



SWD20/3907
Your Ref: Z18/0158

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

Dear Mr Rangott

**Re: Plan of action to implement corruption prevention recommendations made in the report:
Investigation into the conduct of a principal officer of two non-government
organisations and others (Operation Tarlo)**

In response to your correspondence dated 14 January 2020 requesting a 12 month progress report for the implementation of the above Action Plan.

Please find attached the 12 month progress report. South Western Sydney Local Health District is of the opinion the plan of action has been fully implemented. I understand that this information 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: 12/2/20

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

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

South Western Sydney Local Health District's report on implementation of plan of action in response to Operation Tarlo

√ This is a final report; the plan of action is fully implemented

Report: (Final)

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.

This recommendation was fully implemented by December 2019

By December 2018, SWSLHD had completed a review of NGO KPIs and in collaboration with NGOs developed and adopted Health Outcomes based KPIs.

In September 2018, all NGOs were provided with access to the *NSW Human Services Outcome Framework Guide* which provided practical steps for adopting an outcome focused approach.

Health Outcome training was also provided to NGOs during two SWSLHD NGO Forums during 2018 and 2019. 95% of NGOs attended this training in 2019.

SWSLHD meets with all Non-Government Organisations (NGO) funded through the NGO Grant Program between February and June of each year to develop, adopt and/or monitor health outcome based and service activity key performance indicators (KPIs). These changes are then embedded into quarterly and yearly reporting. These KPIs assess short term, medium and long term programs.

As at 31 December 2019, all NGOs have developed, implemented and refined their KPIs for 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.

This recommendation was fully implemented in September 2019

Sensitive

SWSLHD reviews NGO reports as per the NSW Ministry of Health NGO Grant Agreement/ Administration of NSW Health Grant Funding for Non-Government Organisations Policy and NSW Health NGO Operational Guidelines. This includes annual activity reports; annual audited financial statements and quarterly activity reports and other reporting as required.

SWSLHD NGO Managers meet with senior NGO staff and representatives at least twice per year to discuss KPIs, performance, financial accountability and any other issues.

All NGOs report by the 30 October their governance, strategic and business planning, policies and procedures, data management, workplace and risk management process, quality improvement governance, management and performance each year utilising the attached SWSLHD Quality Improvement and Program Activity Checklist.

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.

This recommendation was fully implemented in July 2018.

SWSLHD reviewed the staffing levels which supports the NGO Grant Program. The review took into consideration the potential governance and financial risk. In July 2018 staffing level was increased by 0.4 FTE taking the staffing level to 1 FTE.

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

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

This recommendation was fully implemented by March 2019

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

By the 30 October each year all NGOs provide the audit management letter with their audited financial reports and other reports and is included within the SWSLHD Quality Improvement and Program Activity Checklist.

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.

This recommendation was fully implemented in August 2018

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SWSLHD engaged an external consultant to conduct a review of all NGOs funded through the NGO Grant Program. Reviews were conducted between May-August 2018. The review covered:

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

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

99% of NGOs have fully complied with the OCM review recommendations.

One NGO is due to complete its business continuity plan and review its existing annual appraisal system by 30 June 2020 the NGO Board has written to confirm this action's completion and timeframe.

It is planned that future NGO reviews will be conducted aligned to NGO external accreditation reviews with documentation sighted by SWSLHD. Reviews will be conducted based on the duration of the contract.

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 oversighting financial practices and systems.

This recommendation was fully implemented in November 2019

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Commencing in November 2018, SWSLHD developed a risk matrix tool in collaboration with SWSLHD Risk and Policy Unit; Internal Audit Department and Clinical Innovation Business Unit.

The developed risk matrix tool was preliminary tested in April 2019 against historical audited financial reports.

The final risk matrix tool was tested in November 2019 on all 2018/19 NGO audited financial reports, quarterly activity reports and other reporting.

The attached Risk Matrix Tool is incorporated as an annual review tool conducted by SWSLHD NGO Grant Managers against NGO yearly reporting to assess and manage any risk matters with the NGO.

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.

This recommendation was fully implemented in August 2018.

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

All NGO Board/Management Committees provide a letter to SWSLHD certifying that all staff have the appropriate qualifications/accreditations. This is provided annually with the audited financial reports by 31 October and checked off in the SWSLHD Quality improvement and Program Activity Checklist.

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.

This recommendation was fully implemented in November 2019

In November 2019, NGOs attended the SWSLHD NGO Forum and were informed of the process and their responsibilities regarding the Whistle-Blower Policy. The presentation was conducted by the Office of NSW Ombudsman.

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In January 2020 all NGOs were provided with the NSW Health, Public Interest Disclosures Policy (PD2016_27), and a listing of Public Interest Disclosure Officers within SWSLHD. Both SWSLHD NGO Grants Managers have been trained to be Public Interest Disclosure Officers.

NGOs were notified to table this information with their Board/Management Committee and discuss with their staff. Compliance to this request will be checked within their scheduled reviews.

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