?

Mr NOTARAS: Absolutely. The four remaining are in the process of being completed as we speak.

Ms MANISON: It sounds like there has been some very extensive work done since you received those reports and done your audits yourself, as well as the Auditor-General. One thing the Auditor-General said he was concerned about was that the department had insufficient data to enable it to verify invoices and generate management reports. Has that problem been addressed through the body of work you have been doing, and does the department now have the sufficient data to enable it to manage its contract with CareFlight appropriately?

Dr NOTARAS: Thank you, member for Wanguri. Through you, Madam Chair. I will defer to both Michael Kalimnios and Allison Grierson, but I can assure you these matters have been of the greatest primacy and have been recognised as deficient in the past.

Mr KALIMNIOS: Michael Kalimnios, ED Funding, Performance and Corporate. The short answer to your question is yes, we have spent a lot of time working with CareFlight to make sure we have the right data sources, the information is available when we need it, it is readily available for the various government groups Dr Notaras has outlined and we have a very robust process in ensuring that data is validated appropriate and reasonable for the purpose it is required. We can go through in detail all the various data sources we now use and our Chief Procurement Officer would be the best person to do that. Alternately we can provide that to you in writing if you like, but data is probably the major focus of the reform process to make sure we had the information we needed to manage the contract appropriately. It has been a big change for us.

Ms MANISON: Shall we get the data?

Madam CHAIR: Yes, I am happy to. Would you be able to provide that in writing? Do we need to put a time limit on that? No, we will hold you to it. We will drag you back if you do not provide it to us.

Dr NOTARAS: Madam Chair, we could provide that pretty well sooner rather than later. It is available right now.

Madam CHAIR: Great, we appreciate that. On the same line of questioning - Dr Notaras you or Michael might be able to answer - you mentioned before there were overpayments to CareFlight. Did we end up tracking those down? Was any money reimbursed? What happened with that?

Dr NOTARAS: Madam Chair, \$185 000, a significant amount of money - that has been addressed. I will ask our Chief Finance Officer to speak to that.

Mr KALIMNIOS: There are probably two aspects of the \$185 000 overpayment that deal with separate issues so I will split those and briefly going through them. The first issue is the overpayment occurred because of our lack of invoice verification processes. That has now been corrected and we have a detailed verification checklist we use to make sure an overpayment could not be made again in those circumstances. The second bit was analysing the overpayment to determine its nature and whether it was an overpayment. When we went through that process it became evident the payment had been made probably appropriately in the end, it was the contract that was in error. There was effectively a drafting error in the contract and that has now subsequently been changed through a contract variation document.

We did not recover money but we addressed the two underlying issues that caused the initial thought overpayment to occur.

Mr WOOD: In a body as big as Royal Darwin Hospital, surely you would not need to introduce invoice verification processes? With your budget you would have that well and truly sealed.

Mr KALIMNIOS: Absolutely, and the verification process I am talking about really specifically relates to payments around the CareFlight contract itself. There was not robust enough verification processes to ensure what we were paying matched the contract terms and conditions. It was almost assumed that payments made were in accordance with the contract. We put in an extra step to make sure, when we do pay invoices under the CareFlight contract, there is reference back to the contract itself to make sure it is in accordance with the terms and conditions. That was a major flaw for us.

In the general payment processes we have, as you outlined, quite detailed verification processes to ensure what we are paying is valid.

Mr WOOD: Do you have other contracts where that would apply as well - other services provided to the hospital?

Mr KALIMNIOS: As Dr Notaras outlined, the benefits of going through the process we have with CareFlight is to tighten up our verification processes around all major contracts. We probably have not had the same issue generally because of the nature of other major contracts so the payment mechanisms are different, the contract terms and conditions are different. We implemented processes to make sure the verification procedures around all our major contracts are appropriate, valid and robust so overpayments do not occur.

Mr WOOD: A couple of other questions. The Auditor-General's report - and you may have covered this. Page 34 of the Auditor-General's report says under the heading Retrievals Statistics:

As data about aeromedical retrievals was not readily available and could not be provided without significant compilation work, the department was unable to provide me with a number of aeromedical retrievals undertaken by location at the time of the audit visit.

I might be silly, but why was that not easy to do? Surely someone keeps a record if a plane or helicopter goes somewhere, picks up a patient and takes them to a place.

Mr NOTARAS: If I may - suffice to say, it was a lax recording that relied fairly heavily on a matter of good faith in the past. It was not robust in a \$250m-plus contract, or indeed the significant investment that was being made.

Why was it so? I cannot explain all of the reasons why it was so, but I can explain that through the good work of the Auditor-General identifying this, we have addressed it. Member for Nelson, we have put in place a number of checks, balances and re-checks that ensure this does not occur again. If I may, I will defer to Mr Kalimnios and perhaps to Allison Grierson.

Mr KALIMNIOS: From my perspective, I validate what Dr Notaras said. The reason why that information was not available is unclear. It, clearly, should have been and we have put in place quite robust systems to make sure that data is available and collected regularly.

Mr WOOD: What sort of data would you acquire? You get a call-out to go out to Ngukurr. Who collates the information - the pilot, or one of the medical people on the plane? They pick up a male from Ngukurr. I presume there is some reason for them being picked up - a broken leg or something - and they are transferred to Katherine Hospital. Those statistics were not readily available?

Mr KALIMNIOS: Not in a systematic way we were using as part of our verification process for payment. The information would have been recorded, it is just that we did not have the appropriate integration between collection of that information, which has obviously been done from a clinical management perspective, as you require, and how that was then linked into the actual verification process of payment. Why that did not exist, as I said, I cannot really comment. Once we have identified that as an issue, those processes have been put in place to link those two things together.

We really had, I suppose, a system where the clinical service was being managed completely independently from the contract management side. The business or commercial side was being managed

in a corporate sense without appropriate linkages with the actual management of the clinical service which was, obviously, done at the Royal Darwin or Top End Health Service.

Mr WOOD: How long has this contract been operating for?

Mr KALIMNIOS: The CareFlight contract? Allison.

Ms GRIERSON: From 1 January 2013.

Mr WOOD: No one asked for those statistics at any stage? I would have thought someone would ask for those statistics, even from just the medical point of view to say how many broken legs people from Ngukurr had, just so you have some statistical analysis of the people you are moving around.

Mr KALIMNIOS: I will let Allison talk more specifically about that.

Ms GRIERSON: There is currently extensive reporting systems in place and ready access to real time data. For instance, there is a CareFlight data reporting system into which the DoH staff can log on and have access to. There is a whole suite of reports that are available which are updated regularly. Then there is a final report at the end of each month. That report is also tabled at the JAMSOC, which is the Joint Aeromedical Services Operational Committee. Those reports include things like number of patients by referring centre, inter-hospital transfers versus medical evacuations by hospital and region, Main diagnostic related groups, again by hospital or region, time of day notified, flight doctor versus nurse only transfers by region and by hospital, and transfers by priority.

There is also another level of reporting at the contract management meeting, which is a monthly meeting. At those meetings there are flying hours by tasking priority by medical evacuation versus inter-hospital transfer, a proportion of medical evacuations and inter-hospital transfer by priority, flying hours, including training hours, clinical diagnosis data, KPI reports around response times, and any issues arising around flight delays sentinel events or adverse incidents. Then we have a higher level governance committee which is made up by the chair of the CareFlight board, their chief executive and their general manager of northern operations.

Mr WOOD: If you have all that information, how does that match the Auditor-General's statement that data about aeromedical retrievals was not readily available? You had some statistics so where did they disappear to?

Mr KALIMNIOS: To reiterate, the issues was not that the data was not being collected from clinical management, purposes it was. The process we had not put in place - and this is acknowledged as a real with the system - is it had not been linked into the invoice verification process. That is where the Auditor-

General is coming from. There was no system in place for that data to be provided to the contract management unit, which was central in the Department of Health, to ensure what we were paying for the service married up with the detail around what was provided.

Mr WOOD: Are you happy now you have systems in place that will overcome that?

Mr KALIMNIOS: Yes. What Alison was outlining was the data sets that now go to the various governance groups and in to the process that allow that integration to happen. We are very confident now that those systems processes exist to ensure the payment of invoices is accurate and reflects the service being delivered.

Mr WOOD: Another question on stats. There was discussion that a fixed-wing service was contracted for 3500 hours per year. In 2012 it went over by 643 hours, so it is in excess. Rotary was under by 28.9 hours. Under low acuity services - which I gather is for people who would normally catch the bus or drive to hospital but have been taken in a plane - it says:

The low acuity service was outside the scope of this audit but documentation provided by CareFlight to a consultant as part of the review referred to previously identified 899 low acuity patient transfers in the period February 2012 to November 2012.

Is there any analysis of whether you have more number people using the fixed wing, you have a small amount not using the helicopter, but you have 899 people who normally would have gone by bus. Has there been some assessment of whether those people really had to go by plane? Are they part of the reason you have extra numbers flying on a plane above what was contracted for?

Mr NOTARAS: The member for Nelson raises a very good question. There is, and that is partly captured by the joint governance group - the senior clinical groups - The number of groups that have been set up I alluded to a little earlier, including the contract governance group, but it interacts with the joint aeromedical service operational committee and the clinical reference group which reach separate groups. In fact, the JAMSOC, the joint aeromedical group, is meeting as we speak and it analyses and discusses those particular elements.

Going back to an earlier question from the member, it is entirely appropriate to ask if this data was captured. Yes, it was being captured, whether it was provided by doctors or whether it was provided by nurses. The issue was it was not being correlated in such a way that we would have a true robust and auditable, for want of a better word, system. That was a real short coming I suggest probably came from the history of the aero-retrieval service. We now have an intergrated service which is one provider providing doctors, nurses and aircraft, whereas prior to this we had two or three different entities involved in each of the services. If I may, I will just defer to Mr Michael Kalimnios to summarise that.

Mr KALIMNIOS: Yes, to add to Dr Notaras' comments about the hours and the management of those, as Dr Notaras indicated, one of the outcomes of having the governance and contract management structure we have in place is to effectively manage those hours in an appropriate way in the core contract, which is the fixed-wing hours and the rotary hours.

The low acuity solution is being managed again in a much more robust way outside of the contract. That is not included in the contract to ensure we get appropriate value for money when we use the low acuity services. A big positive of the reforms put in place is having a proper contract management plan which addresses utilisation of the contract to make sure that hours are being utilised appropriately and we are not being over-serviced by the provider, and the hours available for use are being maximised.

We have had a really good outcome from that in a budget outcome. Some of the issues the Auditor-General had raised indicated that we were going to have significant budget overrun in what we had allocated for this contract. That has now been brought completely back under control and is being managed within its fiscal limits. That has been a really positive story for us generally.

Mr WOOD: Thank you for that. Thanks, Madam Chair.

Mr BARRETT: Dr Notaras, the Auditor-General was very critical of the department's failure to implement recommendations from the July 2005 review of the aero-retrieval medical service system. Why did the department not respond in a more timely manner? Do you consider the department now has the appropriate skills and systems to manage the CareFlight contract properly?

Dr NOTARAS: Thank you, member for Blain. To answer the second part first, yes, there are robust systems in place. I have spent some considerable time with my colleagues here, plus some of the other colleagues who sit behind us. I have been through it many times with them already, and I am feeling very confident. Do we learn something new every day? Of course we do. Is there room for even further improvement? I am sure there is. I will not deny we can continue to improve. I commend the Auditor-General on bringing this to the fore. I also am disappointed it needed to be brought that way.

In 2005, with the Cornish report and those reports following the Cornish report, I can only speculate why they were not acted upon more vigorously. I suspect it was because there was a transition starting to occur between the providers of the service previous to this and the providers that have subsequently come into play. That is no reflection on either of the providers.

I do not make that comment in that way, I just say that it was a period of transition. The department was going through some significant changes. During those particular years, we had several changes in CEO and in structure, so I can only speculate that was part of what was occurring.

That it occurred is disappointing, no doubt about it. It took from 2005 until relatively recently. Again, as I said in the opening statement, I commend the work of Michael Kalimnios, Allison Grierson and John (inaudible) who sits behind us, and others who have done an enormous amount of work to make this what I believe to be a good news story now, and a much more secure one for the public purse.

Madam CHAIR: Thank you, Dr Notaras. With the final four recommendations to be implemented, do you have a time line within your department for completion?

Dr NOTARAS: We do. That too, Madam Chair, is a good news story which I will defer to Michael.

Mr KALIMNIOS: The four recommendations that have not been addressed yet are around finalisation of contract variations. We expect those to be completed by the end of November. So we are pretty close to completing all of them.

Madam CHAIR: Other than those four outstanding recommendations, in the view of the department, this issue is now resolved? You have moved forward, addressed what the problems were in the management of this contract, where ...

Dr NOTARAS: I believe, Madam Chair, we have addressed those particular issues. I believe there can always be something - I never ever say never - that arises that we can address. I would be disappointed, I suppose, if there were not things we could always do a little better. That said, we have addressed the significant issues appropriately raised by the Auditor-General. If there was any other information needed by this committee in documentation, we are very happy to provide that.

Madam CHAIR: Thank you. Finally from me, I notice you changed your governance structure and put in a lot of contract management teams and different stage gates or thresholds in place. Is that something that is being reflected across the board in health? I know we are talking about one contract for one component of what you do on a daily basis, but are lessons being learnt from how you have managed this contract to how you would manage multiple other contracts?

Dr NOTARAS: An absolutely appropriate question, Madam Chair and yes is the short answer. It has an impact right across the board with other contracts. The other matter we discussed today, which I suggest is a further good news story, is one where the team have looked at things and said, 'We can do better'. I know people like Michael Kalimnios and Stephen Moo have done an enormous amount towards this, also our procurement officers and others.

Madam CHAIR: Excellent. Are there further questions on aeromedical?

We might move on to the grants management system, Dr Notaras.

Dr NOTARAS: Madam Chair, once again I thank you for the opportunity to address the committee. I am advised that since the last hearing of the committee, which my predecessor Jeff Moffet attended, there is extremely good news and it is palpable and documented related to the implementation of this system.

I do not want to pre-empt the questions that yourself or the committee might have, however, the implementation grants management system is in my own opinions, a very good news story for the department and the Northern Territory.

Mr Moffet acknowledged in his evidence the project was not being well-managed initially and during his last appearance discussed the measures the department had put in place to ensure the system that was delivered was a superior product which fully met a grants management need and satisfied, as well, the Auditor-General's concerns over the past few years.

Some of the initiatives implemented over the past two years have significantly improved our capacity to manage ICT projects of this nature. They include the development of an integrated grants management framework which provides policy, governance, guidelines and tools to support best practice grants management within the department itself.

Secondly, the development of a full project implementation plan to manage a phased implementation schedule. There has also been the establishment of a dedicated grants management system management team - a dedicated team for that purpose - the establishment of a project management office to manage large and complex ICT projects with project managers that have an appropriate mix of skills and experience to deliver a quality product. There is also establishment of a specialist ICT procurement unit to provide specialist procurement and contract management services to support all ICT projects.

Since our last appearance before the committee we have maintained tight control of the project, kept the pressure on Fujitsu to meet all agreed milestones and time lines and continued to withhold any payment to Fujitsu until we were satisfied with the product and the product was of an acceptable quality.

We have undertaken extensive testing of the system, which I have seen in operation, and have trained super users in its application.

I am pleased to advise that in September 2014 we took delivery of the system and we are in the process of preparing the first branch of funding agreements to go live.

We firmly believe that, although the project started its life in a manner that was less than satisfactory, we learnt again, as we alluded to in our last discussion, many lessons along the way not just for this project, but for other ICT projects.

We also believe we now have a far superior product than the one we had initially tendered and sub-contracted for. The details of that particular contract can be well described by Mr Stephen Moo and Mr Michael Kalimnios, who have been champions in this area. This has resulted, ultimately, in the purchase of a product of a quarter of the price it has cost the supplier.

Thank you, Madam Chair.

Madam CHAIR: Is the grant management system fully operational now?

Dr NOTARAS: I will defer to Mr Kalimnios. It is moving.

Mr KALIMNIOS: Yes, we have accepted the system. The system is now live in a production environment. We are now going through the implementation process internally of moving all the existing NGOs on to the new grants management system. That process will take us through to 30 June 2015. At that point, we will have all the Department of Health NGOs being managed under the GMS.

We also provide that service to the Department of Children and Families, and all their NGO contracts will be moved onto the system by the same date. That covers roughly about 60% of governments grants. They will all be moved on to the system.

Madam CHAIR: At the current stage, it is completed. It has been quarantined so you can be inputting the necessary data. Then, all that data will be completed by 30 June, and it will be an everyday system?

Mr KALIMNIOS: Correct. There are two components of the implementation. One is training. Obviously, it is a new system, so we are going through the training of not only our staff internally and DCF staff, but also the NGOs, because the system is an end-to-end grants management process. There is a different way that NGOs will now apply for grants, so we had to take them through that and make sure they are comfortable with that.

The second component is the actual transfer of data into the new system, which we will gradually do as we move through each area.

Madam CHAIR: When did it get to this completed stage? Since 2012, our Public Accounts Committee has a reasonably long history with this system. We had Jeff Moffet, the previous CEO, come and give us a number of dates it would be finished by. We keep bringing you back because it is not finished.

It is good to hear you are at a good stage. Obviously, there has been significant delays. Last time we met we were told it would be ready to go by July 2014. We are now in late October.

Dr NOTARAS: If I may. That significant progress has been made and is well documented now. The comment you have made is a good one, and it is disappointing that it has taken so long. What the final product that is being delivered is - and I have looked at it and I invite members of this committee to see it at their leisure; they would be most impressed by that ...

Madam CHAIR: Thank you.

Dr NOTARAS: I would like, Madam Chair, to ask Mr Stephen Moo to describe what is very much a product he has fought vigorously and championed for.

Mr MOO: The last time we advised that we thought June would be the time we were hoping to be able to formally accept the system. Unfortunately, during 2014, the quality control was not up to speed, even though we had put in place enhanced processes for doing the reviewing and testing of the product.

We ended up doing three rounds of full user acceptance testing, which is unusual. Usually, you might do one or two. Over that nine months since 2014, we actually did three full rounds of user acceptance testing where we brought in super users and our team that was involved with the project. That meant, however, that the level of testing we did – and that was what we call full regression testing where we went through case scenarios for the whole system - gave us the confidence that when we turned the system on both the users - as in the grants management officers using it and the clients in non-government organisations and their representatives - would have confidence in the system when we switched it on.

Whilst, yes, it did take probably another three or four months to get there, we believe because this is the most advanced system we have in our department today, it is a fully electronic system from the time the grant is applied for, through the full processing approvals, notifications, financial management reporting. It is a very sophisticated, advanced system. We felt we needed to apply that additional rigour so there was confidence all round.

The other thing that went with this is we developed a very comprehensive grants management framework and policies which underpin the roll-out of the system. That meant because the system took longer, we were also able to get our policies and framework in place as well. We now feel absolutely confident.

The other thing is we did not pay the vendor any money for development until third round of acceptance testing was completed and we signed off. We are now in the warranty period. The system has formally been accepted, and the first tranche of grants are now being put on to the system. We have decided to do

it as a phased implementation. We have selected a few highly experienced grants areas to initially focus on based on experience and complexity, and those are the first ones that are going on the system and then we will wrap that up.

Madam CHAIR: I think I speak on behalf of the whole PAC when I say we have acknowledged all along that whilst there have been delays you have been very focused on the product. I know from our ICT inquiry that we are also very focused on making sure government is buying products that work and do not crash and destroy entire systems. The fact you have done three rounds of the testing is to be applauded and I would not be smacking you over the wrist for a three months delay to have that type of surety knowing the damage systems can cause. I congratulate you and your team in that respect.

Ms MANISON: How many NGOs will be transferred over to this grants management system in the end?

Mr KALIMNIOS: I cannot give you the exact numbers off the top of my head, but it is substantial - well over 100. Health probably represents about 50% to 55% of all government's grants - roughly \$120m managing the grants and then on top of that we have DCF we provide a service to. That takes the overall coverage to about 60% of total government grants. We can certainly provide you the numbers pretty quickly.

Ms MANISON: It would be great if we could get that information.

Madam CHAIR: Thank you.

Ms MANISON: Having to take the NGOs through training so they understand how to use the grants management system, how long would it take the NGO to go through that training and is that something Fujitsu takes them through or someone the Department of Health does?

Mr KALIMNIOS: We are doing that as part of the implementation. We lead that process, as the CEO mentioned. We are doing that in tranches so we will do Alcohol and Other Drugs first - our staff and the NGOs associated with Alcohol and Other Drugs. There are three groups or tranches we are taking through and we with, as Stephen mentioned, the bigger and complex ones first so Disability and Alcohol and Other Drugs will probably be the first two.

We are also engaging the sector in general terms up-front. In fact, we have representatives of the NGO sector coming to do some initial training in the next couple of weeks just to get to know the system and understand it so they can be advocates for the implementation and let people know what is going on and how it is happening.

We are undertaking that in a very sensitive way; this is very different way of doing business. It will advantage the NGOs is our view, and normalise the way in which we engage with the sector, but it is a changed process and we need to do that in an appropriately sensitive and timely way.

We are really factoring in a bit of fat in the implementation to make sure we do that in a meaningful and proper way with the NGOs.

Ms MANISON: Would you have a ballpark figure of how much training an NGO would have to undergo?

Mr MOO: We will be running half-day training sessions for the NGOs. For grants officers there is obviously more advanced training - for the STOs running the grants programs.

One thing we are developing is online video-based training resources, because this is the type of thing we can set up as part of our website - some self-based training. You do not necessarily need to deliver all training in a classroom-type arrangement. Initially yes, we will do some small group training using – we have set up a dedicated training facility in Health House and will bring in small groups, but we are intending to produce some video-based training resources that can be made available to people to access at any time.

Mr KALIMNIOS: To add to that, there are two components. What Stephen is alluding to is the GMS component. We are also taking the opportunity to, as Dr Notaras said, train them in the change in policy which is probably the more substantive bit. The area that looks are policy development is suggesting a couple of days training with the NGOs in then running through the policy framework changes and what that means for them. The training on how to use GMS, as Stephen indicated – there is a suite of ways we can deliver that and that is probably in a way the less intensive bit of how to use the system. The real issue is what this means in how we manage grants and how that will change.

Mr WOOD: A question on the NGO Coordination Committee, You mentioned in your recommendations that it is not up and running. Can you explain what it does and how long before you think it will be up and running?

Mr KALIMNIOS: The NGO Coordination Committee has met and is meeting. It is in its initial phases. Its role is simply to provide an ongoing forum for key NGO representatives and the department in issues of management of grants. The current focus is it is being used very much as consultation group around the changes in the policy and roll-out of the system. It is just a peak engagement body so we have a regular formal way of communicating with the NGO sector.

Mr WOOD: Is between NGOs, or is it between NGOs and the Department of Health?

Mr KALIMNIOS: The department coordinates it, so it is between NGOs and the Department of Health.

Mr WOOD: Does it have any role to make sure there is no duplication in what NGOs do?

Mr KALIMNIOS: In terms of ...

Mr WOOD: Grants. If someone gets a grant and someone else is doing the same work under another name.

Mr KALIMNIOS: That, potentially, could be part of what the group does. From the department's points of view, obviously, that is a role we have a strong interest in to make sure we are not duplicating efforts and services and they are being delivered as efficiently as possible. Part of the structure was to ensure there was a forum where those issues could be discussed and progressed. It is not my direct area of responsibility, so I apologise if I am a little vague on it. But it is still very much in its embryonic phase and we are really still working through what it is doing. As I said, the real focus of it at the moment is to be used as a sounding board for the policy that is being changed. Obviously, it will get more into service performance and how that can be more effectively run as part of its ongoing remit, I suspect.

Mr WOOD: So, the department does look at seeing whether there are NGOs duplicating roles at times or where you can make things more efficient?

Mr KALIMNIOS: We, obviously, like all areas in the department, are looking at how we can deliver services more efficiently. Obviously, duplication and processes around management of NGO funds by the NGOs is a critical issue for us. Part of the GMS system – as Stephen was describing - is very complex end-to-end business system and requires, as part of the contract development, those kind of efficiencies to be identified and then managed throughout the contract process. It will give us a tool to manage and identify areas of efficiency and ensure NGOs are delivering on them where we have identified them.

Mr MOO: To add to that. Another advantage of the system is, in the future, around particular programs, we will invite NGOs to invite people to put in applications. It could be a particular disability program. Through what we are calling an invitation process, the assessments of what different providers can actually provide, which services we contract for, is much more coordinated and efficient because you are looking at things using the system. Effectively, a bucket of money will be allocated for a particular program in the future. Particular recipients that are registered will be invited, through the system, to put in applications for grants relating to those particular programs. They will include the criteria, reporting and the scope of services that will be provided. That takes us to a whole different way of managing grants.

Previously, those processes were quite manual and convoluted in the approval processes. Now, we will actually be managing these in a much more coordinated, collective way.

Madam CHAIR: I have a question about the funding. I cannot remember the exact detail, but at the time you guys had managed to reach some agreement with Fujitsu about capping things and getting a better product and working collaboratively together. Could you rehash some of that old ground, but let us know if we have stuck to that price ...

Dr NOTARAS: It is a great news story. I will let Stephen Moo speak to it because it is his and Michael Kalimnios' fabulous work. I could start off with about \$1.2m-something, and the cost of the product is a closer to \$4m. I do not want steal the thunder and will pass on to Stephen, if I might.

Mr MOO: Yes, we ended up with a total development cost of \$1.127m. The last time we spoke to you, it was at a figure of around \$900 000 we were looking at, which included some of the initial design work which we paid to a supplier. We then locked for a contract for about \$660 000. In the end a few change requests were identified which took the figure to \$1.127m. We are aware the vendor has probably spent in the order of \$3.7m to \$4m on the cost of building the system. We definitely have a good financial outcome. The variation overall is small from an IT project point of view. We have also expended about \$200 000 on project management. This was employed by us through the different phases of the project.

Madam CHAIR: Is that on top of the \$1.127m?

Mr MOO: Yes, on top of the \$1.27m. We employed a number of project managers through the course of the project, but we certainly had a senior project manager come on for about 14 to 15 months ago to be part of our response to better managing this project. In total software development terms it is \$1.127m to Fujitsu and \$198 000 for project management.

Madam CHAIR: Are they all the costs?

Mr MOO: That is all our costs. We have our own staff costs around our own support teams which is internal resourcing, but for contracted costs those are the two figures.

Madam CHAIR: Excellent.

Mr BARRETT: In your consultations with the NGOs, did you test how the model operates with them and have you had any feedback on it being an intuitive system, they really like it, do not like it or it is worse than the last one? The guys interfacing with it, have you any information around what they are feeling about this?

Mr MOO: Yes. Through the development process, we ran some information consultation sessions. We ran one in Alice Springs and one in Darwin where we invited people from different NGO organisations and peak bodies to come to walk through the new system to show them the look and feel and how it behaved. We showed them a typical example how, as an NGO provider, they would make an application for a grant in the future - you would be invited first or all, you would get a message through your Internet connection for your organisation. We walked through the whole process of the initial application, the approval process, the awarding of grants and so on. Yes, we did that and it was very well received. I think it was probably an eye-opener for them.

This has been a long time in gestation, but to finally show what we were putting into production was a big revelation for them. Since then we have had some further opportunities where we brought in selective representatives and we have had what we call our super users, who are the people doing the program - we have had a good selection of those involved through the testing process as well. We feel we are at a really good starting point. Obviously with this system being as big as it is, and a complex system, there will be ongoing improvements we will identify as we go along. That will be an important process to ensure that as we go through the initial implementations of the tranches we will identify some improvements we will need to do to the system.

Mr BARRETT: You have had the consultation and they like it. Around time saving, is there significant saving in time and effort involved and can you quantify that for us?

Mr KALIMNIOS: It is difficult to give a straightforward answer. Certainly, the system automates things so it will be a much more integrated and robust system from both the department's point of view and the NGO's point of view so it will be quicker. The caveat to that is because it is a much more robust system and does require - it basically follows a standard procurement methodology it will be more time-consuming in management of contracts and processes because it will force you to do those things in a much more rigorous way than has been done previously. Whilst the process flow is a quicker and more integrated process, it forces more detailed management which, from our perspective, is a good thing and will benefit the NGOs, we would hope, in making sure they are delivering what they need to deliver.

Mr MOO: For the Grant Officers, this is a significant, what we call business process redesign. It will substantially change the way they do business. So with the training, and over time as they get used to using the system, they will become more proficient. But it is a significant change. The systems we currently have, or previously had, were quite small systems that just managed very small discrete parts like the payments part or the reporting part. What we are talking about here is a true e-commerce system. There will be some significant change management for staff.

We have very much considered the NGO users out there and focused on building that web-type functionality that is quite simple for them to use. Obviously, it is important that our users are able to have confidence and use the system and adapt to it fairly quickly.

What Michael was referring to for the grants in the contract management side is more onerous. But this also improves the whole accountability in ensuring we are administering the grants in accordance with our policy and new grants framework.

Madam CHAIR: I have a question on the development of the policy and the framework. This might be too far outside of what we are talking about today. In awarding grants to NGOs and the service delivery of NGOs to the department, how are you measuring, recording or ensuring those objectives, or what that organisation is delivering, is in line with the department and with Framing the Future and overall government objectives?

Mr MOO: With the new system and the framework, there is extensive KPIs and output measures built in. This is one of the real improvements; that there is regular online reporting required. This is whether it is the service units they are actually providing or quality of service measures. The two go hand-in-hand. The upgraded grants management framework does quantify the types of accountabilities and measures we want from the organisations. The system then puts that into place and enables that to happen in a streamlined way.

Under each grant or each contract, depending on the type of grant, it will have the measures identified. This will be financial reporting as well KPI-type measures. That is very much at the heart of this new system and the processes.

Madam CHAIR: Great.

Mr KALIMNIOS: Just to add to that, one of the strong features of the system is that it really ensures those measures are managed throughout the process, and payments are tied to achievement of those objectives. So, the system will not actually release payment until there is a certification that all those objectives have been met or, if they have not been met, there is an agreed variation to that process. Again, as Stephen said, it is a complete e-commerce system that manages the contract in a very tight way throughout the process.

Madam CHAIR: How can you verify it? For example, I am an NGO and I am putting in that, yes, I saw 10 people today and helped them do whatever it is I do. When I plug it in that, obviously, triggers your system. Is there a verification process?

Mr KALIMNIOS: Yes, there is a series of automated acquittal processes that need to be completed. Some of them require independent verification through an audit process or whatever. Obviously, there is the day-to-day management processes that occurred. Each NGO has what we call in the new parlance a Principal Project Officer, a PPO – they were called Service Delivery Officers, STOs. Their job is to manage, with the NGO on a day-to-day basis, to make sure the services are being delivered. There is both informal and formal processes that exist to make sure that verification happens.

Mr MOO: To give an example, this system will manage individual service provision to high-complex disability clients, where we are talking about one client being managed by a particular service provider, and recording all the services that are provided to that client, right up to quite complex service contracts for services like Red Cross provide for the whole service - a blood transfusion service so it covers that whole spectrum right down to individuals. That is part of this whole process - we have contracts for high-support high-need clients which will be managed through this system as well. That is a different type of contract but it is also covered through this process. Our intention is every grant we provide, whether it is to an individual, a service provider or a large organisation, will be managed through this system.

Madam CHAIR: I can see our new Auditor-General smiling and nodding. I am sure she cannot wait to get her hands on your new system come 2015. Are there any further questions? We will leave it at that.

We might chat to you guys at the end of 2015 about grants management and we will keep an eye on everything else. Thank you very much for your time today, we appreciate it. Thank you for all the hard work you are doing. We appreciate it has taken longer than we or yourselves would have liked, but you have a fantastic product by the sounds of it and let us hope it is fully utilised. Thank you and enjoy your day.

Dr NOTARAS: Madam Chair, thank you to the committee. I have appreciated the opportunity. I would also like to thank the office of the Auditor-General as well for helping to reveal some of these things. You can see the unbridled enthusiasm of my colleagues on both sides - behind and down the other end of the street. They are excited about these matters and I believe are kicking some wonderful Territory goals.

The committee concluded.