

EAP20/3600

Lewis Rangott

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Dear Lewis

Report on implementation of plan of action in response to Operation Tarlo

Thank you for your correspondence of 19 February 2020 to Mr Michael Coutts-Trotter, Secretary of the Department of Communities and Justice (DCJ) about the implementation of the 'FACS plan of action in response to Operation Tarlo'.

The Secretary appreciates the importance of the matters you raise, and he has asked me to reply on his behalf.

DCJ submits the enclosed report in response to your request under Section 111E of the *Independent Commission Against Corruption Act 1988*. The report is an interim report and we acknowledge that a final report is to be submitted within the next 12 months once the final two recommendations have been fully implemented.

DCJ is committed to implementing the recommendations made to the department in the Independent Commission Against Corruption's *'Report on the investigation into the conduct of principal officer of two non-government organisations and others'*, and we welcome any feedback or suggestions you may have in relation to this report.

If you would like more information, please contact me on (02) 9716 2917 or email Eleri.Morgan-Thomas@facs.nsw.gov.au

Yours sincerely



Eleri Morgan-Thomas

Executive Director, Partnerships

Date: 26 March 2020

Encl.

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Department of Communities and Justice report on implementation of plan of action in response to Operation Tarlo

This is an interim report; a further report will be provided in twelve months

Summary

The Department of Communities and Justice (DCJ) is committed to implementing the recommendations made in the Independent Commission Against Corruption’s ‘Report on the investigation into the conduct of principal officer of two non-government organisations and others’. This progress report highlights the achievements made over the last 12 months in implementing the initiatives set out in the plan of action. It demonstrates the continued commitment of DCJ to prevent corruption and misconduct within the department and with its service providers.

Of the four recommendations made to DCJ in the report, two have been fully implemented and the remaining two are on track to be implemented by 2021.

Recommendation 9 – Audit Management Letters

Recommendation 9: That the NSW Department of Family and Community Services (FACS) considers requiring funded NGOs to provide it with copies of audit management letters from external auditors.

DCJ has fully implemented the recommendation as described in the report.

As set out in the plan of action, the recommendation has been implemented in an alternative way. The approach to implementing this recommendation is expected to produce the same outcome without unduly burdening low-risk service providers with administrative paperwork.

| Status | Action Plan item | Progress update |
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| Completed | DCJ will request a copy of the audit management letter in the event where an NGO: <ul style="list-style-type: none"> • is assessed as high or very high under the Annual Accountability Performance and Risk Assessment; or • when an audit of financials, contract management activities, or complaints investigations give rise to serious concerns of financial wrongdoing and/or significant governance issues. | Due to the confidential nature of the audit management letter, DCJ changed its internal process so that: <ul style="list-style-type: none"> • the request can only be made by the Prudential Oversight team following a tier two review and risk assessment under the Prudential Oversight’s <i>Three lines of defence in managing risk in the funded contract management system model</i>. • will only be requested if the Tier 2 review determines that a formal review or audit is required under its contracts; and is agreed to between DCJ and the provider as part of the audit scope To date, there have been no instances that required DCJ’s Prudential Oversight team to request an audit management letter from an NGO. |

Recommendation 10 – Outcome-Based KPIs

Recommendation 10: That FACS, in conjunction with relevant NGOs, develops additional outcomes-based 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.

DCJ has continued to implement the recommendation as described in the report.

| Status | Action Plan item | Progress update |
|-------------|--|---|
| Completed | <p>DCJ Funded Service Performance Reporting Framework which aims to:</p> <ul style="list-style-type: none"> • enable accurate and accessible reports – useful to program and contract managers and services providers to facilitate performance improvement • provide a whole-of-system view of performance – comparable over time, fit to support DCJ's • stewardship functions, accountability requirements and Districts with local planning • guide consistency in central FACS policy and practice • integrate with FACS Performance Management Framework (FACSIAR) and Human Services Outcomes Framework. | <p>The reporting framework was introduced in 2019 and supports DCJ's capability to report on contracted performance of funded service providers. The objective of the framework is to ensure performance of the funded services sector and DCJ is monitored, reported and continually improved.</p> <p>The framework has three key processes:</p> <ol style="list-style-type: none"> 1) Design – design contracted outcomes, performance indicators and reporting approach into program guidelines and funded service provider contracts 2) Report – report on funded services performance against delivering contracted outcomes and use reports to drive performance improvements 3) Apply – apply funded services performance data to inform broader commissioning activities |
| In Progress | <p>Client outcome indicators will be introduced into new homelessness services (SHS) contracts commencing July 2020. In early 2019, FACS will commence work to develop an agreed FACS Performance and Outcome Indicator Framework that is aligned across the human services sector. A white paper for discussion with the human services sector will be developed to assist the Framework's development.</p> | <p>In 2019, DCJ developed the Homelessness Services Outcomes Blueprint in consultation with the Specialist Homelessness (SHS) sector which sets out:</p> <ul style="list-style-type: none"> • How outcomes will be measured and how the information will be used in contract management • Who is accountable for the outcomes • How outcomes information will be used to promote accountability and to plan outcome improvement <p>The Blueprint sets out the approach where DCJ will work with SHS providers to introduce and implement outcomes measurement and reporting. Feasibility of the outcomes measures were then piloted across NSW with 17 SHS service providers to provide guidance on incorporating outcomes measures into the new Human</p> |

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| | <p>Services Agreements. The pilot concluded June 2020 and the final report is found at https://www.facs.nsw.gov.au/providers/homelessness-services/outcomes/OBCPilotEvaluationReport</p> <p>In October 2019, the Minister for Families Communities and Disability Services, announced the recommissioning for outcomes process would now include a 12 month continuation of existing SHS contracts to allow service providers to build their capacity in a number of areas, including progressing towards implementing processes to report on outcomes.</p> <p>Before this 12 month period commences in July 2020, DCJ will consult with specialist homelessness services to finalise the <i>Outcomes Framework</i>. The framework will:</p> <ul style="list-style-type: none"> • reflect the critical objectives of the services funded to deliver SHS. • include measurement of outcomes based on qualitative, quantitative and subjective client data as well as objective output data. • integrate with the DCJ Performance Management Framework (FACSIAR) and Human Services Outcomes Framework (HSOF). |
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Other Highlights include:

Funded Contract Management Framework

- DCJ is committed to continually improving its process for contract managers and oversight. In 2019, DCJ updated its funded contract management intranet and webpages to provide a clearer understanding to contract managers and service providers as to what is expected of them. Examples of revised resources include:
 - *Working together: charter for funded contracting*. The charter demonstrates DCJ's commitment to a partnership that's focused on achieving better outcomes for individuals, families and communities. The charter can be found at <https://www.facs.nsw.gov.au/providers/funded/framework/charter>
 - *Funded contract management overview*. The document describes how DCJ delivers contract management and how the framework contributes to commissioning for better outcomes in NSW. The framework overview can be found at <https://www.facs.nsw.gov.au/download?file=644170>

Agreement for Funding of Services - Human Services Agreement (HSA)

- The HSA was revised in October 2019 to improve alignment with the DCJ Commissioning Framework.

- The HSA now allows for performance based measures with the addition of milestones and implementation plans to capture outcomes and Key Performance Indicators (KPIs). It also provides scope to link these outcomes to incentives and abatements.
- The departments funded Program Guidelines have been renamed Program Specifications as they are now an attachment to the HSA Schedule, making them contractually binding.
- Program Specifications outline requirements for how contracted outcomes are to be measured and how service providers will demonstrate the achievement of those outcomes.

Home and Healthy outcomes rate card

- \$20 million of new funding was allocated under the Homelessness Strategy for a social impact investment to reduce exits from government institutions into homelessness.
- Mission Australia was awarded the contract to deliver the Home and Healthy program which aims to reduce exits from health facilities into homelessness.
- This program is Australia’s first Social Impact Investment developed using an outcomes rate card.
- There are nine outcomes that attract payments – broadly grouped into ‘achievement of stable housing’ and ‘improved education and employment’.
- The evaluation will consider program elements beyond the nine outcomes, including the Personal Wellbeing Index. This is especially important to build evidence for possible future payments on wellbeing.

Recommendation 11 – Qualifications and Registrations

Recommendation 11: That FACS considers, as part of its ongoing review of its contract governance framework, implementing checks and (wherever possible) verifying qualifications, and continued registration (where necessary) of NGO employees.

DCJ has continued to implement the recommendation as described in the report.

| Status | Action Plan item | Progress update |
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| In progress | DCJ Specialist Homelessness Service Program (SHS) will implement the Australian Service Excellence Standards (ASES) quality framework owned by the South Australian Government Department of Human Services for all existing and new SHS service providers by 30 June 2023. | Existing SHS providers are contracted until 30 June 2020. The recommissioning approach includes a 12 month continuation of current contracts followed by a transition from the Funding Deed to the HSA for eligible services. Contracts will range from three-to-five years commencing from 1 July 2021, subject to service providers meeting key expectations. One of the key expectations during this 12 month period, is that relevant service provider personnel must continue their progress towards gaining Australian Service Excellence Standards (ASES) accreditation. DCJ is developing communication resources for its service providers to ensure readiness for the new contracts. |

Other highlights include:

Agreement for Funding of Services - Human Services Agreement (HSA)

- From 1 July 2020, DCJ will renegotiate 908 DCJ contracts using the new HSA. The new contracts require funded service providers to have improved systems in place that ensure only appropriately trained, qualified and experienced Personnel who hold all legally required authorisations, accreditations, permits and clearances necessary are employed to deliver the contracted services.

Annual Accountability Process

- DCJ can request evidence that proper probity checks on all personnel were carried out as part of the service providers annual accountability declaration.
- This requirement in the declaration was introduced for annual accountability 2018-19.

Recommendation 12 – Whistleblowing

Recommendation 12: That FACS 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 FACS or a similar representative body.

DCJ has fully implemented the recommendation as described in the report.

| Status | Action Plan item | Progress update |
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| Completed | Update the <i>Funded Contract Management Framework</i> to include <i>Contracting Issues and Complaint Procedures</i> that provide an overview of the requirements for an effective complaints mechanism, including for a whistleblowing program that aligns with the requirements of this recommendation | DCJ implemented this recommendation in December 2018 as described in the report. In accordance with DCJs continual improvement process, in September 2019, the department updated its <i>Contracting Issues and Complaints</i> procedure in the <i>Funded Contract Management Framework</i> procedures to improve its contract managers understanding on how to manages complaints and handle misconduct allegations. In addition, DCJ introduced the <i>Protecting whistleblowers-responsibilities of funded service providers</i> webpage for service providers. This can be found at https://www.facs.nsw.gov.au/providers/funded/resources/issues-and-complaints/protecting-whistleblowers . The webpage explains the department's obligations and the obligations of the service provider when a whistleblower exposes corrupt conduct. |