



Level 1, 187 Featherston Street
PO Box 25103, Wellington 6140

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Stephen McKernan
Director, Health Reform Transition Unit
Department of the Prime Minister and Cabinet
C/O Ernst & Young
2 Takutai Square
Auckland 1140

Stephen.McKernan@nz.ey.com

Attention: Reece Price

Reece.price@dpmc.govt.nz

Dear Stephen

PROBITY AUDIT REPORT – SELECTION OF BOARD MEMBERS FOR THE INTERIM MĀORI HEALTH AUTHORITY AND INTERIM HEALTH NEW ZEALAND

i. Background & Introduction

The NZ Health Reform is being managed by the Health Reform Transition Unit (“HRTU”), within the Prime Minister and Cabinet (“DPMC”). A selected group from within the HRTU (led by Mr Stephen McKernan), in partnership with a Steering Group (chaired by Tā Mason Durie), was given the responsibility to work together to identify potential candidates for the ‘interim boards’ of Health New Zealand (“iHNZ”) and the Māori Health Authority (“iMHA”).

Because of the seniority of those seeking roles on the boards, and those involved in the review and shortlisting process, it was considered likely that reviewers would personally or professionally know many of the candidates. While this was acknowledged to provide advantages in understanding the calibre and capabilities of candidates, it also necessitated careful control to ensure no potential or real conflicts of interest affected decisions in regard to the shortlisted candidates. As a result, the decision was made to include real-time probity audit of any such conflict of interests throughout the process used to identify potential candidates for the iHNZ and iMHA Boards.

We now refer to our Consultancy Services Order (“CSO”) of 22 June 2021, with the HRTU for McHale Group to conduct a real-time (“live”) probity audit and advisory services (“the Services”) engagement over the shortlisting, selection, and recommendation of candidates for the Boards of the iMHA and iHNZ to the Minister of Health.

Our Services covered the provision of real time probity advisory and assurance services, particularly the oral declarations of any potential/real/perceived conflicts of interest by participating persons (“the Reviewers”) from the HRTU and the Steering Group who were directly involved in the assessment, shortlisting, and selection process (“the Selection Process”) of Board candidates (“the Candidates”) for recommendation to the responsible Minister of the iMHA and the iHNZ entities.

We attended all evaluation meetings convened separately by Ta Mason Durie and Stephen McKernan for discussion of Candidates for both the iMHA and iHNZ Boards, attended the Candidate Selection Process interview meetings, Candidate Selection Short List meetings, and held discussions with key Selection Process personnel involved in the management of the Selection Process.

This CSO was completed upon the receipt of the final Aide Memoire briefing document to the Minister of Health headed, “Interim Health NZ and Māori Health Authority Boards: Candidate Selection”, dated 14 July 2021, which we received on 18 July 2021. This detailed the recommended Candidates from the Selection Process for the iMHA and iHNZ Boards, made at the Selection Process Short Listing meetings held respectively on the 10th by the Steering Group and 14th July 2021 by the HRTU Group.

We now provide you with our probity audit report covering the Review and Selection Process up to the point where a recommendation on the “Candidate Selection” to both the iMHA and iHNZ Boards was made to the responsible Minister.

Our work was designed to provide reasonable independent assurance to DPMC from a probity perspective, up to the point where a recommendation on the Candidate Selection List was made to the appropriate Minister, or their delegated authority/ies.

ii. Probity audit Terms of Reference

Following our engagement CSO, we received further details from DPMC in respect of the limited nature of the probity assurance we were required to conduct.

The Terms of Reference for our audit was to confirm to you that:

When presented with the full list of applicants/Candidates for the first time each Selection Process reviewer would declare for each applicant/Candidate:

- ✓ If their spouse or partner, or another person with whom they have a close relationship, could be advantaged or disadvantaged by a decision that they can make, or are in a position to influence.
- ✓ If they are a director, owner, leader, partner or significant shareholder in a business or entity where they have a close relationship with an applicant who is also a director, owner, leader (at board or executive level), partner or significant shareholder in the same entity that could be advantaged or disadvantaged by any decision that they could make or are in a position to influence.

This declaration was to be noted alongside the applicant, and hence forth for any reviewer who had declared “yes” to any of the above questions would physically remove themselves from any discussion in regard to the long and short listing of this particular applicant. In regard to any “grey areas” in relation to the questions then each reviewer would be asked to err on the side of openness and declare this also and step aside from any further involvement.

There might be the occasion where a reviewer felt conflicted (perceived or real) even though answering “no” to any of the questions. In this case the reviewer would be expected to disclose their issue and discuss this with their committee colleagues and would abide by the decision made by colleagues. All reviewers would be aware of all candidates that would move from one stage of the process to the next.

The role of the probity auditor would be to ensure the agreed conflict of interest process that was formally adopted to support the review process is upheld at all times. This is to ensure that the process follows public sector best practice.

As this was a limitation on the standards of probity to which McHale Group normally audits to, it would mean that McHale Group could only give assurance to DPMC in regard to this Terms of Reference.

iii. Activities conducted

We conducted the following real-time probity audit activities:

- ✓ Examined and/or re-familiarised our understanding of the current State Services (now Public Services) Code of Conduct – Standards of Integrity and Conduct, the State Services “Acting in the Spirit of Service – Conflict of Interest” Policy, Office of the Auditor-General’s guidance on Conflicts of Interest, and the DMPC “Conflicts of Interest and Inside Information Policy”, the recently drafted “Conflict of Interest Management Process for those involved in the review/recommendation of applicants to progress to recruiter-led screening for the interim MHA and HNZ Boards”. These are collectively described as the “Conflicts of Interest Policies”. We also reviewed the Candidate Selection List document, dated 14 July 2021.
- ✓ Attended the Selection Process’ Initial Moderation Meeting on 24 June 2021 for the iMHA Candidates, the Selection Process’ Initiation Moderation Meeting on 25 June 2021 for the iHNZ Candidates, the Selection Process’ Shortlisting Moderation Meeting on 1 July 2021 for the iMHA Candidates, the Selection Process’ Candidate interviews for the iMHA on 9 & 10 July 2021, the iHNZ Candidate Selection Short List meetings on 10 & 14 July 2021, and the Selection Process Candidate interviews for the iHNZ on 13 & 14 July 2021. We were the independent auditor to witness and observe of any declarations of a potential/real/perceived conflict of interest verbally by participants in the Selection Process.
- ✓ We also supplied real-time probity comments/advice (in respect of our probity scope) both verbal and written/guidance/recommendations to the Selection Process representatives (involved in the management of the Selection Process) where required for the duration of the Procurement process.
- ✓ Resolved probity queries from the Steering Group members and advisors to the Selection Panel throughout the Selection Process.
- ✓ Held regular discussions with/briefings from/to key personnel involved in the management of the Selection Process and supplied probity advice and guidance (where required) during the process.

iv. Probity Opinion

With respect to our probity scope of work, we were satisfied as to the probity of the Selection Process up to the Candidate Selection List, dated 14 July 2021, where a recommendation on the Candidates for both the iMHA and iHNZ Boards was made in an Aide Memoire to the Minister of Health.

In our opinion, the Selection Process was carried out in accordance with:

- ✓ The Candidate Selection Short List;
- ✓ The current Conflicts of Interest Policies;
- ✓ Our expectations of good public sector probity practice; and
- ✓ Due regard for probity principles.

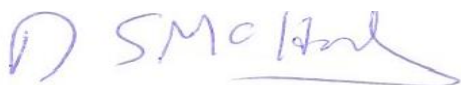
In our opinion, we were satisfied with the Selection Process fully meeting the conflict of interest management process as detailed in the probity audit Terms of Reference detailed above in this report.

Way forward

The issuance of this report completes our real-time probity audit for the shortlisting and selection process of Board candidates for recommendation to the responsible Minister of the interim Māori Health Authority and the interim Health New Zealand entities for the Health Reform Transition Unit, DPMC.

If you have any queries, please do not hesitate to contact me on (04) 496 5580, or your Client Relationship Manager for this engagement, Bill Inglis (Principal) on 027 555 7909.

Yours sincerely



Shaun McHale
Managing Director
McHale Group Limited

CC.

Sue Suckling, Chief Advisor Governance, Health Reform Transition Unit, DPMC,
sue@suesuckling.com