



Mr Lewis Rangott
Executive Director, Corruption Prevention
Independent Commission Against Corruption
GPO Box 500
SYDNEY NSW 2001

Your Ref: Z18/0158
Our Ref: SWD18/99936

Dear Mr Rangott,

In response to your correspondence of 19 September 2018, regarding the plan of action in response to recommendations made in the report: Investigation into the conduct of a principal officer of two non-government organisations and others.

Attached is the South Western Sydney Local Health District's plan of action, in response to recommendations made in the Independent Commission Against Corruption's (ICAC) report into Operation Tarlo. I understand that this action plan will be published on the ICAC's website.

Should you require any further information, please contact Ms Rosemary Pronger, Manager Internal Audit on 8738 5965

Regards

Amanda Larkin
Chief Executive

Date: 24/12/18

cc: Ms Margaret Sutherland, Senior Corruption Prevention Officer, ICAC msland@icac.nsw.gov.au
Compliance Unit, NSW Ministry of Health compliance@doh.health.nsw.gov.au

South Western Sydney Local Health District acknowledges the traditional owners of the land.

South Western Sydney Local Health District's plan of action in response to recommendations made in the *Investigation into the conduct of a principal officer of two non-government organisations and others*

Recommendation 1: That the South Western Sydney Local Health District (SWSLHD), in conjunction with relevant non-government organisations (NGOs), develops additional outcomes-based key performance indicators (KPIs) that reflect the critical objectives of the services that it funds. Where possible, measurement of these KPIs should not be based solely on information self-reported by NGOs.

- Implement the recommendation as described in the report

Implementation of Recommendation:

SWSLHD proposes to meet with all Non-Government Organisations (NGO) funded through the NGO Grant Program between February and June of each year to develop and adopt health outcome based key performance indicators (KPIs).

The review will be performed in stages:

1. A review of the current KPIs
2. Provide training to NGOs on the development of health outcome KPIs
3. Development and determining short to medium term KPIs
4. Development and determining long range KPIs
5. Test, measure and refine new health outcome KPIs
6. Review of evaluation tools and methods
7. All NGOs will have developed, implemented and refined health outcome KPIs within SWSLHD within NGO Grant Program

Responsibility for Implementation:

Director, Strategic Projects.

Timeframes for Implementation

The review of the current KPIs was completed in June 2018.

For stage 2, 85% of NGO's will have attended training on health outcome measures development by 30 June 2019.

For stage 3, 50% of NGOs will have developed health outcome measures KPIs by December 2019.

For stage 4, all NGOs will have developed health outcome measures KPIs by March 2020

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For stage 5 and 6, 85% of NGOs will have tested, refined health outcome KPIs and the evaluation tools and methods by June 2020

For stage 7, all NGO grant Program NGOs will have developed, implemented and refined health outcome KPIs within reporting.

Recommendation 2: That the SWSLHD adopts a coordinated and holistic framework for monitoring its funded NGOs that incorporates and links NGO governance capability, performance measures and financial reporting. This should entail less reliance on self-reported information.

- Implement the recommendation as described in the report

Implementation of Recommendation:

SWSLHD reviews NGO reports as per the NSW Ministry of Health NGO Grant Agreement and NSW NGO Operational Guidelines. This includes annual activity reports; annual audited financial statements and quarterly activity reports and other reporting as required.

SWSLHD meets with each NGO (NGO Executive, Finance representative and/or Board member/s at least once per year

Responsibility for Implementation:

Director, Strategic Projects.

Timeframes for Implementation

Meetings will be held at least once per year with NGOs and their representatives to discuss reporting, KPIs, performance, financial accountability and other issues as required.

Recommendation 3: That the SWSLHD considers allocating additional staff to manage the NGOs it funds. Considerations for setting adequate staffing levels could include the nature of the service, the vulnerability of the client groups, and the potential governance and financial risks that could arise.

- Implement the recommendation as described in the report

Implementation of Recommendation:

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SWSLHD has reviewed the staffing levels which supports the NGO Grant Program. The review took into consideration the potential governance and financial risk. The decision was made to increase the staffing level by 0.4 FTE taking the staffing level to 1 FTE.

Additional support is provided operationally NGO Advisors within Health Departments for Drug Health, Women's Health and Mental Health.

Responsibility for Implementation:

Director, Strategic Projects.

Timeframes for Implementation

An additional 0.4 staff member was recruited in July 2018.

Recommendation 4: That the SWSLHD requires funded NGOs to provide it with copies of audit management letters from external auditors.

- Implement the recommendation as described in the report

Implementation of Recommendation:

SWSLHD continues to request NGOs to provide their annual audited financial statements as well as the management letter and action plan.

All management letters for the 2016/17 financial year have been sighted.

SWSLHD has increased the existing NSW Health audit checklist from 11 to 17 points to provide information regarding their audited financial reports and operations. The additional information includes:

- Copy of the management letter sent to the NGOs by the external auditor
- Certificates of current insurance
- A letter confirming compliance with registrations, accreditations , legislation, criminal records and working with children background checks,
- certificates of accreditation,
- declarations regarding income appeals
- breakdown of repairs and maintenance costs
- conflict of interest register
- ownership of property
- adverse opinion and risk issues

Responsibility for Implementation:

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Director, Strategic Projects.

Timeframes for Implementation

All NGOs will provide all relevant documentation yearly with their audited financial reports.

Recommendation 5: That the SWSLHD conducts an initial, thorough review of its funded NGOs, focusing on financial competence and whether adequate governance arrangements are in place to ensure probity around funding arrangements.

- Implement the recommendation as described in the report

Implementation of Recommendation:

SWSLHD engaged an external consultant to conduct a review of all NGOs funded through the NGO Grant Program. The review covered:

- Governance and Risk Management
- Financial Management
- Clinical/Operational Management

The reviews were conducted in May-August 2018. The reports are being finalised.

In general terms, the findings of the review included some areas for improvement in some of the NGOs:

- NGO policies were out dated or not endorsed
- Business Continuity Plans were not prepared and/or not tested
- Performance appraisals not conducted
- Action items from Board Meetings not followed up and/or completed
- Management letters are not requested from the external auditor
- Weaknesses in financial processes
- No Incident management policy/register

It is proposed that findings of the reviews be feedback to each NGO for them to develop action plans.

Responsibility for Implementation:

Director, Strategic Projects.

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Timeframes for Implementation

The consultant's draft reports were forwarded to each NGO in September 2018. The NGOs provided comment on the status of the recommendations and any action.

Further update on recommended actions and status will be requested from the NGOs in early 2019. SWSLHD will request additional feedback from NGOs not complying by 30 June 2019.

The NGO review will be conducted every 2 years.

Recommendation 6: That the SWSLHD develops risk metrics and conducts regular risk assessments of funded NGOs. The risk metrics should have regard to the risks that small NGOs can be prone to, including:

- limited staff numbers
- perverse incentives to falsify client data, either to enhance reputation or to lobby for increased funding
- volunteer boards with limited time and skills to properly oversight the financial and administrative practices in the NGO and that members of these boards may not be aware of their responsibilities as managers of the CEO and/or other senior staff
- poorly segregated financial practices and controls
- CEO/coordinators with limited skills in managing staff, and in overseeing financial practices and systems.

Implement the recommendation as described in the report

Implementation of Recommendation:

SWSLHD is currently developing a risk metrics which will incorporate the risks identified above.

The risk metric will be tested and when completed will be applied to all funded NGOs annually. The risk metric will be incorporated with the annual review of the financial and performance information submitted by the NGOs.

Responsibility for Implementation:

Director, Strategic Projects and Manager, Risk and Compliance

Timeframes for Implementation

Completion of Risk Metrics by February 2019.

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Testing of the risk metrics tool by April 2019.

Annual review by 31 October 2019.

Recommendation 7: That the SWSLHD checks and, wherever possible, verifies the qualifications, and continued registration (where relevant), of NGO employees. This should adopt a risk-based approach by focusing on qualifications that are:

- mandatory to perform the service
- required for the provision of medical, psychological and allied health services or
- linked to the provision of any other services that could bring risks to the NGOs' clients, and to the NGOs themselves.

These checks could take the form of spot checks, risk-based checks or randomised checks on NGO staff members.

Implement the intent of the recommendation in an alternative way

Implementation of Revised Recommendation:

The NGO review undertaken between March to July 2018 by the external consultant and SWSLHD staff included the interviewing of NGO staff and the confirmation of documentation to determine the existence of processes in place to obtain and maintain external accreditation.

SWSLHD has requested that all NGO Board/Management Committees furnish a letter certifying that all staff have the appropriate qualifications/accreditations. This is to be provided yearly with the audited financial report.

Responsibility for Implementation:

Director, Strategic Projects.

Timeframes for Implementation

The certification letter will be required to be supplied annually with the audited financial reports by 31 October each year.

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Recommendation 8: That the SWSLHD considers requiring funded NGOs to maintain an internal reporting or whistleblowing program that aligns to better practice (such as AS 8004-2003), and/or guidance issued by the NSW Ombudsman. Among other things, this should facilitate reporting directly to the SWSLHD or a similar representative body.

- Implement the recommendation as described in the report

Implementation of Recommendation:

It is proposed that SWSLHD will inform the NGOs of the requirement for them to maintain an internal reporting or whistleblowing program.

SWSLHD will provide links to existing information on whistleblowing procedures and guidelines

Responsibility for Implementation:

Director, Strategic Projects.

Timeframes for Implementation

February 2019

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