

Implementation of COVID-19 measures: Inquiry into Auditor-General Reports Nos. 20, 22, 23, 24 and 39 (2020-21)



# **Australian Government**

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## **Department of Health**

**Implementation of COVID-19 measures: Inquiry into  
Auditor-General Reports Nos. 20, 22, 23, 24 and 39 (2020-  
21)**

**Joint Committee of Public Accounts and Audit**

**Department of Health Submission**

**October 2021**

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## **Introduction:**

This submission seeks to provide the Committee with:

- Background to the NMS and the work undertaken by the Department of Health with the National Medical Stockpile in response to the COVID-19 pandemic.
- An implementation status update on the Australian National Audit Office (ANAO) recommendations associated with
  - Auditor-General Report No.22 - 2020-21: Planning and Governance of COVID-19 Procurements to Increase the National Medical Stockpile
  - Auditor-General Report No.39 - 2020-21: COVID-19 Procurements and Deployments of the National Medical Stockpile
- An overview of broader improvement actions being implemented to enhance the capability of the National Medical Stockpile (NMS).

## **Background:**

### *The NMS*

The NMS is a highly strategic reserve for use in an emergency, such as bushfires, terrorist threats and pandemics, and works as part of a national health response to a public health emergency in support and collaboration with the states and territories. The NMS is maintained and replenished by the Department of Health (Health) each year, factoring in risk and existing quantities but also the expiration dates and storage and disposal costs.

The Commonwealth Government has made decisions over the past two decades to have a balanced and diversified NMS for an episodic response to a range of emergency scenarios. The arrangements in place to utilise the NMS were, and have always been, well prepared to play a crucial role in responding to a national health emergency. This has been shown by Health's response to the COVID-19 pandemic:

- In July 2019 the NMS had approximately 13 million P2/N95 respirators available for deployment
- In June 2020, the NMS had over 170 million masks (surgical and P2 respirators) as well as over 2 million gowns, nearly 20 million gloves and over 2 million goggles/face shields.

### *The Department of Health*

On 20 January 2020, the Chief Medical Officer activated the National Incident Room (NIR), including the NMS, in response to the COVID-19 outbreak reported in China. The NIR had already been activated in response to a measles outbreak in Samoa, the volcanic eruption on White Island, New Zealand, and the 2019/20 Australian Bushfires. During the 2019-20 Australian Bushfires, the NMS supported the national emergency response through deploying over 3.5 million P2/N95 respirators (between 1 January 2020 and 27 January 2020) to the states and territories, the Australian Defence Force, the Australian Federal Police, and others.

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By 25 January, Australia had its first case of COVID-19. Within 11 days of being activated, in response to the unfolding events, both domestically and internationally, the Australian Government on 31 January 2020 announced an initial response to the COVID-19 outbreak which included 1 million surgical masks from the NMS would be made available to general practitioners (GPs) and frontline healthcare workers via the Primary Health Networks (PHNs) in each state and territory in support of the response.

By March 2020 the pandemic had taken grip in nearly every continent in the world. There was a massive breakdown of global supply chains, including for the products required for the health response. Responses of this scale required significant investment, expertise and coordination. To secure the required PPE stocks and other medical equipment to respond to COVID-19 the Australian Government committed up to \$3.2 billion:

- 2019/20: more than \$2.5 billion, including \$100 million for pharmaceuticals.
- 2020/21: \$650 million.
- Executed contracts account for approximately 97% of total available funds, with remaining funding being directed to highest priorities.

The first of the funding announcements came in early March when the Australian Government announced a \$2.4 billion first phase health package:

- The package included investment across primary care, aged care, hospitals, research and \$1.1 billion predominantly the NMS.
- The investment also enabled communication activities aimed at providing practical and up to date advice to the public and the health sector.

Initial modelling from the Doherty Institute in March 2020 suggested Australia may require a massive increase to mask stock depending on possible scenarios, including:

- Surgical masks – high usage about 1 billion, moderate usage about 350-400 million
- P2 masks – high usage about 45 million, moderate usage about 40 million.

This included the NMS and the stockpiles of each state and territories and represents an immense increase to stocks that the NMS has historically held.

Early funding to the NMS was focused on purchasing masks as the highest priority to prevent against droplet transmission. The Australian Government continued to respond to the COVID-19 pandemic, including providing additional funding to support the procurement of other critical medical supplies, including hand sanitiser, ventilators, pathology supplies, gloves, gowns, face shields and goggles.

From the end of March 2020 through to end of April 2020 the NMS (in around four weeks), with the assistance of Department of Industry, Science, Energy and Resources (DISER) and other Commonwealth agencies, including the Department of Defence, signed over **30 of the final 54 contracts** for the supply of further crucial personal protective equipment (PPE) and medical supplies to support frontline healthcare workers battling the COVID-19 pandemic, including:

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- In March 2020, the Australian Government executed its first contract for ventilators for the NMS (not usually stocked in the NMS) to provide national capacity that could support any jurisdiction if ICUs reached capacity.
- By the end of April 2020, the NMS had secured:
  - Around 8,000 ventilators.
  - Pathology equipment:
    - Testing machines
    - Over 200,000 swabs
    - Testing kits (for evaluation)
  - PPE:
    - Over 500 million of surgical masks
    - Over 100 million P2 masks
    - More than 60 million gloves
    - Almost 40 million each of goggles and gowns.

These critical supplies were secured at a time when access to PPE in Australia was significantly limited. COVID-19 related closures had impacted global PPE supply chains and intense international competition for stock limiting the ability of traditional domestic suppliers to meet the countries potential needs.

In undertaking procurement, Health, working with DISER's Health Industry Coordination Group (HICG), has had to account for these significant challenges to source and secure these critical supplies. HICG also worked to identify possible domestic suppliers who could pivot manufacturing operations to support the national supply of PPE, including hand sanitiser. This ensures Australia's resilience to future challenges, including those which (like COVID-19) impact significantly on the global demand and supply.

Throughout the response to the pandemic, Health has not worked in isolation. In addition to the work of National Cabinet, the Australian Health Protection Principal Committee (AHPPC), HICG, and the Department of Defence, Health has worked with states and territories to understand their stock holdings, rates of monthly usage, stock on order, and expected delivery dates to determine where particular jurisdictions may experience supply pressures, total national need, and key risks, and provide assistance through deployments of PPE to support the work of frontline health workers. Additionally, Health took on new recipients across GPs, pharmacies, Aboriginal Community Controlled Health Organisations, aged care and disability and distributed to them millions of items of PPE to support the continuation of frontline health services during an active pandemic.

Health also worked with medical officers and the AHPPC to understand both the evolving PPE requirements as the world developed a greater understanding of COVID-19 and the behaviours of healthcare workers in relation to PPE usage, in particular the reported potential over usage of P2 respirators. The usage rates were taken into account when preparing the modelling that ultimately meant more P2 masks were required to be procured to mitigate risk. The understanding of stock levels and potential shortages has been one of the key features of National Cabinet's approach to considering the precedent conditions required as part of potential easing of restrictions.

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The strong relationships and cooperation between jurisdictions has been crucial to ensure Australia has the required PPE on hand to support frontline health workers and vulnerable members of society. The impact of receiving additional funding, securing the required masks early has ensured the Australian Government has been able to make stock available to a range of recipients, including the states and territories, aged care, disability support, and the Primary Health Networks. Deployment from the NMS has been successful as part of the national response to COVID-19 whereby Australia has not been in a position where clinically recommended PPE has not been available to our health workforce. Between 29 January 2020 and 27 September 2021, the NMS undertook ~7,000 deployments of PPE across Australia

In total, as of **27 September 2021**, the NMS has made available to:

- **States and Territories:** Approximately 66 million masks (surgical and P2) for acute healthcare workers.
- **Primary Health Networks:** Over 17 million masks to GPs, pharmacies, ACCHOs, and allied health professionals.
- **Aged Care:** Over 20 million masks both to states and territories for distribution and directly for urgent dispatches to facilities.
- **National Disability Insurance Agency:** Over 1.5 million masks to support providers and self-managed participants to provide/receive support safely.

Additionally, masks have also been provided to private pathology providers, in order to support Australia's ongoing testing capacity.

See **Attachment A** for the NMS Summary as at 27 September 2021. Attachment A contains confidential information and has been provided to the Committee separately.

As at **27 September**, over 110 million masks have been dispatched to support frontline healthcare workers.

#### *ANAO Audits*

Audits Nos. 22 and 39 were undertaken by the ANAO between May 2020 and May 2021 during a 1-in-100 year pandemic when the Department of Health was at the forefront of coordinating the health emergency response and added additional burden on the department's staff. The two audits centred around the health response of Health and DISER in responding to the COVID-19 pandemic.

#### *Audit No. 22*

On 10 December 2020, the ANAO published its report (no. 22) into Planning and Governance of COVID-19 Procurement to increase the National Medical Stockpile. The report recommended Health should:

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1. Health business as usual procurement planning be based on an analysis of strategic risks and threats, including a range of potential health emergencies, and the risk to supply chains for stockpiled items, including personal protective equipment.
2. Health seek jurisdictional agreement about, and document, the respective objectives of the Commonwealth and state and territory stockpiles and the roles and responsibilities of each jurisdiction, including for stockpiling specific items.
3. Health establish a mechanism for regular sharing of information between jurisdictions about stockpile inventories that will function in both business as usual and emergency conditions.
4. Health put in place a strategic procurement, management and distribution plan for the NMS that includes protocols for emergency procurements.

In handing down these recommendations, the ANAO also noted that:

- The COVID-19 NMS procurement requirement for PPE and medical equipment was met or exceeded. Elements of Health's procurement planning for the NMS could be improved.
- Health's pre-pandemic procurement planning for the NMS was partially effective. Procurement planning was partially risk-based. Agreement with states and territories about stockpiling responsibilities was not documented and stockpile information was not adequately shared. There were no protocols for emergency procurements
- Health's and DISER's planning and governance arrangements for the procurements in response to the COVID-19 pandemic were effective
- Procurement of PPE for the NMS was approximately aligned with overall national health system demand.

In accepting the recommendations, Health noted the ANAO found that the procurement requirement for PPE and medical equipment was met or exceeded and procurement of PPE for the NMS was approximately aligned with overall national health system demand. The procurement undertaken by Health through NMS was achieved at a time of significant supply chain breakdown, international scarcity and global competition, and was a crucial element of the response to the threat of COVID-19, and enabled through expanding on past planning and exercises under the guidance of AHPPC, the Health Executive and the Australian Government.

The report ultimately does not recognise the context of the health response to the novel Coronavirus, including the critical pivot from traditional holdings and roles of the NMS, to acquire significant stock of PPE and other COVID-19 related items such as ventilators, test kits and equipment.

*Health request under Section 37 of the Auditor-General Act 1997*

In response to the proposed report, Health requested the ANAO consider removing information in the proposed report under Section 37 2 (a) and 2 9e) of the *Auditor-General Act 1997* that Health considered was confidential for national security reasons or commercial in confidence. The ANAO do not support's the department's arguments put forward in its request but made minor amendments that the ANAO deemed to be

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immaterial to the findings and conclusions of the report. Health understands that the ANAO informed the Committee of Health's request under Section 37 as per normal practice.

#### *Audit No.39*

On 27 May 2021, the ANAO published its report (No. 39) into COVID-19 Procurements and Deployments of the National Medical Stockpile. The report recommended Health should:

1. As a component of the protocols for emergency procurements recommended and agreed to in Auditor-General Report No.22 2020-21, Health include protocols for record-keeping that would facilitate reasonable assurance that public resources are being used properly during an emergency procurement.
2. Health undertake regular deployment drills that test possible deployment scenarios and include all elements of deployment operations.
3. Health put in place a strategic deployment plan for the NMS that is based on an analysis of risk and is developed in consultation with national health system stakeholders.
4. Health develop a performance framework for NMS deployments that includes consideration of logistics providers' and Health's performance in conducting deployments in different emergency scenarios.

In handing down these recommendations, the ANAO also noted that:

- Procurement processes for the COVID-19 NMS procurements were largely consistent with the proper use and management of public resources. Inconsistent due diligence checks of suppliers impacted on procurement effectiveness and record-keeping could have been improved.
- In the absence of risk-based planning and systems that sufficiently considered the likely ways in which the NMS would be needed during a pandemic, Health adapted its processes during the COVID-19 emergency to deploy NMS supplies. Large quantities of personal protective equipment (PPE) were deployed to eligible recipients. Due to a lack of performance measures, targets and data, the effectiveness of COVID-19 NMS deployments cannot be established.

In accepting the recommendations, Health noted the ANAO found procurements were largely consistent with the proper use of public resources and NMS processes were adapted during the emergency to deploy to unanticipated recipient groups. The report would have benefited from a strengthened acknowledgement of the complex and fluctuating environment in which the NMS procurements were completed and a review of the ANAO's assertions that it is unclear to what extent eligible groups [the NMS deployed to] received enough PPE of the right type and in time.

#### **Improvement action in progress that address the ANAO recommendations**

On 11 May 2021, the Australian Government delivered the 2021-22 Budget which included the *Access to medicines – National Medical Stockpile*

(<https://www.health.gov.au/sites/default/files/documents/2021/05/access-to-medicines-national-medical-stockpile.pdf>) Budget measure for Health. This Budget measure provides

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significant funding for Health to commence the first phase of work to enhance the long-term capability of the NMS, including improved governance and information management arrangements, and establishing an end-to-end Inventory Management System to accurately track inventory in and out of the NMS.

Health has recently completed a comprehensive planning process to develop a program management plan and associated project management documents to guide and support the implementation of the 2021-22 Budget measure.

Importantly, Health is treating audits No. 22 and No. 39 strategically so the findings and recommendations are being considered together rather than separately which would risk any implementation being disconnected. It should be noted that the work to enhance the NMS takes into account the full scope of work of the NMS which covers both PPE and Australia's Chemical, Biological, Radiological and Nuclear (CBRN) response (which will not be discussed in this submission due to long standing national security considerations).

In May 2021, Health received the Review of the NMS Final Report and Strategy (the Review) as required by the Australian Government in the 2020-21 Budget. The Review is being considered by Government. Health will consider arrangements to provide a copy of the Review to the Committee.

It should also be noted that Health is still actively supporting the COVID-19 response with around 60% of Australia's population currently in lockdown across New South Wales, Victoria, and the Australian Capital Territory (as of 6 October 2021).

Health's plan for each recommendation is outlined at **Attachment B** and recent activities to enhance the operations include:

- Completed the full transition of the NMS's stock to one logistics and warehouse provider. This transition has streamlined the communication activities between Health and its provider, improved the department's ability to accurately track NMS stock holdings and ensured that critical PPE is positioned to respond urgently localised outbreaks.
- Established an NMS Reform Program Board with senior executive members from within Health to guide the program team's implementation activities.
- Begun to draft an NMS strategic plan and an NMS strategic deployment plan that will cover a period of 3-5 years. These plans will be finalised by the end of October 2021 and support the operation of the NMS and baseline its activities over the life of the plan.
- Begun development of long-term governance arrangements of the NMS that includes consideration of how the NMS is managed and interacts with other Australian government departments and agencies as well as NMS recipients.
- Enhancing existing relationships with state and territory health officials, including Queensland, New South Wales and Victoria, to understand lessons learned, how health systems may have changed in response to the COVID-19 pandemic and chart a common vision for working together both in response to the COVID-19 pandemic and in response to future national health emergencies.

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- Begun to enhance the documentation of the NMS's current state which also takes into consideration the lessons learned from COVID-19 including the procurement of PPE and its deployment to new recipients, including:
  - Standard Operating Procedures (SOPs) and process maps for PPE Eligibility deployment, logistics and cost recovery.

## Health's plan for each of the recommendations

### Auditor-General Report No.22 - 2020-21: Planning and Governance of COVID-19 Procurements to Increase the NMS

Recommendations	Health Response	Action to be taken by Health
<b>Recommendation 1:</b> Health business as usual procurement planning be based on an analysis of strategic risks and threats, including a range of potential health emergencies, and the risk to supply chains for stockpiled items, including personal protective equipment.	<p>Agreed.</p> <p>Health's existing risk analysis, including partnering with relevant Government agencies, creates capacity to respond to a wide variety of potential health emergencies, noting the challenge of a novel coronavirus in this case, means by definition the specific pathogen and potential treatment were unknown.</p> <p>Opportunities to consider strengthening these activities will be informed by the review of the NMS, along with other government initiatives, such as the Productivity Commission's review of supply chains.</p>	<p><b>Task Name:</b> Enhanced NMS Planning</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>Complete a strategic review of the NMS to provide guidance on delivering a fit-for-purpose NMS to support Australia's national health emergency response into the future.</li> <li>Engage with domestic and international stakeholders to harness expertise</li> <li>Utilise the findings and recommendations from the review and ANAO audits to enhance and/or develop strategic documents and policies and plans that guide the management of the NMS.</li> <li>Enhance the NMS's governance arrangements to establish external oversight.</li> <li>Take into account any recommendations from reviews/inquiries into the COVID-19 pandemic related to the health emergency management response, including but not limited to planning, procurement, funding, deployment and performance.</li> </ul>
<b>Recommendation 2:</b> Health seek jurisdictional agreement about, and document, the respective objectives of the Commonwealth and state and territory stockpiles and the roles and responsibilities of each jurisdiction, including for stockpiling specific items.	<p>Agreed.</p> <p>Health agrees that it is appropriate that all parties document objectives of their stockpiles. The Commonwealth notes that states and territories retain sovereignty of decision making and autonomy to prioritise on matters of budget. Collaboration will be required.</p> <p>Health will, where appropriate and possible, continue to provide clarity on responsibilities, such as Commonwealth responsibility for chemical, biological, radiological and nuclear items, and jurisdictional responsibilities such as PPE, as per the National Health Reform Agreement.</p>	<p><b>Task Name:</b> Collaborate in Partnership</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>Engage and consult with central agencies, other key Commonwealth departments (e.g. Defence, Home Affairs), and the states and territories on: <ul style="list-style-type: none"> <li>medical stockpile management roles and responsibilities</li> <li>health emergency management planning</li> <li>Funding</li> <li>procurement and contract management</li> <li>logistics and warehousing.</li> </ul> </li> <li>Continue current COVID-19 arrangements for the NMS, including the operation of the NMS Taskforce, one-on-one engagement with the states and territories and deployment of PPE to CMO declared hotspots, for as long as applicable</li> <li>Put considerations for future arrangements based on consultation to Government through the relevant budget process for consideration.</li> </ul>
<b>Recommendation 3:</b> Health establish a mechanism for regular sharing of information between jurisdictions about stockpile inventories that will function in both business as usual and emergency conditions.	<p>Agreed.</p> <p>The Commonwealth agrees that a universal stock holding information system would be beneficial and will progress a comprehensive arrangement with the states and territories.</p>	<p><b>Task Name:</b> NMS Governance and Inventory Management System</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>Enhance current NMS governance arrangements that provide greater clarity around the coordination and clearer discharge of roles and responsibilities between the NMS and inventory recipients.</li> <li>Enhance current NMS inventory management system capabilities to manages the NMS's end-to-end inventory management processes and processes, including recipient confirmation/feedback.</li> <li>Develop the NMS's inventory management system business requirements.</li> </ul>
<b>Recommendation 4:</b> Health put in place a strategic procurement, management and distribution plan for the NMS that includes protocols for emergency procurements.	<p>Agreed.</p> <p>Health agrees that it would be appropriate to put in place expanded documentation to record information in relation to emergency procurements that builds on the recently published ANAO and Department of Finance advice.</p>	<p><b>Task Name:</b> NMS Strategic Procurement Management Plan</p> <p><b>Action:</b></p> <ul style="list-style-type: none"> <li>Enhance the NMS's current policies and processes for NMS procurement for both business as usual and emergency scenarios, that link to other Health and NMS planning documentation.</li> </ul>

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Auditor-General Report No.39 - 2020-21: COVID-19 Procurements and Deployments of the NMS

Recommendations	Health Response	Action to be taken by Health
<b>Recommendation 1:</b> As a component of the protocols for emergency procurements recommended and agreed to in Auditor-General Report No.22 2020-21, Health include protocols for record-keeping that would facilitate reasonable assurance that public resources are being used properly during an emergency procurement.	Agreed.  In line with Health's response to Recommendation 4 of Auditor-General Report No.22 2020-21, Health agrees it would be appropriate to put in place expanded documentation to record information in relation to emergency procurements.	<b>Task Name:</b> Information Management – Record Keeping  <b>Action:</b> <ul style="list-style-type: none"> <li>In line with the work outlined in 2020-21 Report No. 22 Recommendation 4, enhance the NMS's current process, policies and procedures to ensure requirements around record keeping is documented, communicated and well understood by staff.</li> </ul>
<b>Recommendation 2:</b> Health undertake regular deployment drills that test possible deployment scenarios and include all elements of deployment operations.	Agreed.  Health will continue to undertake regular deployment drills and tests of possible scenarios, in partnership with the NMS's logistics provider, that take into account the lessons learned from Health's response to the COVID-19 pandemic and the future requirements of the NMS.	<b>Task Name:</b> NMS Deployment Drills  <b>Action:</b> <ul style="list-style-type: none"> <li>In line with the work outlined in 2020-21 Report No. 22 Recommendation 2, enhance the NMS's current policies and procedures to ensure regular testing and evaluation of the NMS's end-to-end deployment capability.</li> <li>Build in requirements to report drill results and any actions taken through the NMS's governance arrangements.</li> </ul>
<b>Recommendation 3:</b> Health put in place a strategic deployment plan for the NMS that is based on an analysis of risk and is developed in consultation with national health system stakeholders.	Agreed.  In line with Health's response to Recommendation 2 of Auditor-General Report No.22 2020-21, and informed by the review of the NMS, Health agrees it would be appropriate to actively engage and collaborate with stakeholders during a refresh of existing planning and operational documentation.	<b>Task Name:</b> NMS Strategic Deployment Plan  <b>Action:</b> <ul style="list-style-type: none"> <li>In line with the work outlined in 2020-21 Report No. 22 Recommendation 2 and Report No.39 Recommendation 2, refresh the current NMS deployment plan and ensure it takes into account:                             <ul style="list-style-type: none"> <li>the lessons learned from the NMS's response to the 2019/20 Australian Bushfires and the COVID-19 pandemic,</li> <li>an analysis the NMS's risks</li> <li>consultation with NMS recipients and other stakeholders and</li> <li>performance requirements.</li> </ul> </li> </ul>
<b>Recommendation 4:</b> Health develop a performance framework for NMS deployments that includes consideration of logistics providers' and Health's performance in conducting deployments in different emergency scenarios.	Agreed.  In line with Health's response to Recommendation 2, Health agrees it would be appropriate to refresh existing operational documentation, including the continual suitability of performance management processes and procedures used to manage NMS deployments.	<b>Task Name:</b> NMS Deployment Performance Framework  <b>Action:</b> <ul style="list-style-type: none"> <li>In line with the work outlined in 2020-21 Report No.39 Recommendations 2 and 3, Refresh and enhance the NMS's current performance framework and ensure it takes into account the end to end performance analysis of NMS deployments and the process for rectification of issues.</li> </ul>