

# **ACT Auditor-General's Office**

## **Performance Audit Report**

### **Management of Funding for Community Services**

**Report No. 8 / 2013**

**Community Services Directorate  
Economic Development Directorate  
Health Directorate**

**December 2013**





ACT AUDITOR-GENERAL'S OFFICE



PA 12/10

Mrs Vicki Dunne MLA  
The Speaker  
ACT Legislative Assembly  
Civic Square, London Circuit  
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled '**Management of Funding for Community Services**' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely

Dr Maxine Cooper  
Auditor-General  
20 December 2013



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# 1. REPORT SUMMARY AND CONCLUSIONS

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## INTRODUCTION

- 1.1 This report presents the results of a performance audit that examined the management of funding for community services.
- 1.2 To support achievement of its policies, the Government implements a range of services and programs. In some cases, funding is provided to non-government organisations or individuals to assist in the delivery of these services and programs. In this audit, this is referred to as *funding for community services*.
- 1.3 In 2012-13 Directorates reported funding \$139 million for community services.
- 1.4 The Government uses three main types of funding for community services:
- Service Funding Agreements. The procurement of goods, services, works or property by a Government agency from a consultant or contractor by purchase, lease, rental or exchange must be in accordance with the *Government Procurement Act 2001*. Procurements include Service Funding Agreements with a non-government organisation for delivery of services;
  - Grants. A grant is a sum of money given by the Government to a recipient as a gift for a specified purpose to enable the recipient to achieve goals and objectives that are consistent with Government policy; and
  - Sponsorships. Under sponsorship arrangements, the Government:
    - provides money to recipients to enable them to conduct a particular event or activity in return for which the Government receives sponsorship rights; or
    - receives money from an entity for the purpose of an activity and in return the Government provides certain promotional or publicity rights to that entity.
- 1.5 Sponsorships were not considered in this audit as they are small in number and value compared with grants and Service Funding Agreements.
- 1.6 Three Directorates' management of funding for community services have been examined: the Community Services, Economic Development and Health Directorates. Management of eighteen contracts and grants in seven programs, with a combined value of \$22.092 million, has been examined in detail.

## AUDIT OBJECTIVE

- 1.7 This audit provides an independent opinion to the Legislative Assembly on whether the selected Directorates have effective controls and procedures for managing funding for community services.
- 1.8 This opinion is based on conclusions against the following criteria:
- whether appropriate governance arrangements are in place for the services and programs audited;
  - whether there is integration of the required outcomes and deliverables of funding agreements with policy or legislative requirements; and
  - whether funding administration arrangements are in place to support the achievement of value for money.

## AUDIT CONCLUSIONS

- 1.9 The audit conclusions are set out below.

The Community Services Directorate has comprehensive governance and administrative arrangements, and its processes explicitly align guiding legislation, policies and plans with grants and Service Funding Agreements. This provides the foundation for the Directorate to manage funding for community services efficiently and effectively.

The Health Directorate has a sound foundation to manage funding for community services efficiently and effectively. Improvements should be made in the Directorate's risk assessments, documentation of strategic planning for delivery models, and use of standardised reporting templates for Service Funding Agreements.

The Economic Development Directorate's management of funding for community services was predominantly sound, with some improvements required. The Directorate needs to ensure compliance with procurement regulations to support open and effective competition in tendering. It also needs to explicitly consider and manage the conflict of interest arising from the Director-General's role as the key decision maker over Tourism and his membership of the Canberra Convention Bureau's board of management. Improvements should be made in the Directorate's risk assessments, strategic planning for delivery models, and use of standardised reporting templates for Service Funding Agreements.

The Community Services Directorate's arrangements could serve as a model for other directorates.

### **Governance arrangements (Chapter 3)**

Appropriate governance arrangements for funding community services are in place. Improvements to these can be made by:

- a greater sharing of knowledge through the promotion of the Funding Managers Network and the inclusion of grants in its terms of reference;
- assessing the merits of having formal training for funding managers;
- risk assessments informing grant payment instalment arrangements;
- enhancing strategic planning for service delivery models; and
- standardised reporting templates being specified in all Service Funding Agreements.

The Economic Development Directorate needs to explicitly consider and manage the conflict of interest in the Director-General being the key decision maker over Tourism and a member of the Canberra Convention Bureau's board of management.

### **Alignment with Government policy (Chapter 4)**

Each audited Directorate has defined legislation, policies and plans to guide the delivery of community-based services.

Applications for grants and Service Funding Agreements articulated how they would meet the guiding legislation, policies and plans. This alignment in the Community Services and Health Directorates was aided by sub-sector plans for Service Funding Agreements and grant funding selection criteria.

However, only the Community Services Directorate had frameworks which integrated guiding legislation, policies and plans with programs for funding for community services. These frameworks articulated priorities for Service Funding Agreements.

The *Mental Health Service Plan 2009-2014* provides direction for the delivery of the Health Directorate's Mental Health Services program. There is a need to better articulate the alignment between this Plan and individual Service Funding Agreements in a systematic manner across the Mental Health Services program.

No sub-sector plan was prepared for the Economic Development Directorate's Australian Capital Tourism's General Assistance Funding program. No alternative mechanism to ensure alignment of broad policy directions with Service Funding Agreements was identified.

### **Funding administration (Chapter 5)**

Funding administration arrangements are in place to support the achievement of value for money. However, given that there is a strong focus on a 'one Government' approach, extending the use of a web-based system to manage all grant applications across Government needs to be assessed. Web-based systems have the potential for making grant management more efficient.

## KEY FINDINGS

1.10 The audit conclusion is supported by the following key findings.

### Governance arrangements (Chapter 3)

- 1.11 The audited Directorates have assigned roles and responsibilities to branches, sections and staff members accountable for the oversight and management functions of each of the community services funding programs considered.
- 1.12 While this is the case, the Economic Development Directorate directly administers funding to the Canberra Convention Bureau, and the Director-General is the Government's representative on the Bureau's board of management. This presents a conflict of interest and there is no evidence that this had been explicitly considered and managed.
- 1.13 The Community Services and Health Directorates' internal audit committees actively oversight the management of funding for community services. The Economic Development Directorate's Audit Committee has not conducted any internal audits on community services funding management. No such audits are currently identified on the Committee's forward audit program as the program is focussed on other compliance issues and risks.
- 1.14 There is considerable consultation between the audited Directorates and funded parties for programs delivered under Services Funding Agreements. Consultation on Deeds of Grant occurred for all of the audited grant programs, but is more limited than for Services Funding Agreements, reflecting the lower funding for many grants programs. Consultation and communication across Government could be improved by expanding the membership of the Funding Managers Network.
- 1.15 There is generally sound risk management at a program level, however, risk assessment and management at an individual provider level is limited in the Health and Economic Development Directorates.
- 1.16 The audited Directorates' services and programs have guiding legislation, policies and plans. The Community Services Directorate has developed frameworks outlining its programs' service delivery model, however, the Care and Protection Services framework is out of date and under review. Similar frameworks were not evident in the Health or Economic Development Directorates.
- 1.17 Performance monitoring and acquittal processes were implemented in all but one of the audited Deeds of Grant and Service Funding Agreements. However, as only the Community Services Directorate uses standard reporting templates, there is an inconsistent approach to performance monitoring across Government.

- 1.18 Each Directorate had formal processes for the review and evaluation of the audited programs. The *Health Promotion Grants Program Evaluation Framework* represents better practice.

#### **Alignment with Government policy (Chapter 4)**

- 1.19 All audited Directorates had developed, or were developing, detailed frameworks and internal procedure guides to support each of the audited grants programs. These guides outline the grant selection and decision making processes.
- 1.20 Deeds of Grant in all the audited Directorates had defined deliverables and performance indicators. Each of the audited Directorates used the selection criteria responses from the grant applications as a guide to define Deed of Grant deliverables. This use of selection criteria responses ensures alignment.
- 1.21 Integration between broad policy directions and specific funding decisions, through the use of sub-sector funding plans, was evident for the audited Service Funding Agreements in the Community Services and Health Directorates.
- 1.22 The Community Services Directorate programs have developed overarching service delivery frameworks which bring together key Acts, policies and plans and the context for service provision. This provides an integrated context for guiding how the programs will be delivered.
- 1.23 The *Mental Health Service Plan 2009-2014* provides direction for the delivery of the Health Directorate's Mental Health Services program. However, the alignment between the Plan and individual Service Funding Agreements was not clearly articulated.
- 1.24 The Economic Development Directorate's Australian Capital Tourism's General Assistance 2010 Service Funding Agreement with the Canberra Convention Bureau did not contain Government-approved outputs, outcomes and key performance indicators, or align with the *Australian Capital Tourism Strategic Framework – 5 year plan*.
- 1.25 The Directorate and Canberra Convention Bureau agreed an updated Funding Agreement on 24 October 2013, after audit fieldwork had been completed. Schedule 2 of the new Funding Agreement has improved the alignment of this agreement with Tourism's strategic plan. It also provides more precise performance indicators.

#### **Funding administration (Chapter 5)**

- 1.26 There was no evidence of impropriety or unethical behaviour in Directorates management of funding for the audited Service Funding Agreements or Deeds of Grant.

- 1.27 Measures are in place to promote probity and ethical behaviour, including:
- engaging panels of external experts to assess grant applications, and requiring all panel members to sign confidentiality and conflict of interest declarations;
  - segregation of duties throughout the funding process; and
  - transparent publication of funding for community services in directorate annual reports.
- 1.28 All of the audited Directorates' grants processes operated under a competitive and merit-based selection process. Competition was facilitated by publically calling for applications for each of the grant programs and having applications independently assessed or evaluated.
- 1.29 Unlike the Community Services and Health Directorates, the Economic Development Directorate's InnovationConnect guidelines do not specifically reference probity. Nonetheless, the processes used by the Directorate in the selection of applications were similar to those used by the Community Services and Health Directorates. It would be appropriate for the Directorate's processes to explicitly address probity matters.
- 1.30 The Directors-General of the Community Services and Health Directorates had formally agreed to the single-select procurement method for each of their audited Service Funding Agreements.
- 1.31 Single-select procurement was also used for Service Funding Agreements under Tourism's General Assistance Funding program. The Economic Development Directorate's Director-General had not formally approved 'exemption from quotation and tender requirements' for this procurement, as required by the *Government Procurement Regulation 2007*.
- 1.32 The Community Services Directorate's Key Arts Organisation Funding program and the Health Directorate's Community Funding Round's grants management processes are supported by a web-based system, which was implemented in 2012-13.
- 1.33 The Economic Development Directorate's InnovationConnect program does not use web-based processes to support the handling of audited grant applications. On 3 December 2013, the Directorate advised it has begun using a Customer Relationship Management application to support electronic management of grant applications.

## RECOMMENDATIONS

- 1.34 The audit has made ten recommendations to address the audit findings.
- 1.35 In accordance with Section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Directors-General of the Community Services, Economic Development, and Health Directorates for consideration and comment. The Directors-General's responses are as follows.

### Community Services Directorate response

*The Community Services Directorate advises that there are no factual errors to draw to your [the Auditor-General's] attention.*

### Economic Development Directorate response

*The Economic Development Directorate advises that there are no factual errors to bring to your [the Auditor-General's] attention.*

### Health Directorate response

*ACT Health advises that there are no factual errors to bring to your [the Auditor-General's] attention.*

- 1.36 The audit recommendations are shown below.

#### Recommendation 1

The Economic Development Directorate should explicitly consider and manage the conflict of interest arising from the Director-General's role as the key decision maker over Tourism and his membership of the Canberra Convention Bureau's board of management.

#### Recommendation 2

The Funding Managers' Network should be promoted across Government and its terms of reference expanded to include grant programs.

#### Recommendation 3

The Health Directorate should include in its grants procedures a requirement to undertake a risk assessment of grant recipients and reflect the level of risk in payment instalment arrangements.

**Recommendation 4**

The Community Services Directorate should continue reviewing the *ACT Out of Home Care Framework 2009-2012* and complete this by June 2014.

**Recommendation 5**

The Economic Development Directorate should develop a Service Delivery Framework for the Australian Capital Tourism's General Assistance Funding program to identify:

- a) relevant policies and plans;
- b) key policy objectives;
- c) communication protocols with key stakeholders;
- d) outcomes for the program;
- e) the funding model and procurement processes; and
- f) each individual service within the program (service design) and the service delivery model.

**Recommendation 6**

The Health Directorate should enhance its service delivery and design for its Mental Health Services through formalising its consideration of service design.

**Recommendation 7**

Service Funding Agreements should be amended to include a standard reporting template which, among other things, specifies the relationship between key performance indicators, outputs and outcomes.

**Recommendation 8**

The Economic Development Directorate should include guidance on managing probity matters in its grant management processes.

**Recommendation 9**

The Economic Development Directorate should comply with mandatory requirements under Section 10 of the *Government Procurement Regulation 2007* by the Director-General formally approving all 'exemption from quotation and tender requirements' for Service Funding Agreements under the Australian Capital Tourism's General Assistance Funding program.

**Recommendation 10**

The ACT Government should assess the appropriateness of extending the use of a web-based grant program to manage all grant applications across Government.



## 2. BACKGROUND

- 2.1 Funding for community services is provided by all ACT Government directorates except the Commerce and Works Directorate, as outlined in Table 2.1. In 2012-13, Directorates' funding for community services ranged from \$0.205 million in the Education and Training Directorate to \$108.200 million in the Community Services Directorate (40 per cent of its total expenditure).
- 2.2 Over the last decade, this funding has grown considerably. In their 2012-13 annual reports, Directorates reported combined funding of \$139.146 million for community services through grants, assistance and sponsorships. The Audit Office estimates that about \$30 million of further funding for community services is reported as Government contracting.

**Table 2.1: Directorate funding for community services (2012-13)<sup>1</sup>**

Directorate	\$million	Funded programs	Grants and agreements
Community Services	108.200	41	940
Economic Development	21.454	11	288
Territory and Municipal Services	2.672	16	95
Environment and Sustainable Development	2.087	6	44
Health	1.795	5	74
Chief Minister and Treasury	1.785	7	83
Justice and Community Safety	0.948	21	21
Education and Training	0.205	1	11
Commerce and Works	0	0	0
<b>Total</b>	<b>139.146</b>	<b>108</b>	<b>1,556</b>

Source: Audit Office compilation of information in Directorate annual reports

- 2.3 In 2012-13 this funding covered 108 services and programs across Government through 1,556 individual agreements. Many agreements are small, including some for as little as \$100. The largest agreement was for \$4.080 million.

<sup>1</sup> Reporting on community grants, assistance and sponsorships is required under the *Annual Reports (Government Agencies) Notice 2013* section C.16 (Community Grants/Assistance/Sponsorships). This reporting captures a significant proportion of funding for community services, but not all.

The Community Services Directorate's 2012-13 Annual Report includes a breakdown of funding for community services through Services Funding Agreements, grants and sponsorship. However, this practice is applied inconsistently across Directorates. While all grants and sponsorship activities are reported by Directorates under this Annual Report section, community assistance in the form of contracts (Service Funding Agreements) may be reported under *Annual Reports (Government Agencies) Notice 2013* section C.15 (Government Contracting). In particular, the Health Directorate provides a high level of funding for community services which it reports under section C.15. The *ACT Health Strategic Sub-Sector Plan – 01 July 2010 to 30 June 2013* identified an estimated \$90.608 million in funding for community services through 57 Service Funding Agreements over three years.

2.4 Three Directorates have been chosen as the focus of this audit: Community Services, Economic Development and Health. These Directorates provide the largest funding for community services.

2.5 For each Directorate, the audit considered one grants program and one Service Funding Agreement program, as outlined in Table 2.2. Given the level of funding managed by the Community Services Directorate, an additional Service Funding Agreement program was chosen. Programs were selected based on their financial materiality.<sup>2</sup>

2.6 For the Community Services Directorate:

- the Care and Protection Services' Out of Home Care program:

provides accommodation for children and young people who are unable to continue living with their parents either temporarily or for the longer term, in alternate home based care (foster care or kinship care) or residential care settings. The OOH [Out of Home Care] program also provides community referred respite places and advocacy and support services for foster and kinship carers, and children and young people in care.<sup>3</sup>

- through Social Housing and Homelessness Services:

the ACT Government funds a range of non-government community organisations to provide services to people on low incomes, families, people in crisis and people and families who are homeless or at risk of experiencing homelessness. All funded services are required to be accessible and responsive to people from culturally and linguistically diverse backgrounds and to Aboriginal and Torres Strait islander People;<sup>4</sup>

- the ACT Arts Fund is:

one of the most significant ways in which the ACT Government invests in the arts. [It seeks to] contribute to the ACT Government's commitment to ensuring that the ACT continues to be rich in arts activities and experiences that creatively engage, challenge and inspire the community.<sup>5</sup>

Within the ACT Arts Fund,

Key Arts Organisation Funding is available to support arts organisations that provide critical arts infrastructure in the ACT through high quality programs, services and/or facilities.<sup>6</sup>

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<sup>2</sup> While more funding was provided for community-based delivery of disability services (\$35.196 million in 2012-13) than for delivery of care and protection or social housing services, this program was excluded from audit selection. Significant changes to the delivery model for disability services through the National Disability Insurance Scheme could limit the relevance of audit consideration of this funding program.

<sup>3</sup> Community Services Directorate, *ACT Out of Home Care (OOHC) Framework 2009-2012*, 2009 (page 3).

<sup>4</sup> Community Services Directorate, *2010 Strategic Sub-Sector Plan: Social Housing and Homelessness Services*, May 2010.

<sup>5</sup> [www.grants.act.gov.au/city\\_terr\\_grants/the-act-arts-fund](http://www.grants.act.gov.au/city_terr_grants/the-act-arts-fund)

<sup>6</sup> [www.arts.act.gov.au/funding/types-of-funding/Key-Arts-Organisation-Funding](http://www.arts.act.gov.au/funding/types-of-funding/Key-Arts-Organisation-Funding)

Table 2.2: Selected services and programs

Directorate	Selected Service Funding Agreement programs		Selected Deed of Grant programs	
	Program	Funded amount	Program	Funded amount
<b>Community Services</b>	Funding for community-based delivery of Care and Protection Services – Out of Home Care	\$29.646 million funding in 2012-13 (27 per cent of the Directorate's reported funding for community services)	Funding for community-based delivery of Arts Policy, Advice and Programs (through the ACT Arts Fund – Key Arts Organisation Funding)	\$8.239 million funding in 2012-13 (8 per cent of the Directorate's reported funding for community services)
	Funding for community-based delivery of Social Housing Services	\$22.225 million funding in 2012-13 (21 per cent of the Directorate's reported funding for community services)		
<b>Economic Development</b>	Funding for community-based delivery of Tourism services	\$2.295 million funding in 2012-13 (11 per cent of the Directorate's reported funding for community services)	Funding for business development services (through the InnovationConnect program)	\$0.897 million funding in 2012-13 (4 per cent of the Directorate's reported funding for community services)
<b>Health</b>	Funding for community-based delivery of Mental Health Services	Over \$10 million funding in 2012-13 (35 per cent <sup>7</sup> of the Directorate's funding for community services via Service Funding Agreements)	Funding for health promotion programs and projects (through the Community Funding Round)	\$0.914 million funding in 2012-13 (51 per cent of the Directorate's reported funding for community services)

Source: Audit Office based on information in Directorate annual reports and *ACT Health Strategic Sub-Sector Plan – 01 July 2010 to 30 June 2013*

<sup>7</sup> *ACT Health Strategic Sub-Sector Plan – 01 July 2010 to 30 June 2013* identifies \$31.692 million (over \$10 million per annum) of funding for mental health services over the three years 2010-2013.

### 2.7 For the Economic Development Directorate:

- the Australian Capital Tourism's General Assistance Funding program seeks to further:

the principal aim of Australian Capital Tourism [...] to increase the economic value of tourism to the ACT. It achieves this through targeted and innovative marketing and delivering memorable experiences in partnership with industry and government that contribute to a sustainable future for the region;<sup>8</sup>

- InnovationConnect provides funding in line with Government's policy of supporting innovation and diversifying the private sector. The program is:

designed to assist Canberra-based businesses develop innovative products and services. The program's aim is to accelerate the creation of investment ready companies and entities.<sup>9</sup>

### 2.8 For the Health Directorate:

- the Government provides mental health services funds to support:

the growth and development of the consumer and carer sector and the community mental health sector which play a pivotal role in the provision of mental health services in the ACT;<sup>10</sup>

- the Community Funding Round:

aims to support activities related to the promotion of good health in general and the prevention of chronic disease with a particular focus on reducing health inequalities.<sup>11</sup>

the Community Funding Round is for applications for activities that improve population health outcomes around National Partnership Agreement on Preventive Health (NPAPH) identified 'SNAP' priorities (i.e. Smoking, Nutrition, Alcohol and Physical activity).<sup>12</sup>

2.9 As outlined in Table 2.3, between two and four grants or Service Funding Agreements were selected for each program as part of the Audit Office's consideration of each Directorate's management systems and administrative practices.

2.10 The grants and Service Funding Agreements considered as part of this audit were all executed between 2009-10 and 2012-13, and included some still in operation and some for which funding had ceased. This allowed consideration of all stages in the management of grants and Service Funding Agreements: establishment, implementation, management, conclusion and evaluation.

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<sup>8</sup> Economic Development Directorate, *Australian Capital Tourism: Five year strategic plan 2009-13*, 2009

<sup>9</sup> Economic Development Directorate, *InnovationConnect Guidelines and Frequently Asked Questions (FAQs)*, April 2013

<sup>10</sup> Health Directorate, *ACT Mental Health Services Plan 2009-2014*, June 2009

<sup>11</sup> Health Directorate, *The ACT Health Promotion Grants Program: 2011-12 Community Funding Round Funding Guidelines – Supporting people in the ACT Community to live a healthy, active life*, 2010

<sup>12</sup> Health Directorate, *Discussion paper: Future directions of the ACT Health Promotion Grants Program*, February 2013

- 2.11 To enable consideration of funding management practices for different levels of funding, selected grants and Service Funding Agreements considered as part of this audit ranged from \$10,000 to \$4.884 million.
- 2.12 Further, within each Directorate, at least one grant or agreement was selected where there were known difficulties with service delivery or reporting.<sup>13</sup> This allowed assessment of funding management under more testing circumstances.

**Table 2.3: Audited Service Funding Agreements and Deeds of Grant**

Program focus	Audit selection		
	Organisation	Amount	Contract term
<b>Deed of Grant programs</b>			
Community Services Directorate: ACT Arts Fund - Key Arts Organisation Funding	Canberra Symphony Orchestra	\$1,450,500	5 years from 1 January 2009
	QL2 Centre for Youth Dance Inc	\$1,404,500	5 years from 1 January 2009
Economic Development Directorate: InnovationConnect	Sports Wizard	\$10,000	2011-2012
	Cloud Central	\$50,000	2011-2012
	MyTribes	\$40,000	2011-2012
	ScienceAlert	\$50,000	2012-2013
Health Directorate: Community Funding Round	National Brain Injury Foundation	\$90,361	2011-2012
	ReLink Australia – Neighbourhood Garden Project	\$95,204	2011-2012
<b>Service Funding Agreement programs</b>			
Community Services Directorate: Care and Protection Services – Out of Home Care	Barnardos Foster Care	\$4,807,439	3 years from 1 July 2010
	Richmond Fellowship ACT Inc. Residential Care	\$4,884,287	3 years from 1 July 2010
Community Services Directorate: Social Housing Services	Domestic Violence Crisis Services	\$1,957,735	2 years from 1 July 2010
	Toora Inc.	\$1,751,262	3 years from 1 July 2009
Economic Development Directorate: Australian Capital Tourism General Assistance Funding	Canberra Convention Bureau	\$1,443,690	3 years from 1 July 2010
	National Capital Education Tourism Project	\$209,395	3 years from 1 July 2010
Health Directorate: Mental Health Services	Catholic Care	\$2,313,320	3 years from 1 July 2010
	Mental Illness Fellowship Victoria	\$2,334,975	3 years from 1 July 2010
	Oz Help Foundation Ltd	\$516,781	3 years from 1 July 2010
	Mental Health Foundation ACT	\$960,100	3 years from 1 July 2010

Source: Audit Office based on information in Deeds of Grant and Service Funding Agreements

<sup>13</sup> In the Community Services Directorate, this was the Service Funding Agreement with Richmond Fellowship ACT Inc. Residential Care. For the Economic Development Directorate, this was the Deed of Grant with MyTribes and for the Health Directorate the Deed of Grant with the National Brain Injury Foundation.



## 3. GOVERNANCE ARRANGEMENTS

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### INTRODUCTION

- 3.1 This chapter examines the audited Directorates' governance for supporting funding for community services, for the services and programs shown in Table 2.2.
- 3.2 The Australian Public Service Commission's 2007 guide to *Building Better Governance* identifies critical governance arrangements as needing to include, but not being limited to:
- clear accountability mechanisms;
  - appropriate governance committee structures;
  - working effectively across organisational boundaries;
  - comprehensive risk management;
  - strategic planning, performance monitoring and evaluation;
- 3.3 The above matters are considered in this chapter.

#### Conclusion

Appropriate governance arrangements for funding community services are in place. Improvements to these can be made by:

- a greater sharing of knowledge through the promotion of the Funding Managers Network and the inclusion of grants in its terms of reference;
- assessing the merits of having formal training for funding managers;
- risk assessments informing grant payment instalment arrangements;
- enhancing strategic planning for service delivery models; and
- standardised reporting templates being specified in all Service Funding Agreements.

The Economic Development Directorate needs to explicitly consider and manage the conflict of interest in the Director-General being the key decision maker over Tourism and a member of the Canberra Convention Bureau's board of management.

#### Key findings

- The audited Directorates have assigned roles and responsibilities to branches, sections and staff members accountable for the oversight and management functions of each of the community services funding programs considered.
- While this is the case, the Economic Development Directorate directly

administers funding to the Canberra Convention Bureau, and the Director-General is the Government's representative on the Bureau's board of management. This presents a conflict of interest and there is no evidence that this had been explicitly considered and managed.

- The Community Services and Health Directorates' internal audit committees actively oversight the management of funding for community services. The Economic Development Directorate's Audit Committee has not conducted any internal audits on community services funding management. No such audits are currently identified on the Committee's forward audit program as the program is focussed on other compliance issues and risks.
- There is considerable consultation between the audited Directorates and funded parties for programs delivered under Services Funding Agreements. Consultation on Deeds of Grant occurred for all of the audited grant programs, but is more limited than for Services Funding Agreements, reflecting the lower funding for many grants programs. Consultation and communication across Government could be improved by expanding the membership of the Funding Managers Network.
- There is generally sound risk management at a program level, however, risk assessment and management at an individual provider level is limited in the Health and Economic Development Directorates.
- The audited Directorates' services and programs have guiding legislation, policies and plans. The Community Services Directorate has developed frameworks outlining its programs' service delivery model, however, the Care and Protection Services framework is out of date and under review. Similar frameworks were not evident in the Health or Economic Development Directorates.
- Performance monitoring and acquittal processes were implemented in all but one of the audited Deeds of Grant and Service Funding Agreements. However, as only the Community Services Directorate uses standard reporting templates, there is an inconsistent approach to performance monitoring across Government.
- Each Directorate had formal processes for the review and evaluation of the audited programs. The *Health Promotion Grants Program Evaluation Framework* represents better practice.

### ACCOUNTABILITY MECHANISMS

- 3.4 A foundation for sound governance is to have appropriate internal control environments with defined and implemented roles and responsibilities to hold decision makers and officers to account.
- 3.5 The audited Directorates have assigned roles and responsibilities to branches, sections and staff members accountable for the oversight and management functions of each of the community services funding programs considered.

Furthermore, roles and responsibilities were documented in internal guidelines which support grant processes.

- 3.6 The sections and branches contributed to, or were directly accountable for:
- policy, planning and evaluation;
  - program management;
  - inputs to the annual budget;
  - procurement, including the development of sub-sector plans<sup>14</sup> (where applicable);
  - development of Deeds of Grant and Service Funding Agreements; and
  - funding and performance management.

3.7 The *Administration of Government Grants in the ACT* policy states that:

The separation of duties is a fundamental internal control. No single officer should appraise an application for funding assistance, give financial approval for the expenditure and make the offer to the applicant.

3.8 This separation of duties was evident in all of the audited Directorates, with Directorates enhancing the separation in responsibilities by engaging panels of external experts to assess grant applications.

3.9 In the Community Services Directorate, the separation of duties included contract relationship managers in policy or business units managing relationships with funding recipients, and a centralised Contracts and Grants Unit managing financial matters to:

... streamline the monitoring of grants and service funding arrangements, and to provide a 'front door' for community organisations.<sup>15</sup>

## GOVERNANCE COMMITTEES

3.10 The Community Services and Health Directorates' internal audit committees actively oversight the management of funding for community services.

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<sup>14</sup> Within the community sector there are a range of 'sub-sectors' groupings of providers that provide specific services. For example, within the health services sector, there are sub-sectors relating to: mental health services, chronic and primary health services; women, youth and child health services; Aboriginal and Torres Strait Islander health services; alcohol and other drug services; and population health services.

Sub-sector plans detail the planned procurement of community services within each of these sub-sectors. 'Adoption of Funding Plans for bundles of related services on a sub-sector basis' was a key strategy identified in the Government's 2004 *Community Sector Funding Policy*.

<sup>15</sup> ACT Government, *Report of the Review of Administrative Requirements of Non-Profit Organisations in the ACT (Red Tape Review): ACT Government Response*, April 2008

3.11 For example, in October 2012, the Community Services Directorate conducted an internal audit of artsACT grants management. This identified five risk areas relating to:

- the need for improved controls over the acquittal process for one-off projects;
- the need for improved controls over the acquittal process for multi-year projects;
- requiring police checks, with a focus on fraud and company director status, for members of the grants selection peer assessment panel;
- refining procedures for assessing non-ACT residents' grants applications to ensure consistency in approach; and
- developing procedures describing the acceptable approach to follow when the Minister informs artsACT about his or her possible independence impairment in approving grants applications.

3.12 The Community Services Directorate's Audit and Review Committee receives regular status reports on the implementation of internal audit recommendations. The status report of March 2013 confirmed implementation of all recommendations from the internal audit on artsACT grants management.

3.13 The ACT Audit Office *Report No. 1 / 2013 Care and Protection System*, stated that the Community Services Directorate needed to improve its management and quality control of out-of-home care community services providers by:

... continuing to give priority to conducting audits of ACT out-of-home care providers against the 2009 Standards by the end of 2013.

3.14 At its October 2013 meeting, the Community Services Directorate's Audit and Review Committee considered internal audits of Directorate management and quality control for the two out-of-home care service providers considered in this Audit: Barnardos Foster Care and Richmond Fellowship ACT Inc. Residential Care. The Committee advised that:

A number of significantly poor findings in relation to two agencies from the audit process have resulted in a remediation response from the Community Services Directorate.

3.15 In September 2011, the Health Directorate conducted an internal audit of the management of for six funding recipients.<sup>16</sup> This did not identify any key findings and made no recommendations, observing that the Health Directorate is:

... compliant with ACT Health policies with regard to the assessment of funding applications for NGOs [non-government organisations], ongoing monitoring of contractual obligations and the measurement of outcomes including risk management.

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<sup>16</sup> These were Home Help Service ACT, Arthritis Foundation, ACT Palliative Care Society Inc, Canberra Mothercraft Society Inc (trading as Queen Elizabeth II Family Centre), the Ted Noffs Foundation Inc, and Mental Illness Fellowship Victoria.

ACT Health appears to be effectively managing the ongoing performance of the funding recipients.

- 3.16 The Economic Development Directorate's Audit Committee has not conducted any internal audits on the management of funding for community services. No such audits are currently identified on the Committee's forward audit program, with the Directorate advising that its:

... audit program has focused on addressing compliance issues outlined by the Auditor-General's Final Management Report 2011/12 and addressing risks identified in the Directorate's risk register.

- 3.17 An independent review of the Directorate's InnovationConnect program has been conducted.

### WORKING ACROSS ORGANISATIONAL BOUNDARIES

- 3.18 As all the audited Directorates have explicitly assigned roles and responsibilities for funding management, this increases the likelihood of communication between Directorates and funded parties being effective.

- 3.19 Community sector consultation was examined for the planning, negotiation and delivery of funding for community services.

### Consultation for Service Funding Agreements

- 3.20 There is considerable consultation between the audited Directorates and funded parties for programs delivered under Service Funding Agreements. This includes day-to-day communication between contract managers and service providers.

- 3.21 The Community Services and Health Directorates have established working groups and committees with representatives from Government and non-government organisations. These working groups and committees, such as the Joint Community Government Reference Group, facilitate consultation and communication between stakeholders.

- 3.22 The Community Services and Health Directorates advised that the Joint Community Government Reference Group is an important communication forum. The Group is comprised of representatives from the ACT Government (including Community Services, Economic Development and Health Directorates), peak bodies and the community sector. It meets seven times a year and produces a quarterly public bulletin of current issues.

- 3.23 At a program level, consultation with community stakeholders was also evident. For example:

- the Joint Pathways Group, which consists of homelessness service providers, is a consultative forum established by the Community Services Directorate;

- the ACT Mental Health Strategic Oversight Group acts as an advisory group to the Director-General of the Health Directorate. It has representation from the Mental Health Community Coalition and monitors the implementation of:
  - the *Council of Australian Government National Action Plan for Mental Health 2006-2011*;
  - the *fourth National Mental Health Plan 2009-2014*; and
  - revised *National Standards for Mental Health Services*.

3.24 At an individual provider level, Australia Capital Tourism in the Economic Development Directorate consults with both of the selected funding recipients.

- Tourism meets with the National Capital Attractions Association twice a year as required by the Joint Agreement.
- Tourism is represented on the Canberra Convention Bureau's board of management by the Economic Development Directorate's Director-General.

3.25 The Director-General's membership of the Canberra Convention Bureau's board of management presents a conflict of interest with the Director-General's role as the head of the Directorate which directly administers the funding agreement with the Bureau. As the key decision maker over Tourism, the Director-General would be responsible for the resolution of a dispute between Tourism and the Bureau. There is no evidence that this conflict of interest has been explicitly considered and managed.

3.26 The Directorate advised on 3 December 2013 that:

... In his position as a member of the Board, the Director-General is mindful of any potential or perceived conflict of interest where matters discussed or the position taken by the Board may not fully align with that of the ACT Government. However, further advice is being sought by EDD [Economic Development Directorate] from GSO [ACT Government Solicitor] regarding appropriate governance mechanisms (the LDA [Land Development Agency] Governance Arrangements may inform this advice).

3.27 The Directorate further advised on 5 December 2013 that it will be preparing a written protocol for the Director-General's role on the board.

#### **Recommendation 1**

The Economic Development Directorate should explicitly consider and manage the conflict of interest arising from the Director-General's role as the key decision maker over Tourism and his membership of the Canberra Convention Bureau's board of management.

## Consultation for Deeds of Grant

3.28 Consultation on Deeds of Grant occurred for all of the audited grant programs, but is more limited than for Service Funding Agreements prior to the submission and evaluation of funding applications. This reflects the proportionality principle of the *Administration of Government Grants in the ACT* policy, which states that:

... The framework for a granting activity should be commensurate with the scale, nature, complexity and risks involved.

As shown in Table 2.2, the scale of funding for grants programs is often lower than for programs delivered under Service Funding Agreements.

3.29 Information on all of the audited programs is provided on the relevant Government websites and the Government's dedicated grants website, [www.grants.act.gov.au](http://www.grants.act.gov.au).

3.30 For all the audited grant programs, evidence was obtained that, after selection, grant applicants are offered a debrief session. For successful applicants, this is used as the initial stage for developing the Deed of Grant.

3.31 Day-to-day communication between grant managers and grant recipients supported the formal reporting required under the Deeds of Grant.

## Across-Government consultation

3.32 A Funding Managers' Network, chaired by the Community Services Directorate, provides advice to Government funding managers to facilitate improvements to the quality and consistency of Service Funding Agreements. It is a whole-of-Government committee that promotes the integration of Government policy, funding practices and procurement. It also provides training and other support to funding managers.

3.33 The Community Services Directorate has indicated<sup>17</sup> that the role of the Network is to:

... improve the consistency of funding arrangements with community organisations, thereby improving the relationship between government and community organisations as promoted in the Community Sector Funding Policy and the Social Compact.

3.34 As identified in the Network's *Terms of Reference and Guidelines*, it seeks to:

- share with funding managers updated information on ACT Government decisions and projects that affect funding management and human services procurement.
- develop guidelines for government funding managers to improve:
  - the negotiation of funding agreements;
  - the quality of data for planning and review processes; and

<sup>17</sup> In a 30 September 2011 letter, *Funding Managers Guide*, from Deputy Director-General – Community Services Directorate (for Director-General) to Acting Director-General – Health Directorate.

- overall performance management.
  - develop clearer links between policy/planning, human service services procurement and funding.
  - promote improved accountability and data collection.
  - develop a stronger focus and more systematic approach to quality and outcomes.
  - develop a consistent, cross-government approach to funding management and human services procurement across the ACT.
  - provide funding managers with professional development/training opportunities.
  - cooperate with other relevant ACT Government agencies with a view to coordinating effort and activities to achieve government objectives.
  - enhance links between the government and community sector, including liaison with the Joint Community Government Reference Group.
- 3.35 Officers from the Community Services and Health Directorates regard the Network as a valuable forum for peer-to-peer engagement. However, while the Network envisages representation from across Government, there was very limited awareness of the Network among officers in the Economic Development Directorate. This indicated a need for promotion of the Network to fully realise its terms of reference.
- 3.36 While the audit did not consider the awareness of the Funding Managers Network across all Directorates and agencies, given its terms of reference, it seems appropriate that its existence be promoted to all funding managers.
- 3.37 There is not an equivalent working group to support managers of grant programs. In all of the selected Directorates, grant procedural guidance documents are the basis of staff training and assessment processes. As the Network focuses on improving the management of Service Funding Agreements, awareness of the Network was not high among grant program managers within the selected Directorates. Those grants program managers who were aware of, and had attended the Network, regarded it as a valuable forum.

### **Recommendation 2**

The Funding Managers' Network should be promoted across Government and its terms of reference expanded to include grant programs.

- 3.38 While the Funding Managers Network provides a valuable training support mechanism, the Community Services Directorate has advised that formal training may be of merit, but has highlighted there are limited existing resources to progress this.
- 3.39 As at November 2013, the whole-of-Government training calendar managed by the Commerce and Works Directorate indicated monthly training on procurement processes was available. However, training specific to funding management or grants processes could not be identified.

## RISK MANAGEMENT

- 3.40 Risk management plans and risk registers are prepared as part of the sub-sector procurement process for each of the programs provided under Service Funding Agreements.
- 3.41 However, within these programs, risk management at an individual provider level is more limited.
- For example, a risk management plan and risk register were developed for the Toora Inc Service Funding Agreement in the Community Services Directorate's Social Housing Services program. The identified risks were actively monitored throughout the life of the agreement.
  - None of the other Directorates' audited Service Funding Agreements provided risk registers specific to the individual providers to track risks during the life of the agreement.
  - For each of the audited Service Funding Agreements in the Community Services and Health Directorates, ACT Insurance Authority risk ratings had been prepared.
- 3.42 There was limited evidence that risks associated with complex funding arrangements, such as multi-party and auspice arrangements, were specifically considered. This limited consideration of risks associated with individual providers or more complex funding arrangements, such as multi-party and auspice arrangements, is a key shortcoming in the administration of Service Funding Agreements and Deeds of Grant.

### Risk management through provider prequalification

- 3.43 The Community Services Directorate has implemented prequalification assessment criteria to manage risks associated with individual providers receiving funding under Service Funding Agreements. This prequalification assessment process was not observed in the Health or Economic Development Directorates.
- 3.44 The Community Services Directorate's prequalification criteria apply to eight key risk areas:
- human rights;
  - values and ethical framework;
  - organisational planning;
  - governance;
  - providing a safe environment;

- service user management;
- management systems, including human resource management; and
- complaints and disputes.

3.45 A similar prequalification process is also undertaken in the Directorate's grants program. To qualify as a Key Arts Organisation, and therefore be able to apply for grants funding through the Key Arts Organisation Funding program, organisations are expected to have:

... a clearly defined role in the ACT arts sector and have significant levels of achievement in supporting, developing and advancing the arts.<sup>18</sup>

3.46 Additionally, in its response to the Audit Office's *Report No. 1 / 2013 Care and Protection System*, the Community Services Directorate agreed to:

... developing an overall quality control system that includes accreditation and monitoring of community service providers providing out-of-home care services.<sup>19</sup>

3.47 Prequalification in Economic Development and Health Directorates may achieve efficiencies by reducing workloads and improving the quality of applications. However, as noted by the Health Directorate:

Prequalification processes need to balance potential benefits against the amount of extra red tape that may be needed.

### Risk management through funding instalments

3.48 As outlined in the *Administration of Government Grants in the ACT* policy, the framework for a granting activity, in accordance with proportionality requirements, should be commensurate with the scale, nature, complexity and risk involved in the grant activity. This requires an assessment of risk for each granting activity.

3.49 Procedural documentation for the Key Arts Organisation Funding (Community Services Directorate) and InnovationConnect (Economic Development Directorate) programs outlined the Directorates' approach to risk management for grants. Risk management plans are required to complement a grant payment schedule. For higher-risk grants in these Directorates, this results in grant payments being made in instalments over the period of the Deeds of Grant.

- Payments were made twice a year to grant recipients for the audited grants in artsACT. These instalment payments ranged from \$134,000 to \$152,250. Payments were withheld if reporting and acquittal information was not provided.

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<sup>18</sup> [www.arts.act.gov.au/funding/types-of-funding/Key-Arts-Organisation-Funding](http://www.arts.act.gov.au/funding/types-of-funding/Key-Arts-Organisation-Funding)

<sup>19</sup> As reported to the Community Services Directorate's Audit and Review Committee in October 2013, implementation of this agreed recommendation has not yet been completed.

- Payment schedules for InnovationConnect grants were specifically tailored for each Deed of Grant reviewed, with between two and four milestone payments scheduled on all of the InnovationConnect Deeds of Grant reviewed. These instalment payments ranged from \$4,800 to \$25,000. Again, these payments were held back if milestone deliverables were not achieved.

3.50 Targeted risk management of grant funding to specific recipients did not occur in the Health Directorate's Community Funding Round, with all the audited Community Funding Round grant payments made in advance and in full. For the audited grants, these payments ranged from \$90,361 to \$95,209. The Health Directorate has noted:

Imposing payment instalments schedules for very small grants would impose an additional administrative burden for recipients of small grants, which by virtue of their size present small financial risk.

3.51 Nonetheless, making grant payments in advance, and in full, can present a risk when a grant recipient experiences delivery or reporting problems, as occurred in one audited Community Funding grant.

3.52 The *2011-12 Community Funding Round Funding Guidelines* state that grant applicants must:

Have no overdue reporting requirements for any previous ACT Government grants. This applies to both applicant and auspice organisations.

3.53 While failure to deliver against reporting requirements excludes an organisation from being considered for future Community Funding Round grants, it provides limited recourse for grant payments already made in full.

3.54 The Health Directorate advised on 2 December 2013 that it has:

... started working towards an instalment payment model given new funding parameters, announced as part of 2013 changes to the ACT Health Promotion Grants Program.

### Recommendation 3

The Health Directorate should include in its grants procedures a requirement to undertake a risk assessment of grant recipients and reflect the level of risk in payment instalment arrangements.

## STRATEGIC PLANNING, PERFORMANCE MONITORING AND EVALUATION

### Strategic planning

3.55 The audited Directorates' services and programs have defined legislation, policies and plans to provide strategic direction to delivery of community services, as outlined in Table 3.1.

**Table 3.1: Legislation, policies and plans**

Directorate	Audited programs	Guiding legislation, policies and plans
Community Services Directorate	Social Housing Services	<i>Australian Government’s Homelessness White Paper Canberra Social Plan ACT Affordable Housing Action Plan Phase II National Partnership Agreements for Social Housing and Homelessness</i>
	Care and Protection Services – Out of Home Care	<i>Children and Young People Act 2008 Canberra Social Plan Children’s Plan Community Sector Funding Policy</i>
	Key Arts Organisation Funding	<i>ACT Arts Policy Framework</i>
Economic Development Directorate	Australian Capital Tourism’s General Assistance Funding	<i>Federal Tourism 2020 Framework Australian Capital Tourism Strategic Framework – 5 year plan</i>
	InnovationConnect	<i>Growth, Diversification and Jobs: A Business Development Strategy for the ACT</i>
Health Directorate	Mental Health Services	<i>ACT Mental Health Services Plan 2009–2014 Managing the Risk of Suicide: A Suicide Prevention Strategy for the ACT 2009–2014 Building a Strong Foundation: A Framework for Promoting Mental Health and Wellbeing in the ACT 2009–2014 The Fourth National Mental Health Plan 2009–2014 The Roadmap for National Mental Health Reform 2012–2022 Children and Young People Act 2008 National Standards for Mental Health</i>
	Health Promotion Community Funding Round	<i>ACT Health Promotion Grants Program, within a framework based on the principles of the WHO Ottawa Charter (1986) and the Jakarta Declaration (1997) Delivery of the program is conducted in line with the guiding principles of Towards a Healthier Australian Capital Territory: A Strategic Framework for the Population Health Division 2010-2015</i>

Source: Audit Office based on information from Community Services, Economic Development and Health Directorates

**Service Delivery Frameworks**

3.56 In addition to having guiding legislation, policies and plans, the Community Services Directorate has developed frameworks outlining its programs’ service delivery model. Similar frameworks were not evident in the Health or Economic Development Directorates.

3.57 Service delivery frameworks, or their equivalent, outline the delivery model used in a program. They provide a future plan for the delivery of community services and also guide policy implementation.

- 3.58 The frameworks can also describe the preferred mechanism for funding service delivery.
- 3.59 The ACT Government's June 2012 Strategic Service Planning Framework, *Achieving Results for the Community*, identifies the benefits of service planning including, but not limited to:
- enhancing transparency of planning processes and resource allocation;
  - ensuring the most effective and efficient delivery of services, particularly as it increases the capacity to identify and address gaps in service provision; and
  - improving the coordination and distribution of services in the community.
- 3.60 The Community Services Directorate's programs for Social Housing Services and Care and Protection Services have frameworks which outline their service delivery models.
- The Social Housing Services framework is *The Road Map - A discussion paper on the way forward for ACT Homelessness Services and Related Services*. The Directorate is currently working with key stakeholders to update this paper and is developing a supporting outcomes framework.
  - The Care and Protection Services framework is the *ACT Out of Home Care Framework 2009-2012* which brings together key Acts, policies and plans to provide a context for service provision and how the program will be delivered. The framework is supported by the *Standards for Out of Home Care ACT*<sup>20</sup> which defines minimum requirements for compliance with the *Children and Young People Act 2008*. The framework is dated 2009-2012 and is currently under review by the Community Services Directorate, with targeted completion by June 2014.

#### Recommendation 4

The Community Services Directorate should continue reviewing the *ACT Out of Home Care Framework 2009-2012* and complete this by June 2014.

- 3.61 In addition to providing a strategic context for the Community Services Directorate's services, these service delivery frameworks also guide implementation decisions for the audited funding agreements. They outline:
- legislative and policy frameworks for the related service;

<sup>20</sup> In its June 2013 response to the Auditor-General's Report No. 1/2013, *Care and Protection Systems*, the ACT Government agreed to replace the 2009 ACT Out-of-Home-Care standards with the 2011 National Standards during 2013 (and notifying these new standards under the *Children and Young People Act 2008*). The Government also agreed to "Updating the 3 year funding agreements to reflect the 2011 National Standards and the revised quality control system and assurance activities".

- key objectives that are to be delivered by the programs;
- key stakeholders;
- outcomes for the programs;
- the funding model and procurement processes;
- each individual service within the programs (service design), and the service delivery model; and
- strategies to highlight and manage service gaps.

3.62 This means that, for example:

- under the broad objectives of guiding legislation, policies and plans relating to Care and Protection, the Community Services Directorate was able to identify a suite of programs and services to be delivered;
- within each of these programs, the Framework identified individual service to be delivered (and how e.g. within the Directorate or by community providers);
- for those services to be delivered by community providers, the Framework identified the proposed procurement method to acquire the services. This was then reflected in the Directorate's sub-sector procurement plans (discussed in paragraph 4.17)

3.63 Community Services Directorate officials have identified the value of the frameworks in helping the Directorate to respond to significant changes, and to identify and manage service gaps.

3.64 A service delivery framework has not been developed for the audited Tourism General Assistance Funding program (Economic Development Directorate). This presents a risk for the Directorate's delivery of tourism services.

**Recommendation 5**

The Economic Development Directorate should develop a Service Delivery Framework for the Australian Capital Tourism's General Assistance Funding program to identify:

- a) relevant policies and plans;
- b) key policy objectives;
- c) communication protocols with key stakeholders;
- d) outcomes for the program;
- e) the funding model and procurement processes; and
- f) each individual service within the program (service design) and the service delivery model.

- 3.65 The *Mental Health Service Plan 2009-2014* provides direction for the delivery of the Health Directorate's Mental Health Services program. Informal consideration of service design for Mental Health Services does occur to some extent through the annual business planning process of the Mental Health Strategic Oversight Group.<sup>21</sup> However, explicit consideration of those items identified in the Community Services Directorate's service delivery frameworks (refer to paragraph 3.61) could assist the Health Directorate to improve its delivery of services).

**Recommendation 6**

The Health Directorate should enhance its service delivery and design for its Mental Health Services through formalising its consideration of service design.

- 3.66 For each of the audited grants programs, public guidelines which are available on Directorate websites support sound strategic planning and governance arrangements by transparently outlining:
- the context of services and programs to be provided;
  - application forms;
  - evaluation criteria;

<sup>21</sup> The Health Directorate advised on 10 December 2013, that:

'In each year, elements of the Plan are prioritised for implementation by the Strategic Oversight Group (SOG), which is co-chaired by a mental health consumer representative and includes members from non government stakeholder organisations. These implementation plans are in turn used to frame budget initiatives for consideration by Cabinet in an overall budget context. Approved initiatives are then subject to a procurement process.'

- assessment processes; and
- other key administrative details, including, but not limited to: funding policies; eligibility requirements and selection criteria; the assessment process; and grant reporting requirements.

### Performance monitoring and acquittal

3.67 Reporting requirements are used as a key performance monitoring tool.

3.68 Table 3.2 provides a summary of the audit testing to establish whether:

- payments against the agreement are monitored;
- reliable and adequate information is sought to acquit the funds allocated;
- performance indicators, and other measurements, are used to measure progress against the agreement or deed;
- reporting is an integral part of agreement and deed management; and
- follow-up is given to funding recipients on underperformance and contractual or legislative requirements.

3.69 Table 3.2 shows that in all but one case,<sup>22</sup> there were rigorous performance monitoring and acquittal processes in place.

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<sup>22</sup> The Service Funding Agreement with Canberra Convention Bureau under the Economic Development Directorate's Australian Capital Tourism General Assistance Funding.

Table 3.2: Monitoring, Reporting and Acquittal Testing Summary

Program focus	Audit selection			Payments against the agreement are monitored	Reliable and adequate information is sought to acquit the funds allocated	Performance indicators are used to assess progress against the agreement or deed	Reporting is an integral part of agreement and deed management	Feedback is given on under-performance and contractual or legislative requirements
	Organisation	Amount	Term					
<b>Deed of Grant programs</b>								
Community Services Directorate <b>ACT Arts Fund - Key Arts Organisation Funding.</b>	Canberra Symphony Orchestra	\$1,450,500	5 years from 1 January 2009	✓	✓	✓	✓	✓
	QL2 Centre for Youth Dance Inc.	\$1,404,500	5 years from 1 January 2009	✓	✓	✓	✓	✓
Economic Development Directorate <b>InnovationConnect</b>	Sports Wizard	\$10,000	2011-2012	✓	✓	✓	✓	✓
	Cloud Central	\$50,000	2011-2012	✓	✓	✓	✓	✓
	MyTribes	\$40,000	2011-2012	✓	✓	✓	✓	✓
	ScienceAlert	\$50,000	2012-2013	✓	✓	✓	✓	✓
Health Directorate Health promotion <b>Community Funding Round</b>	National Brain Injury Foundation	\$90,361	2011-2012	✓	✓	✓	✓	✓
	RecLink Australia – Neighbourhood Garden Project	\$95,204	2011-2012	✓	✓	✓	✓	✓
<b>Service Funding Agreement programs</b>								
Community Services Directorate <b>Care and Protection Services.</b>	Barnardos Foster Care	\$4,807,439	3 years from 1 July 2010	✓	✓	✓	✓	✓
	Richmond Fellowship ACT Inc. Residential Care	\$4,884,287	3 years from 1 July 2010	✓	✓	✓	✓	✓
Community Services Directorate <b>Social Housing Services.</b>	Domestic Violence Crisis Services	\$1,957,735	2 years from 1 July 2010	✓	✓	✓	✓	✓
	Toora Inc.	\$1,751,262	3 years from 1 July 2009	✓	✓	✓	✓	✓
Economic Development Directorate Australian Capital Tourism <b>General Assistance Funding.</b>	Canberra Convention Bureau	\$1,443,690	3 years from 1 July 2010	✓	✓	x <sup>23</sup>	✓	✓
	National Capital Education Tourism Project	\$209,395	3 years from 1 July 2010	✓	✓	✓	✓	✓
Health Directorate <b>Mental Health Services</b>	Catholic Care	\$2,313,320	3 years from 1 July 2010	✓	✓	✓	✓	✓
	Mental Illness Fellowship Victoria	\$2,334,975	3 years from 1 July 2010	✓	✓	✓	✓	✓
	Oz Help Foundation Ltd	\$516,781	3 years from 1 July 2010	✓	✓	✓	✓	✓
	Mental Health Foundation ACT	\$960,100	3 years from 1 July 2010	✓	✓	✓	✓	✓

Source: Audit Office

<sup>23</sup> The Canberra Convention Bureau (Economic Development Directorate) 2010 Service Funding Agreement did not have defined delivery outputs and there is ambiguity with respect to key performance indicators – see paragraph 3.73. The new Funding Agreement of 24 October 2013 now identifies key performance indicators, see paragraph 4.29.

## Reporting requirements

- 3.70 The Community Services Directorate has standardised reporting requirements for individual service agreements for the Care and Protection Services and Social Housing Services programs.
- Standardised reporting templates are included in the Care and Protection Services Service Funding Agreements which articulate detailed performance indicators against each of the agreements' required outcomes and outputs. This was evidenced in all the Care and Protection Services agreements selected for auditing.
  - Standardised reporting templates are also included in the Social Housing Services Service Funding Agreements. However, while the Service Funding Agreements identified the required outcomes, outputs and performance measures, it was more difficult to map the relationship between each of these elements in the reporting template.
- 3.71 Standardised reporting templates are not used for the Health Directorate's Mental Health Services program. The reporting format for Mental Health Services was not defined by the Health Directorate and providers were given the freedom to report using their own format.
- 3.72 Standardised reporting templates were not used for the audited Economic Development Directorate program either.
- 3.73 The Economic Development Directorate's Canberra Convention Bureau 2010 Service Funding Agreement did not have defined delivery outputs and there is ambiguity with respect to key performance indicators.
- The Service Funding Agreement states that yearly targets for key performance indicators are to be provided by the Bureau in accordance with an approved business plan.
  - However, there was no evidence that the Government, rather than the Bureau, had approved the business plan and therefore the key performance indicators. This restricts reporting on the program.
- 3.74 Further discussion on the Economic Development Directorate's Canberra Convention Bureau Service Funding Agreement is in paragraph 4.28.
- 3.75 The Economic Development Directorate's reporting framework for the National Capital Education Tourism Project – Joint Venture was better defined than the reporting framework in the 2010 Canberra Convention Bureau agreement. Nevertheless, the reporting items identified in the Service Funding Agreement were not aligned to the *Australian Capital Tourism Strategic Framework – 5 year plan*.

- 3.76 A key finding of the 2008 *Review of Administrative Requirements of Non-Profit Organisations in the ACT* (Red Tape Review) was that the greatest burden to these organisations was not regulatory aspects such as registration, incorporation or taxation but the burden from administrative arrangements for funding and reporting to agencies. The review stated that:

One peak body has estimated that a \$6,000 grant costs over \$3,000 to apply for, accept, document and acquit – money that grants do not provide to the NGO.

- 3.77 Similarly, the *Community Sector Funding Policy* recognised the impost of transaction costs for the community sector and government. It therefore promoted a standardised approach to output specification and performance measures, stating that:

Expected outcomes [of the *Community Sector Funding Policy* include]... A consistent cross-government approach: Standardising the way line agencies approach the funding relationship, as far as practical; (e.g. moving to three year contracts as the norm), common output specification and performance measures for similar services will assist in reducing transaction costs for both community sector and government.

- 3.78 As only the Community Services Directorate uses standard reporting templates, there is still a gap in addressing the Red Tape Review findings and achieving the consistent across-government approach promoted under the *Community Sector Funding Policy*.

#### Recommendation 7

Service Funding Agreements should be amended to include a standard reporting template which, among other things, specifies the relationship between key performance indicators, outputs and outcomes.

- 3.79 Reporting requirements for Deeds of Grant in all the audited Directorates were based on defined project deliverables or milestones. Reporting requirements for each Deed of Grant reflected deliverables identified in the original grant application.
- 3.80 For the Community Services Directorate's ACT Arts Fund – Key Arts Organisation Funding, payments were withheld if reporting and acquittal information was not provided. The program's internal procedural guides outline the process for withholding payments in such cases.
- 3.81 For the Economic Development Directorate's InnovationConnect program, payments were withheld if reporting and acquittal information was not provided. Rather than documenting the process for withholding payments in internal procedural guides, each of the audited Deeds of Grant under the InnovationConnect program identified delivery milestones with associated reporting requirements which were tied to instalment payments.
- 3.82 All audited grant payments in the Health Directorate's Community Funding Round were made in advance and in full. However, as mentioned in

paragraph 3.52, failure to meet reporting and acquittal requirements affect an applicants' eligibility for future grant funding.

## Evaluation

- 3.83 Each Directorate had formal processes for the review and evaluation of the audited programs. This was through internal evaluation, internal audit review or external review.
- 3.84 In the Community Services Directorate this included a suite of internal audits, as discussed in paragraphs 3.11 to 3.14.
- 3.85 In the Economic Development Directorate, an independent *Mid Term Review of InnovationConnect* was conducted in September 2010.
- 3.86 The Health Directorate's Community Funding Round's evaluation process involves formal consultation with each grant recipient and other key stakeholders. The supporting evaluation framework, the *Health Promotion Grants Program Evaluation Framework*, provides a mechanism to show how the program contributes to the achievement of Government health and wellbeing goals.
- 3.87 The *Health Promotion Grants Program Evaluation Framework* represents better practice as evaluations conducted under this framework provide:
- an assessment of if (or how) the program contributes to the achievement of Government health and wellbeing goals;
  - ongoing reviews of accountability arrangements;
  - assessments of the program's implementation and opportunities to provide feedback for improvement and refinement.
- 3.88 In particular, evaluation is also performed at both the program level, and the individual Service Funding Agreement level. The level of detail required during an evaluation depends on the amount of funding provided by the Service Funding Agreement.

## 4. ALIGNMENT WITH GOVERNMENT POLICY

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### INTRODUCTION

- 4.1 This chapter examines how the audited Directorates align funding for community services with the Government's program objectives or desired policy outcomes.
- 4.2 Alignment of Government expenditure, including grants and Service Funding Agreements, with relevant policy, plans or strategy demonstrates that a Directorate has addressed the Government's policy objectives.
- 4.3 Only the mechanisms used to ensure alignment with the Government's policy objectives or policy outcomes have been examined.<sup>24</sup> An evaluation of the program or policy itself has not been undertaken.

### Conclusion

Each audited Directorate has defined legislation, policies and plans to guide the delivery of community-based services.

Applications for grants and Service Funding Agreements articulated how they would meet the guiding legislation, policies and plans. This alignment in the Community Services and Health Directorates was aided by sub-sector plans for Service Funding Agreements and grant funding selection criteria.

However, only the Community Services Directorate had frameworks which integrated guiding legislation, policies and plans with programs for funding for community services. These frameworks articulated priorities for Service Funding Agreements.

The *Mental Health Service Plan 2009-2014* provides direction for the delivery of the Health Directorate's Mental Health Services program. There is a need to better articulate the alignment between this Plan and individual Service Funding Agreements in a systematic manner across the Mental Health Services program.

No sub-sector plan was prepared for the Economic Development Directorate's Australian Capital Tourism's General Assistance Funding program. No alternative mechanism to ensure alignment of broad policy directions with Service Funding Agreements was identified.

### Key findings

- All audited Directorates had developed, or were developing, detailed frameworks and internal procedure guides to support each of the audited grants programs. These guides outline the grant selection and decision making processes.

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<sup>24</sup> For example, as detailed in the:

- *ACT Government Evaluation Policy and Guidelines*; and
- *Australian National Audit Officer Better Practice Guide: Implementation of Programme and Policy Initiatives* October 2006.

- Deeds of Grant in all the audited Directorates had defined deliverables and performance indicators. Each of the audited Directorates used the selection criteria responses from the grant applications as a guide to define Deed of Grant deliverables. This use of selection criteria responses ensures alignment.
- Integration between broad policy directions and specific funding decisions, through the use of sub-sector funding plans, was evident for the audited Service Funding Agreements in the Community Services and Health Directorates.
- The Community Services Directorate programs have developed overarching service delivery frameworks which bring together key Acts, policies and plans and the context for service provision. This provides an integrated context for guiding how the programs will be delivered.
- The *Mental Health Service Plan 2009-2014* provides direction for the delivery of the Health Directorate's Mental Health Services program. However, the alignment between the Plan and individual Service Funding Agreements was not clearly articulated.
- The Economic Development Directorate's Australian Capital Tourism's General Assistance 2010 Service Funding Agreement with the Canberra Convention Bureau did not contain Government-approved outputs, outcomes and key performance indicators, or align with the *Australian Capital Tourism Strategic Framework – 5 year plan*.
- The Directorate and Canberra Convention Bureau agreed an updated Funding Agreement on 24 October 2013, after audit fieldwork had been completed. Schedule 2 of the new Funding Agreement has improved the alignment of this agreement with Tourism's strategic plan. It also provides more precise performance indicators.

- 4.4 As presented in Table 3.1, each audited Directorate has defined legislation, policies and plans to guide the delivery of community-based services.
- 4.5 Applications for Grants and Service Funding Agreements articulated how they would meet the guiding legislation, policies and plans. This alignment in the Community Services and Health Directorates was aided by sub-sector plans for Service Funding Agreements and grant funding selection criteria.
- 4.6 However, only the Community Services Directorate had a framework which integrated guiding legislation, policies and plans with programs for funding for community services. These frameworks articulated priorities for Service Funding Agreements.

#### **ASSESSMENT OF GRANTS FUNDING AGAINST POLICY OBJECTIVES**

- 4.7 All audited Directorates have developed, or were developing, detailed frameworks and internal procedure guides to support each of the audited grants

programs. These guides outline the grant selection and decision making processes.

- 4.8 As there is alignment between selection criteria for assessment of grant applications and the guiding legislation, policies and plans, this enhances the probability of achieving the Government's objectives.
- 4.9 A standard Deed of Grant format, which can be tailored as required, is provided on the Shared Services Procurement website. This facilitates the alignment of a Deed of Grant with the Government's procurement policy objectives and a whole-of-Government approach.
- 4.10 Deeds of Grant in all the audited Directorates had defined deliverables and performance indicators. Each of the Directorates used the selection criteria responses from the grant applications as a guide to define Deed of Grant deliverables. To identify how deliverables identified in each Deed of Grant align with Government policy objectives, it is necessary to review the selection criteria assessment for each funding application.
- 4.11 The Community Services Directorate's Key Arts Organisation Funding program has selection criteria in publicly-available grant guidelines, as well as in internal guidance procedures, which directly aligns with each principle of the *ACT Arts Policy Framework*. This means that to successfully receive funding through the Key Arts Organisation Funding Program, a grant applicant must be able to demonstrate how they contribute to, and delivers against, the *ACT Arts Policy Framework's* principles, including:
- facilitating community participation in, and access to, the arts;
  - supporting artistic excellence and artistic diversity;
  - strengthening the sustainability of arts organisations and the capacity of the arts to contribute to social and economic outcomes; and
  - fostering artistic innovation and creative thinking.
- 4.12 Selection criteria in the Health Directorate's grant guidelines and internal procedures for the Community Funding Round require that an applicant broadly demonstrate how health promotion practices and principles in the *Ottawa Charter* will be achieved. This includes, but is not limited to, requiring that:
- All funding applications will be assessed against the project's ability to reflect the selection criteria as follows:
1. The project's overall application of health promotion practices and principles.
    - A comprehensive and positive approach to health that incorporates a range of health promotion actions and strategies as outlined in the Ottawa Charter: <http://www.who.int/healthpromotion/conferences/previous/ottawa/en/index4.html>

- Strategies address the broad determinants of health including risk factors and health enhancing factors.
- Population or community based approaches (rather than one to one interventions or direct health service delivery).
- Projects that address health inequalities.
- Projects that encourage participation and empowerment amongst the target group through engagement in the process of planning, decision-making and creative development.

4.13 In July 2013, the Minister for Health announced that the Community Funding Round is transitioning to 'Healthy Canberra Grants'. Proposed changes include:

- simplification of single-stage application, reporting and evaluation processes;
- development of a new statement of strategic intent, new funding and evaluation guidelines to outline the targets and expected grant program outcomes, and changes to how it will align with the Health Directorate's policies and objectives; and
- multi-year funding arrangements being up to three years as the preferred norm for the grants, rather than the exception.

4.14 The intent of the change is that:

... selection processes ... better ensure that funded projects reflect strategic intent.<sup>25</sup>

4.15 The Economic Development Directorate's selection criteria in the grant guidelines and internal procedural guidance for the InnovationConnect program are aligned with the policy objectives of *Growth, Diversification and Jobs: A Business Development Strategy for the ACT*. Therefore, to receive funding through the InnovationConnect Program, a grant applicant must be able to demonstrate how the proposal will contribute to, and deliver against, the Business Development Strategy's policy objectives.

All applications for ICon [InnovationConnect] support are required to demonstrate the suitability and strategic value of the requested support to the ACT, including the potential for long term economic benefit to the ACT.

4.16 InnovationConnect grant selection criteria include, but are not limited to, requiring applicants to demonstrate how a proposal will contribute to:

1. Suitability of the Industry to the ACT.
  - The ACT Government is committed to maximising the employment and growth benefits from those areas in which the ACT has a competitive, strategic or natural advantage. In particular, the Government will give priority to projects that have the potential to create jobs in knowledge based, high-growth sustainable industries and can clearly demonstrate the

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<sup>25</sup> Health Directorate, *Discussion paper: Future directions of the ACT Health Promotion Grants Program*, 2013

outcomes to the ACT. Applicants need to clearly demonstrate the outcomes for the ACT.

2. Contribution to the ACT economy, including:
  - type and size of commitments to ACT employment generation;
  - contribution of the project to exports and/or import replacement;
  - new skills or technology to be introduced; and
  - demonstrable multiplier/indirect effects on the ACT economy, including:
    - indirect employment generation;
    - sourcing of inputs from the ACT and region; and
    - use of ACT and region based services.

## SUB-SECTOR PLANS AND SUPPORTING DOCUMENTS

4.17 The *Community Sector Funding Policy* states that sub-sector funding plans:

... provide a systematic link between broad policy directions, planning information, and specific funding decisions, by specifying the optimal mix of service types to meet identified consumer needs.

4.18 Integration between broad policy directions and specific funding decisions, through the use of sub-sector funding plans, and related procurement risk management plans, was evident for the:

- Community Services Directorate's Care and Protection and Social Housing services; and
- Health Directorate's Mental Health Services.

4.19 No sub-sector plan was prepared for the Economic Development Directorate's Australian Capital Tourism's General Assistance Funding program. No alternative mechanism to ensure alignment of broad policy directions with Service Funding Agreements was identified.

## DESIGN OF SERVICE FUNDING AGREEMENTS

4.20 A standard Service Funding Agreement format is outlined in *Guiding Partnerships – The Funding Managers' Guide* and provided on the Shared Services Procurement website. A standard Service Funding Agreement and schedules, that can be tailored as required, helps ensure alignment with the Government's procurement policy requirements.

4.21 Schedule 2 is the core part of the standard Service Funding Agreements in terms of specifying the purpose, outcomes and performance requirements of the service. Schedule 2 comprises:

- Item 1 (The Services);
- Item 2 (Outcomes);

- Item 3 (Outputs);
- Item 4 (Performance Indicators);
- Item 5 (Performance Requirements);
- Item 6 (Quality Standards);
- Item 7 (Territory Material – Intellectual Property Rights); and
- Item 8 (Form of Acknowledgement).

### Service Funding Agreements for Care and Protection and Social Housing Services

4.22 As discussed in paragraphs 3.56 to 3.63, the audited Community Services Directorate programs have developed overarching service delivery frameworks which bring together key Acts, policies and plans and the context for service provision. This provides an integrated context for guiding how the programs will be delivered.

4.23 These frameworks aim to achieve consistency in Schedule 2 (the services to be provided) in Service Funding Agreements. This facilitates the alignment of policies, plans and legislation and achieves consistency between Service Funding Agreements across providers. It also ensures that each Service Funding Agreement:

- aligns with each individual service in the program and the service delivery model in the related frameworks;
- aligns with key objectives and program outcomes;
- specifies outputs and performance indicators in a standard framework that is consistent across providers and comprises both qualitative and quantitative measures; and
- provides for standard reporting.

### Service Funding Agreements for Mental Health Services

4.24 As discussed in paragraph 3.65, the *Mental Health Service Plan 2009-2014* provides direction for the delivery of the Health Directorate's Mental Health Services program. However, the alignment between this Plan and individual Service Funding Agreements was not clearly articulated.

4.25 Nonetheless, items in Schedule 2 of each of the audited Mental Health Services Service Funding Agreements were developed on a case-by-case basis, and broadly referenced the following key legislation, policies and plans:

- *ACT Mental Health Services Plan 2009-2014*;

- *Managing the Risk of Suicide: A Suicide Prevention Strategy for the ACT 2009-2014;*
- *Building a Strong Foundation: A Framework for Promoting Mental Health and Wellbeing in the ACT 2009-2014;*
- *4th National Mental Health Plan 2009-2014;*
- *Children and Young People Act 2008;* and
- *National Standards for Mental Health.*

4.26 Schedule 2 in each of the audited Service Funding Agreements in the Mental Health Services program had a tailored statement that outlined the required delivery outcomes and supporting outputs and performance indicators.

4.27 While taking a case-by-case approach for each individual Service Funding Agreement means that the alignment between guiding legislation, policies and plans and individual Service Funding Agreements is broadly achieved, there is a need to better articulate the alignment between the *Mental Health Services Plan 2009-2014* and individual Service Funding Agreements in a systematic manner across the program.

#### Service Funding Agreements for Tourism General Assistance Funding

4.28 For both of the audited Economic Development Directorate's Australian Capital Tourism's General Assistance 2010 Service Funding Agreements, there was no alignment of the Service Funding Agreement with guiding legislation, policies and plans.

- Outcome, output, performance indicator, and performance requirement items in Schedule 2 of the 2010 Service Funding Agreement with the Canberra Convention Bureau were not clearly defined, nor were they clearly aligned to the *Australian Capital Tourism Strategic Framework – 5 year plan*.
- As mentioned in paragraph 3.75, the Service Funding Agreement for the National Capital Education Tourism Project – Joint Venture was better defined than the 2010 Canberra Convention Bureau agreement. However, there was no specific alignment between the Joint Venture Agreement and the *Australian Capital Tourism Strategic Framework – 5 year plan*.

4.29 The Economic Development Directorate and Canberra Convention Bureau agreed an updated Funding Agreement on 24 October 2013. Schedule 2 of the new Funding Agreement has improved the alignment of this agreement with Tourism's strategic plan. It also provides more precise performance indicators.

- As mentioned in paragraph 3.73, there was no evidence that the ACT Government had approved the Canberra Convention Bureau's

business plan. Therefore, the key performance indicators in this plan do not have the endorsement of the Government. The new Service Funding Agreement of 24 October 2013 addresses this issue by requiring:

The Recipient's performance indicators are as outlined in the Annual Business Plan and as agreed to by the Territory for each year of this agreement. The performance indicators in the Annual Business Plan will include agreed measurable targets.

- The 2010 Canberra Convention Bureau Service Funding Agreement did not contain ACT Government approved outputs, outcomes and key performance indicators. These issues were addressed in the revised Funding Agreement of 24 October 2013 which states:

Outcomes will contribute to achieving the strategic purpose and key deliverables stated in the Economic Development Directorate (EDD) Strategic Plan 2013-2016, and the Australia Capital Tourism Strategic Plan.

This includes:

- Supporting the effort to boost tourism activity and growing visitor numbers through facilitating internal flight services for Canberra and the region and through implementing the Tourism 2020 Strategy;
- promoting Canberra in target markets to attract tourism and business investment;
- supporting the implementation of Brand Canberra to shape and promote the Canberra region's comparative advantage to attract skills, tourism and events, business and investment.

...

Outputs are as defined in the Annual Business Plan and as agreed to by the Territory for each year of this agreement.

## 5. FUNDING ADMINISTRATION

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### INTRODUCTION

- 5.1 The *Government Procurement Act 2001 (S22A)* requires that:
- A territory entity must pursue value for money in undertaking any procurement activity.
  - Value for money means the best available procurement outcome.
- 5.2 The pursuit of value for money is also required under the *Administration of Government Grants in the ACT* policy which seeks:
- ... select[ion of] funding recipients that best represent value for money in the context of the stated objectives of the grant-giving activity.
- 5.3 In pursuing value for money, the *Government Procurement Act 2001*, and supporting procurement policy circular *2010/11 Optimising Whole of Life Costs*, requires that an entity must have regard to funding administration arrangements, which include, but are not limited to:
- (a) probity and ethical behaviour;
  - (b) management of risk; [and]
  - (c) open and effective competition.
- 5.4 These funding administration arrangements to support achievement of value for money are considered in this chapter (except risk management, which was previously discussed in paragraphs 3.40 to 3.54).

#### Conclusion

Funding administration arrangements are in place to support the achievement of value for money. However, given that there is a strong focus on a 'one Government' approach, extending the use of a web-based system to manage all grant applications across Government needs to be assessed. Web-based systems have the potential for making grant management more efficient.

#### Key findings

- There was no evidence of impropriety or unethical behaviour in Directorates management of funding for the audited Service Funding Agreements or Deeds of Grant.
- Measures are in place to promote probity and ethical behaviour, including:
  - engaging panels of external experts to assess grant applications, and requiring all panel members to sign confidentiality and conflict of interest declarations;
  - segregation of duties throughout the funding process; and

- transparent publication of funding for community services in directorate annual reports.
- All of the audited Directorates' grants processes operated under a competitive and merit-based selection process. This was facilitated by publically calling for applications for each of the grant programs and having applications independently assessed or evaluated.
- Unlike the Community Services and Health Directorates, the Economic Development Directorate's InnovationConnect guidelines do not specifically reference probity. Nonetheless, the processes used by the Directorate in the selection of applications were similar to those used by the Community Services and Health Directorates. It would be appropriate for the Directorate's processes to explicitly address probity matters.
- The Directors-General of the Community Services and Health Directorates had formally agreed to the single-select procurement method for each of their audited Service Funding Agreements.
- Single-select procurement was also used for Service Funding Agreements under Tourism's General Assistance Funding program. The Economic Development Directorate's Director-General had not formally approved 'exemption from quotation and tender requirements' for this procurement, as required by the *Government Procurement Regulation 2007*.
- The Community Services Directorate's Key Arts Organisation Funding program and the Health Directorate's Community Funding Round's grants management processes are supported by a web-based grant program, which was implemented in 2012-13.
- The Economic Development Directorate's InnovationConnect program does not use web-based processes to support the handling of audited grant applications. On 3 December 2013, the Directorate advised it has begun using a Customer Relationship Management application to support electronic management of grant applications.

## PROBITY AND ETHICAL BEHAVIOUR

### 5.5 Shared Services Procurement's procurement policy circular *PC21: Probity and Ethical Behaviour*:

... provides guidance on Territory entities' responsibilities in meeting the requirements of the procurement principle of probity and ethical behaviour, as contained in the *Government Procurement Act 2001*.

### 5.6 The policy requires that:

All public servants conducting procurement activities for a Territory entity must:

- perform the task honestly and without favour or prejudice;

- spend public money efficiently and effectively and in accordance with the law and government policy;
- deal fairly, impartially and consistently with suppliers;
- keep confidential all sensitive information obtained as part of the procurement activity;
- not have an actual conflict of interest in relation to the procurement activity; and
- not seek or accept any remuneration, gift, advantage or other benefit except as may be allowed in the normal course of their duties.

5.7 There was no evidence of impropriety or unethical behaviour in the management of funding for the audited Service Funding Agreements and Deeds of Grant.

5.8 Measures are in place to promote probity and ethical behaviour. These include:

- engaging panels of external experts to assess grant applications in all of the audited Directorates' grant programs. The Community Services and Health Directorates have similar oversight of their Service Funding Agreements through the independent endorsement of their sub-sector funding plans by the Government Procurement Board;<sup>26</sup>
- requiring funding assessment or evaluation panel members (for all the audited Directorates' grant programs) to sign confidentiality and conflict of interest declarations;
- segregation of duties throughout the funding process, as discussed in paragraph 3.8; and
- transparent publication of funding for community services in Directorate annual reports.

5.9 As mentioned in paragraph 3.25, there is a conflict of interest in the Economic Development Directorate's management of the Canberra Convention Bureau Service Funding Agreement.

### Guidance documentation

5.10 Shared Services Procurement's *PC21: Probity and Ethical Behaviour* states that:

A procurement process that conforms to the expected standards of probity is one in which clear procedures, consistent with ACT Government procurement policies and legislation

<sup>26</sup> As noted on the Government Procurement Board's website, [www.procurement.act.gov.au/procurement\\_board](http://www.procurement.act.gov.au/procurement_board), the Government Procurement Board was established in 2001. Its

'functions are to review and give advice to ACT Government entities, Directors General and Ministers on procurement issues and practices in the Territory, and to review procurement proposals in accordance with the Regulation'.

The Government Procurement Board:

is comprised of nine members: five are ACT government employees (including the chair and deputy chair) and four are non-government employee members. Members are appointed by the Treasurer and are selected audited because of their experience in procurement from the government and/or industry perspective.

and the legitimate interests of tenderers, is established, understood and observed by all parties from the beginning of the process.

- 5.11 For Service Funding Agreements, the Funding Managers Network's *Guiding Partnerships – The Funding Managers' Guide* documents these procedures. This Guide is used by officers managing agreements. It details planning and evaluation, procurement, agreement development, and risk management processes.
- 5.12 Procedural guidance on the management of Service Funding Agreements is provided in procurement circulars which are available on Shared Services Procurement's website.
- 5.13 For grants programs, the *Administration of Government Grants in the ACT* policy guides planning and design, selection and decision-making, deed development and management, reporting, review and evaluation.
- 5.14 For each of the audited grant funding programs, detailed internal procedural guidelines have been developed or are currently being developed. These outline:
- the context and the purpose of the service provision;
  - roles and responsibilities;
  - governance arrangements;
  - application process, criteria and evaluation;
  - reporting and monitoring; and
  - grant administration including payment processing.
- 5.15 Unlike the Community Services and Health Directorates, the Economic Development Directorate's InnovationConnect guidelines do not specifically address probity. Nonetheless, the processes used by the Directorate in the selection of applications<sup>27</sup> were similar to those used by the Community Services and Health Directorates. It would be appropriate for the Directorate's processes to explicitly address probity.

### **Recommendation 8**

The Economic Development Directorate should include guidance on managing probity matters in its grant management processes.

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<sup>27</sup> Such as competitive application rounds, confidential handling of grant applications, and external expert assessment of grant applications.

## OPEN AND EFFECTIVE COMPETITION IN FUNDING AGREEMENT MANAGEMENT

- 5.16 All of the audited Directorates' grants processes operated under a competitive and merit-based selection process. This was facilitated by publically calling for applications for each of the grant programs and having applications independently assessed or evaluated.
- 5.17 Sub-sector plans for the Community Services and Health Directorates outlined the procurement method for the audited Service Funding Agreements. The audited Service Funding Agreements examined in these Directorates were procured under a single-select procedure as were the audited agreements of the Economic Development Directorate.
- 5.18 Single-select procurement is not commonly thought to facilitate open and effective competition in tendering. For this reason, Section 10 of the *Government Procurement Regulation 2007* requires that justification for 'exemption from quotation and tender requirements' is presented for the relevant Director-General's agreement for each proposed single-select procurement.
- 5.19 The Directors-General of the Community Services and Health Directorates had formally agreed to the single-select procurement method for each of their audited Services Funding Agreements.
- 5.20 The Director-General, Economic Development Directorate had not formally approved 'exemption from quotation and tender requirements' for Service Funding Agreements under the Tourism's General Assistance Funding program. The Directorate questioned the requirement of Director-General approval, indicating it:
- ... does not believe single select processes apply to this type of funding arrangement. Funding for the CCB [Canberra Convention Bureau] has been explicitly provided through standard budget processes.
- 5.21 This matter was clarified with Commerce and Works Directorate's Shared Service Procurement, which advised:
- ... budget approval does not preclude the need for DG [Director-General] to sign off the Procurement Regulation exemption.

### Recommendation 9

The Economic Development Directorate should comply with mandatory requirements under Section 10 of the *Government Procurement Regulation 2007* by the Director-General formally approving all 'exemption from quotation and tender requirements' for Service Funding Agreements under the Australian Capital Tourism's General Assistance Funding program.

## 'ONE GOVERNMENT' APPROACH

5.22 The use of web-based systems was recommended by the New South Wales Auditor-General, in his May 2009 audit on *Grants Administration* as these:

- make it easier to apply for grants;
- improve the information available to grant makers and recipients; [and]
- streamline interactions between grant makers and recipients.

5.23 The New South Wales Auditor-General stated that the use of web-technology:

- helped to streamline and standardise the grant process making it easier for grant makers and recipients by providing:
  - a single, centralised, secure and reliable source of information about funding opportunities; [and]
  - an easy way for grant makers and recipients to interact reducing cost and time [audit emphasis].

5.24 The Government has established a grants website, [www.grants.act.gov.au](http://www.grants.act.gov.au), to consolidate information on grant programs across Government. Additionally, the Community Services Directorate's Key Arts Organisation Funding and Health Directorate's Community Funding Round are supported by a web-based grants program. This program was implemented in 2012-13, after the processing of the audited grants.

5.25 The Economic Development Directorate, for its InnovationConnect program, does not use web-based processes to support the handling of audited grant applications. On 3 December 2013, the Directorate advised:

...the Business Development area of EDD [Economic Development Directorate] has begun using its Customer Relationship Management application for this purpose [the electronic management of grant applications].

5.26 Given the potential efficiencies identified by the New South Wales Auditor-General, and the Government's focus on a 'one Government' approach, implementation of a web-based grant program for managing all Government grant applications should be assessed and, if appropriate, an implementation plan developed and executed.

5.27 The Community Services Directorate's advice of 2 December 2013 is noted:

... Web based grant management has its place, however manual grant management (which includes submissions) always needs to be an alternative option. Directorates will still require the capacity to offer manual based grant management.

### Recommendation 10

The ACT Government should assess the appropriateness of extending the use of a web-based grant program to manage all grant applications across Government.

## **APPENDIX A: AUDIT CRITERIA, APPROACH AND METHOD**

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### **AUDIT OBJECTIVE**

This audit provides an independent opinion to the Legislative Assembly on whether the selected Directorates have effective controls and procedures for managing funding for community services.

### **AUDIT CRITERIA**

Within each of the selected Directorates, this opinion was based on whether:

- appropriate governance arrangements for funding of community services are in place, for the services and programs audited;
- there is integration of the required outcomes and deliverables of funding agreements with policy or legislative requirements; and
- funding administration arrangements are in place to support achievement of value for money.

### **AUDIT APPROACH AND METHOD**

The performance audit was conducted under the authority of the *Auditor-General Act 1996*, and in accordance with the principles, procedures, and guidance contained in Australian Auditing Standards relevant to performance auditing. These standards prescribe the minimum standards of professional audit work expected of performance auditors. Of particular relevance is the professional standard on assurance engagements, *ASAE 3500 Performance Engagements*.

The audit approach and method consisted of:

- interviews and discussions with key agency staff from the Community Services, Economic Development and Health Directorates;
- examination of electronic and paper files in the selected Directorates, including policy and procedural documentation;
- a review of key strategic planning and governance documentation associated with management of funding for community services; and
- a review of a selection of Deeds of Grant and Service Funding Agreements.

## AUDIT REPORTS

<b>Reports Published in 2013-14</b>	
Report No. 7 / 2013	2012-13 Financial Audits
Report No. 6 / 2013	ACT Auditor-General's Office Annual Report 2012-13
Report No. 5 / 2013	Bushfire Preparedness
<b>Reports Published in 2012-13</b>	
Report No. 4 / 2013	National Partnership Agreement on Homelessness
Report No. 3 / 2013	ACT Government Parking Operations
Report No. 2 / 2013	Executive Remuneration Disclosed in ACTEW Corporation Limited's (ACTEW) 2010-11 Financial Statements and Annual Report 2011
Report No. 1 / 2013	Care and Protection System
Report No. 10 / 2012	2011-12 Financial Audits
Report No. 9 / 2012	Grants of Legal Assistance
Report No. 8 / 2012	Australian Capital Territory Public Service Recruitment Practices
Report No. 7 / 2012	ACT Auditor-General's Annual Report 2011-12
Report No. 6 / 2012	Emergency Department Performance Information
<b>Reports Published in 2011-12</b>	
Report No. 5 / 2012	Management of Recycling Estates and E-waste
Report No. 4 / 2012	Development Application and Approval System for High Density Residential and Commercial Developments
Report No. 3 / 2012	Early Childhood Schooling
Report No. 2 / 2012	Whole-of-Government Information and ICT Security Management and Services
Report No. 1 / 2012	Monitoring and Minimising Harm Caused by Problem Gambling in the ACT
Report No. 06 / 2011	Management of Food Safety in the Australian Capital Territory
Report No. 05 / 2011	2010-11 Financial Audits
Report No. 04 / 2011	Annual Report 2010-11
<b>Reports Published in 2010-11</b>	
Report No. 03 / 2011	The North Weston Pond Project
Report No. 02 / 2011	Residential Land Supply and Development
Report No. 01 / 2011	Waiting Lists for Elective Surgery and Medical Treatment
Report No. 10 / 2010	2009-10 Financial Audits
Report No. 09 / 2010	Follow-up audit – Courts Administration
Report No. 08 / 2010	Delivery of Mental Health Services to Older Persons
Report No. 07 / 2010	Management of Feedback and Complaints
Report No. 06 / 2010	Annual Report 2009-10
Report No. 05 / 2010	Delivery of ACTION Bus Services

Details of reports published prior to 2010-11 can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

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