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Australian Digital Health Agency

Australian Digital Health Agency response to

Report 511: Inquiry into contract management frameworks operated by Commonwealth entities

Recommendation 4

The Committee recommends that the Australian Digital Health Agency (the Agency) reports back to the Committee at six months and again at 12 months from the date of this report on:

- its progress in implementing the six recommendations of the audit

- the progress and outcomes of the upcoming open tender process for the new My Health Record (MHR) procurement.

Summary

In July 2024, the Agency agreed to a series of actions (Attachment A) to address the recommendations and improvement opportunities outlined in the ANAO's performance audit on the Agency's *Procurement of My Health Record*.

These actions, while a direct response to the audit, also considered other audit and committee recommendations related to best practice procurement and contract management such as probity, including those recently released by the JCPAA[1].

The Agency recognises that effective contract management is key to realising procurement objectives and value for money. The Agency has made substantial improvements to processes and policies that support contract management and ensure value for money in achieving outcomes from all our procurements over a sustained period of time. These actions build on significant uplift in governance, risk and program management in the Agency over the last four years, embedding a culture of continuous improvement in the Agency.

Response

The Australian Digital Health Agency has implemented the 13 Recommendations and 6 Opportunities for Improvement from the ANAO's performance audit on the Agency's *Procurement of My Health Record*.

Specifically, in response to the six audit recommendations about which the Committee asked the Agency to report back, the Agency has taken the following actions:

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[1] Report 502: The never-ending quest for the golden thread – Parliament of Australia (aph.gov.au)

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My Health Record Procurement

- May 2024: The Agency published its 2024–25 Annual Procurement Plan (APP) on AusTender. The APP included the procurement relating to the My Health Record system previously known as the National Infrastructure Operator (NIO) contract.

- 5 November 2024: The Agency released a Request for Information to the market to enable industry to provide information on relevant technical and process advances and/or innovative service solutions which could be used to support My Health Record operations.

- 12 November 2024: The Agency held an Industry briefing to provide key information on the Request for Information.

- July 2025: The Agency released the Application Support and Maintenance Services for Digital Health Infrastructure (formerly the NIO Contract) Request for Tender to the market.

Procurement Planning

- In 2024 the Agency established the Digital Health Infrastructure Program to support the modernisation of national digital health infrastructure, including the My Health Record system. The Program and its underpinning governance arrangements oversee the policy, planning, engagement and execution of key procurements, including detailed requirements gathering and assessment.

  - To support improved risk assessment and management the Agency has updated key risk and assurance documents and completed a strategic risk assessment of the activities managed by the Digital Health Infrastructure Program.

- The Agency's approach to procurement management has matured further with the establishment of a centralised specialist procurement unit to deliver significant capability uplift in systems and processes, with a focus on high-risk high value procurements.

  - The uplift has included revised governance, procurement templates and documentation, procurement policy guidance and leadership of procurements by procurement specialists in partnership with the relevant business area.

- To ensure compliance with the Commonwealth Procurement Rules the Agency has updated the Agency's procurement system, BuyRight, (developed by the Department of Finance) to include:

  - a revised procurement delivery matrix

  - the requirement for additional oversight of higher value contracts, with procurements over $80,000 to be undertaken in partnership with the centralised procurement unit and those over $3 million to be overseen directly by the centralised procurement unit

  - additional requirements and guidance to capture value for money assessments, supplier performance and minor contract variations

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- a requirement for staff to engage with the centralised procurement unit for all contract variations and extensions where an extension option was not in the original contract

- a new form that documents the requirements for delegate approval, including a value for money assessment

- guidance in relation to managing contracts, which addresses value for money, supplier performance and risk.

- BuyRight training sessions and finance, budget and procurement all staff drop-in sessions have raised awareness, supported engagement and embedded change across the Agency.

Contract Management

- The Agency has migrated National Infrastructure Operator (NIO) contract records to the Agency's records management system and, as part of the Agency's Strategic Internal Audit Plan, conducted two internal audits on Agency records management.

- In September 2024 a revised NIO Contract Management Plan was endorsed, with subsequent revisions in March 2025 to include:

  - a bi-annual review schedule

  - defined contract roles and responsibilities

  - approval and consultation requirements for key contract clauses, such as step-in and termination

  - details of reviewing contract performance

  - information about key risk forums and links to associated registers

  - reporting requirements and acceptance procedures

  - a service management framework which maps each service management function to the relevant contractual clauses and definitions

  - supporting documentation including standard operating procedures.

- In June 2025 the Service Integration and Management (SIAM) Governance Framework was endorsed which supports the Agency's contract management in a multi-product, multi-vendor environment.

  - The SIAM focuses on the governance, management, integration, coordination and assurance requirements of a multi supplier model, and the end-to-end services delivered to the Agency.

- In March 2025 the Agency updated the NIO Contract Risk Assessment and developed a risk register for the Digital Health Infrastructure Program which has also been updated in line with the SIAM Governance Framework, Financial Assurance Framework and Risk Management Framework.

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Governance and Assurance

- The Agency continues to provide the Agency's Audit and Risk Committee (ARC) with a 6-monthly update on high-risk high value contracts supplemented by quarterly status updates in relation to identified risks of the Digital Health Infrastructure Program.

- The Agency has reviewed and updated the Board Delegations to the CEO, Accountable Authority Instructions and CEO Authorisations.

- As part of the Agency's Strategic Internal Audit Plan for 2025/26, an assurance audit will review two high-risk high-value contract management processes and effectiveness.

    - The audit will assess their contract management assurance and the effectiveness of their project management, including application of the Agency's risk management framework.

    - The audit will result in a program of work to address any identified gaps and continue to mature the Agency's contract management processes.

- The Agency will also undertake an independent audit in 2026 of the activities undertaken to implement the ANAO recommendations.

Background

The Agency's vision is a healthier future for Australians through connected healthcare. Funded by the Commonwealth and the States and Territories in recognition that digital health must be a national enterprise, the Agency plays a key role in connecting Australians to a modern healthcare system that ensures they can access the care they need, when and where they need it.

The Agency was established by the Public Governance, Performance and Accountability (Establishing Digital Health Agency) Rule 2016 and performs the role of System Operator for the purposes of the My Health Records Act 2012 (Cth). The Agency also specific responsibilities under other legislation, including the Privacy Act 1988 (Cth) and the Healthcare Identifiers Act 2010 (Cth).

Attachment

- Attachment A - ANAO performance audit on the Agency's procurement of MHR: Recommendations Implementation

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Recommendation Implementation

Recommendation		Status	Action
1	ADHA review risks associated with procurement and management of My Health Record.	Implemented	• Updated the Risk Management Framework, Assurance Framework, risk management toolkit and strategic risk report process and completed a strategic risk assessment of the future program of work, including My Health Record procurements. • Included high-risk high value contracts on the Agency's 2025-26 Strategic Internal Audit Plan (proposed audits include contract management assurance over two high risk high value contracts, and an assessment of the effectiveness of project management including the application of the Risk Management Framework). • In June 2024 established a centralised procurement unit which has delivered a significant capability uplift, with a focus on high-risk high value procurements.
2	ADHA update its National Infrastructure Operator contract management plan: a. annually, in accordance with review requirements b. to provide sufficient guidance on key contract management elements such as termination and step-in, issues management and escalation c. to incorporate guidance on key contract provisions such as dispute resolution, subcontracting, benchmarking and annual review of contractor performance d. to provide guidance and instructions to officials on how and when to identify, assess and manage National Infrastructure Operator contract risks.	Implemented	• The NIO Contract Management Plan has been updated and a Management Initiated Review undertaken, with the findings of the review used to provide additional updates to the Contract Management Plan which is now also subject to an annual review schedule.

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Recommendation		Status	Action
3	ADHA ensure that: a. decisions to expend money through a contract variation document whether the variation represents a 'minor' change, and the value for money of the variation b. it reviews performance and deliverables prior to exercising a contract extension option.	Implemented	• In June 2024 the Agency established a centralised procurement team to provide strengthened support and assurance on high-risk high value procurements. • Staff are required to engage with this team for all contract variations and extensions where an extension option was not in the original contract. • Two external providers have also been engaged to provide procurement assurance and advice. • The Agency's BuyRight system has been reviewed to ensure it captures value for money requirements, including supplier performance. • An Internal Audit on high-risk high value contracts will be conducted as part of the 2025–26 Strategic Internal Audit Plan to inform continuous improvement.
4	ADHA ensure that records created as part of the National Infrastructure Operator contract are stored in accordance with its information governance framework.	Implemented	• All material NIO contract-specific decisions and corresponding records related to the Accenture NIO contract have been migrated to the Agency's Record Management System (ARMS). • The Agency's Information Governance Framework and Securing Information Assets Policy has been updated to include definition of vital records including contracts and procurement.
5	ADHA document its approach to reviewing and reporting deliverables, put in place arrangements to ensure that it reviews National Infrastructure Operator contract reports and deliverables as required, and establish appropriate controls to provide assurance that reviews are occurring.	Implemented	• The Agency has developed a Standard Operating Procedure to document the approach to reviewing and reporting contract deliverables across its vendor partners. • Assurance processes have been automated to ensure reports are sent to the right Agency areas for endorsement, review or information.
6	ADHA ensure that National Infrastructure Operator contract arrangements that follow the expiry of the existing contract in June 2025 clearly specify the maintenance and provision of system architecture documentation and provide appropriate assurance arrangements for their timely provision.	Implemented	• The Agency has ensured that the NIO Services During Transition (NIO SDT) contract clearly specifies the maintenance and provision of system architecture documentation. • The approach to market documentation for the Application Service and Maintenance for Digital Health Infrastructure contract also includes requirements for system architecture documentation.
7	In anticipation of the expiry of the National Infrastructure Operator contract on 30 June 2025, ADHA: a publish a procurement plan on AusTender that provides reasonable notice to the market about the expiry of the contract. b prepare and endorse an internal procurement plan.	Implemented	• The Agency's 2024–25 Annual Procurement Plan was published on AusTender on 31 May 2024. • Procurement plans and related tender documentation have been developed for Agency procurement activities.

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Recommendation		Status	Action
			• The Application Support and Maintenance Services for Digital Health Infrastructure Request for Tender was released in July 2025.
8	ADHA implement controls to ensure that, in making procurement decisions, relevant information (including legal advice, and any past and ongoing disputes and performance issues with a supplier) is incorporated into the value for money assessment.	Implemented	• The Agency has strengthened its guidance and templates to improve executive oversight and visibility regarding legal risks, including disputes and/or performance management concerns
9	ADHA ensure limited tender processes do not commence before the limited tender procurement approach has been approved by the relevant decision-maker, including (if applicable) consideration by the decision-maker of the specific conditions justifying limited tender.	Implemented	• In June 2024 the Agency established a centralised procurement team to provide strengthened support and assurance on high-risk high value procurements. • Staff are required to engage with them for all contract variations and extensions where an extension option was not in the original contract. • Two external providers have also been engaged to provide procurement assurance/advice.
10	For the procurement of a National Infrastructure Operator following the expiry of the National Infrastructure Operator contract on 30 June 2025, ADHA conduct an open tender in accordance with the Commonwealth Procurement Rules	Implemented	• The Application Support and Maintenance Services for Digital Health Infrastructure Request for Tender was released in July 2025. • To ensure continuity of services the Agency executed a 24-month limited tender procurement with Accenture for NIO Services During Transition (NIO SDT).
11	The ADHA, in approving expenditure through a procurement, ensure that decisions are supported by a clear value for money assessment, which considers the financial and non-financial costs and benefits of the procurement.	Implemented	• The Agency has reviewed and updated relevant templates and artefacts to strengthen how the Agency considers the financial and non-financial costs and benefits of procurements when undertaking value for money assessments.
12	ADHA: a ensure program-specific probity frameworks are consistent with other agency policies b establish assurance processes over the declaration of interests in procurements to ensure that positive declarations are made as required under ADHA's conflict of interest policy and National Infrastructure Modernisation probity framework.	Implemented	• The Agency has reviewed the Digital Health Infrastructure Program Probity Framework to ensure that the actions taken by, and decisions made now and into the future for, the Digital Health Infrastructure Program are guided by an appropriate level of probity and in line with Agency policies. • The Agency has created a dedicated Integrity Unit to provide oversight, guidance and monitoring of Conflict of Interest declarations in line with Australian Public Service Commission guidance. • The Agency's Conflict of Interest and Gifts, Benefits and Hospitality policies have also been updated.

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Recommendation		Status	Action
13	The ADHA establish controls to ensure that: a all contracts and contract variations are reported accurately on AusTender within the required timeframes b in accordance with the Commonwealth Procurement Rules, for each contract awarded through limited tender, a written report is prepared that includes the value, a statement indicating the circumstance and conditions that justified the use of limited tender, and a demonstration of how the procurement represented value for money in the circumstances.	Implemented	• In June 2024 the Agency established a centralised procurement team to provide support and assurance on high-risk high value procurements, including reporting. • An Internal Audit on high-risk high value contracts will be conducted as part of the 2025–26 Strategic Internal Audit Plan.

Improvement Opportunity

Improvement Opportunity		Status	Agreed action
1	ADHA could ensure that the procurement policy, procurement guidance, and contract management guide consistently address the risk of conflicts of interest, and are aligned to its conflict-of-interest policy, to ensure there are clear and consistent instructions for officials involved in a procurement about when and how to declare potential conflicts, including the requirement for a 'nil' declaration at the commencement of a procurement process.	Implemented	• The Agency has developed targeted High Risk High Value templates which replace the templates referred to in the audit. • An Internal Audit on high-risk high value contracts will be conducted as part of the 2025–26 Strategic Internal Audit Plan to inform continuous improvement.
2	The Australian Digital Health Agency could: a provide clear instructions as to whether unaccepted gifts and benefits must be declared; and b ensure that the CEO gifts and benefits register is published in accordance with internal and APSC guidance timelines.	Implemented	• The Gifts and Benefits Policy has been updated to include "Nil to declare" for the CEO. • The Agency has created a dedicated Integrity Unit to provide oversight, guidance and monitoring of Gift, Benefit and Hospitality declarations in line with Australian Public Service Commission guidance. The Unit ensures that the Gift, Benefit and Hospitality register is managed and published in line with Australian Public Service Commission guidance.
3	The Australian Digital Health Agency Audit and Risk Committee could consider periodically including procurement on its internal audit work program.	Implemented	• An Internal Audit on high-risk high value contracts will be conducted as part of the 2025–26 Strategic Internal Audit Plan.
4	The Australian Digital Health Agency Audit could consider including reconciliation of contract commitments to previous expenditure approvals in advice to the board and Chief Executive Officer when seeking further approvals.	Implemented	• A new template for contract extensions and variations for major contracts has been implemented, with processes underway to incorporate the template into BuyRight.

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	Improvement Opportunity	Status	Agreed action
5	The contract management plan and IT Support Management framework could be updated to reflect relevant contract management practices.	Implemented	• The Contract Management Plan for the NIO Services During Transition (NIO SDT) has been updated. • The Agency's Information Technology and Service Management Governance Framework has been updated to incorporate Service Integration and Management methods.
6	Specifications regarding report validation in the NIO contract management plan could be updated to reflect current positions and titles.	Implemented	• The NIO Contract Management Plan for the NIO Services During Transition (NIO SDT) was updated to reflect current positions and titles.

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