



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



PA 03/19

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to forward to you a Performance Audit Report titled '**Administration and Monitoring of Youth Service Contracts**', conducted under the authority contained in the *Auditor-General Act 1996*.

I would appreciate if you could arrange for the tabling of the Report in the Legislative Assembly pursuant to Section 17(4) of the *Auditor-General Act 1996*.

Yours sincerely

Tu Pham
Auditor-General
6 December 2004

ACT Auditor-General's Office

Performance Audit Report

**Administration and Monitoring
of Youth Service Contracts**

December 2004

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1. REPORT SUMMARY

BACKGROUND

1.1 This report presents the results of a performance audit that examined the administration and monitoring of youth service contracts for 2001-2002 and 2002-2003 by selected ACT Government agencies.

1.2 The audit covers youth services provided by the Department of Disability, Housing and Community Services (DHCS), by ACT Health (specifically, Mental Health ACT), by the Department of Education and Training (DET) and by the Office for Children, Youth and Family Support (OCYFS), for the period from July 2001 to June 2003. DET and OCYFS services were provided by the former Department of Education and Community Services (DECS) for 2001-2002, and the former Department of Education, Youth and Family Services (DEYFS) for 2002-2003. For simplicity, these former organisations are referred to in this report as 'Education'.

1.3 Together, these agencies provide the majority of services that involve the provision of assistance to, or case management of, young people at risk.¹ During 2002-2003, the ACT Government disbursed \$37.2m for 96 programs for this target group. Of these, 34 programs were provided by the ACT Government at a value of \$25.2m and non-government organisations provided 62 programs at a value of \$11.9m. These funding figures exclude the amount allocated in mainstream programs that young people at risk can access.²

1.4 The audit's scope was limited to agency activities relevant to the administration and monitoring of contracted youth services by relevant agencies in 2001-2002 and 2002-2003. Although standard contracts provide for the Audit Office to examine certain records of external service providers, the Office does not have the authority to directly examine the effectiveness or efficiency of services provided by non-government organisations under contract arrangements.

1.5 Since the period subject to audit, several important developments have occurred that affect the delivery of services to youth and the administration and monitoring of youth service contracts. For example, in February 2004, following a review of the ACT Government's contractual arrangements with non-government organisations, the ACT Government issued a new *Community Sector Funding Policy*. The new policy reflects the ACT Government's commitment to work in partnership with non-government organisations, while remaining within the ACT Government Procurement Framework. As well, in August 2004, the ACT Government launched a

¹ Young people at risk have been defined as persons 'whose circumstances and/or behaviour jeopardises their physical, emotional or social development, and/or are at risk of becoming disconnected from "mainstream settings" such as families and schools, and the community more generally.' (ACT Department of Education, Youth and Community Services (2002) *Youth Services Grant Program Review – Final Consultation and Research Report*, ACT Government, Canberra.)

² ACT Chief Minister's Department (2003) *Mapping ACT Government Funded Programs for Young People at Risk*, ACT Government, Canberra, p. 4.

new framework document *Strengthening Opportunities for all Young People in the ACT*. This develops further the young people’s framework that formed the primary policy document during the period under audit. Together, these developments address several of the issues raised in the audit.

AUDIT OBJECTIVES

- 1.6 The objectives of this audit were to assess the efficiency and effectiveness of:
- the processes used to **assess the need for youth services** and the identification of suitable youth service providers;
 - the methods used to **determine cost outlays** for new and ongoing youth services; and
 - the **administration and monitoring of youth service contracts** by ACT government agencies.

AUDIT KEY FINDINGS

Assessment of Needs and Provision of Services

- All agencies audited had in place specific programs to support young people at risk.
- Agencies conducted adequate research or had available to them adequate research to assess the need for youth services and identify suitable youth service providers.
- There were sound overarching policy frameworks and plans that articulated appropriate actions and outcomes for youth services. However, there was less evidence of effective implementation of these plans, including interagency cooperation in the planning and delivery of services, and of service providers offering coordinated and integrated services where appropriate. Effective initiatives such as the Young People’s Framework Coordination Group should be applied more consistently across the sector.
- None of the agencies audited had formal arrangements (other than the high level policy frameworks) with other ACT government agencies to ensure effective coordination of services to young people at risk. Instead, the agencies had relied on less formal mechanisms such as networking and inter-agency case management meetings to achieve some service coordination.

Determination of costs

- The methods used to determine costs of contracted youth services were generally unsatisfactory and did not provide a robust basis for agencies to assess value for money.

- All agencies used ‘block funding’. The funding of many existing youth services during 2001-2002 and 2002-2003 was renewed without a formal and adequate review or analysis linking those services with existing infrastructure and service costs, demand, or ongoing suitability for meeting the needs of young people at risk.
- Not all agencies had appropriate funding guidelines for the administration and monitoring of youth service contracts.
- There have been improvements in more recent funding approaches to contracted youth services with one agency having issued new funding guidelines in June 2003. The Community Sector Funding Policy, introduced in February 2004, should also lead to improved funding approaches. Similarly, cost outlays for some **new** youth services are based on suitable reviews and analyses. However, these examples of better practices need to be applied consistently and systematically and across all youth contracts.
- There is scope to improve agencies’ costing methods to ensure value for money received for youth services contracted.

Contract management

- Not all agencies have in place a contract management plan to provide guidelines for the effective administration and monitoring of its contracts with youth service providers.
- Most youth services contracts failed to refer to relevant Territory laws on children and youth, beyond a general standardised provision applied for all government contracts.
- Not all agencies complied with the government procurement guidelines, which require agencies to register youth service contracts with the Buyers and Sellers Information service (<http://www.basis.act.gov.au>).
- Agencies mostly had in place an adequate risk management plan for youth service contracts.
- Agencies require most contracted youth services to submit biannual Service Output and Performance Reports, measured against predetermined agreed criteria. However, agencies did not consistently provide timely written feedback to the contracted youth services following the review of the output reports, some taking four to six months to process these reports.
- Audit found a lack of documentation concerning the formal review and evaluation of each service contract had been conducted by DEC/DEYFS and DHCS prior to the expiration of the contract. ACT Health conducted formal review and evaluation of more recent youth service contracts around one year prior to the expiration of the contract. (Audit has since been advised that an independent review of youth funding (Youth Services Grant Program) and a separate review of SAAP services, had been conducted by DECS in 2002.)

RECOMMENDATIONS FOR FUTURE ACTION

1.7 The following recommendations are made to address the audit findings detailed in this report.

1.8 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Chief Executive of each ACT government agency involved in this Audit for consideration and comment.³ Their responses to each recommendation are included below.

Recommendation 1:

Agencies delivering youth services should develop and implement formal protocols such as Memorandums of Understanding to integrate processes, procedures and services and ensure consistent and effective coordination across all aspects of youth services programs, including policy development, planning, service delivery and review processes.

Although some improvements have been made, the current reliance by agencies on less formal mechanisms and on individual discretion of the relevant officers to pursue coordination with other agencies, can only achieve limited and ad-hoc integrated youth services.

Agency Response:

DHCS: *Agreed*

The Department of Disability, Housing and Community Services began a process to ensure effective and coordinated responses to youth homelessness through the development of the Youth Homelessness Strategy, linked to the ACT Homelessness Strategy.

ACT Health: *Agreed*

ACT Health agrees that integration of processes and procedures, and a consistent approach across departments in planning and providing youth services programs, (reflected in the ACT Mental Health Strategy & Action Plan 2003-2008) is the most effective way of ensuring that youth services are appropriately targeted and meet identified needs.

³ The draft report was provided for comment to the following ACT Government agencies: the Department of Disability, Housing & Community Services (DHCS); the Office for Children, Youth and Family Support (OCYFS); and ACT Health. As OCYFS became part of DHCS on 5 November 2004, a single response from DHCS covered both these bodies.

Recommendation 2:

All agencies should develop and adopt robust costing principles and guidelines, for use by community sector service providers and agencies in determining the appropriate costs of new and on-going youth services, as a means of ensuring value for money in contracting out youth services.

In the absence of robust costing guidelines to determine cost outlays for new and ongoing youth services, the government has less assurance that funding is appropriate for the quantity and quality of services delivered on behalf of the government agencies. Strategies to support the objectives of the Community Sector Funding Policy, introduced in February 2004, are an important component in achieving improved funding arrangements.

Agency Response:

DHCS: *Agreed*

A whole of government commitment to work on pricing arrangements has been made in the Community Sector Funding Policy.

ACT Health: *Agreed*

Interdepartmental advice will be sought in implementing this recommendation.

Recommendation 3:

All agencies should include in their contracts with service providers the requirements for the contractors to be guided by relevant legislation such as the *Children and Young People Act 1999* and, where appropriate, to comply with the specific provisions of the legislation.

As not all service providers will be familiar with the relevant legislation, a specific reference to the legislation in the contracts could provide added emphasis, and highlight the importance of compliance with the relevant legislation.

Agency Response:

DHCS: *Agreed in part*

Contract provisions relating to compliance with legislation will be reviewed to ensure their adequacy. Any variation to existing contracts will need to be subject to negotiation and formalised through a deed of variation to the contract.

ACT Health: Agreed

All current ACT Health Youth Services Community Funding Agreements will be varied to include a reference to the Children and Young People Act 1999.

Recommendation 4:

All agencies should effectively monitor performance of service providers, provide feedback, and take corrective actions in a timely manner.

Contractual arrangements do not remove the ultimate responsibility for service delivery by the ACT government agency and hence the need for effective performance monitoring and reporting. Careful monitoring of performance under the contract – time, cost, quantity and quality – ensures that any risks or issues that arise can be quickly identified and resolved with the least disruption possible to the parties and the clients.

Further, when an agency contracts out services to a private and voluntary provider, it cannot assume that the service provider will be aware of the applicable legislation. Hence, it is important that agencies actively monitor the service provider’s compliance with legislation relevant to youth services.

Agency Response:

DHCS: Agreed

In the context of the ACT Government’s commitment to working in partnership, the Community Sector Funding Working Group (CSFWG) is best placed to ensure funding agencies and community organisations work together to develop strategies to support compliance with funding agreements. In order to improve cross agency consistency in relation to qualitative, quantitative and financial reporting expectations the CSFWG has included output reporting and funding agreement manager training on its work plan.

ACT Health: Agreed

With the implementation of the Community Funding Policy, many of these issues have already been addressed, particularly those in relation to the management of contracts and inclusion of risk management. All ACT Health community funding programs have been developed and implemented under a Community Funding Procurement Plan, meeting requirements of the ACT procurement legislation and with approval of the ACT Government Procurement Board. Capacity to monitor agencies’ performance and compliance is also incorporated into the new Community Funding Agreements.

2. INTRODUCTION

INTRODUCTION

2.1 This chapter provides an overview of the ACT Government's approach to the administration and monitoring of youth service contracts, including the Government service delivery framework for young people and the funding framework for the contracting out of human services.

BACKGROUND

2.2 In June 2003, an estimated 322,850 people were living in the ACT.⁴ The ACT has a higher proportion of young people than any other jurisdiction in Australia. Over a quarter (27%) of ACT's population are young people aged 12 to 25.⁵ For this reason, the provision of youth services is of significant community interest and a priority for the ACT Government.

2.3 There is a wide range of programs provided to young people in the ACT. These programs cover a range of areas including education, homelessness, alcohol and drug treatment programs, mental health, indigenous support, family support, community support, care and protection, and legal and justice issues. These programs provide direct support to young people at risk 'whose circumstances and/or behaviour jeopardises their physical, emotional or social development, and/or are at risk of becoming disconnected from "mainstream settings" such as families and schools, and the community more generally.'⁶ Young people could be, for instance, experiencing abuse in the family home, drug and alcohol issues, mental health issues and/or homelessness, disengaged from the education system and the labour market, subject to a care and protection order or in the youth justice system.

2.4 During 2002-2003, the ACT Government disbursed \$37.2m for 96 programs for this target group. Of these, 34 programs were provided by the ACT Government at a value of \$25.2m and non-government organisations provided 62 programs at a value of \$11.9m. These funding figures exclude the amount allocated in mainstream programs that young people at risk can access.⁷

2.5 Table 2.1 shows the funding for programs for young people at risk in the ACT.

⁴ ACT Government (2004) *Building Our Community: The Canberra Social Plan*, ACT Government, Canberra, p. 18.

⁵ ABS (1996) Population and Housing Census Data.

⁶ ACT Department of Education, Youth and Community Services (2002) *Youth Services Grant Program Review – Final Consultation and Research Report*, ACT Government, Canberra.

⁷ ACT Chief Minister's Department (2003) *Mapping ACT Government Funded Programs for Young People at Risk*, ACT Government, Canberra, p. 4.

Table 2.1: Programs provided to young people at risk in the ACT (2002-2003)

Programs for all 'at risk' groups	No. of programs	Govt. Programs	Non-govt. programs	Funding (\$)
Educational/vocational education	29	16	13	7,709,466
Homelessness	15	0	15	3,825,414
Indigenous Support	9	3	6	1,056,509
Mental Health	8	2	6	3,400,509
Drug & Alcohol	3	1	2	872,250
Family Support	4	0	4	989,219
Community Support	8	4	4	748,893
Care Protection	12	0	12	2,607,923
Legal & Justice	8	8	0	15,985,000
Total	96	34	62	37,195,183

Source: ACT Chief Minister's Department (2003) *Mapping ACT Government Funded Programs for Young People at Risk*, ACT Government, Canberra, p. 5.

2.6 It is difficult to determine the number of young people who use contracted youth services in the ACT. This is because a young person may have accessed or have been referred to several youth services depending on their needs and life circumstances. The young person may also have also accessed a youth service more than once. This is further complicated by the fact that contracted youth services do not record numbers of clients in a consistent manner. For example, some contracted youth services record number of clients while others record occasions of service.⁸

SERVICE DELIVERY FRAMEWORK

2.7 The provision of youth services in the ACT was, within the period subject to audit, supported by the *ACT Young People's Framework 2001-2003*, which was developed by the ACT Chief Minister's Department. The Framework set the overarching policy intent for the delivery of youth services, including the implementation of youth initiatives. The Framework, which emphasised a coordinated approach to addressing young people's needs, identified five main goals and set out numerous strategies and actions to address these goals. The goals were:

- a whole of government approach;
- living well (i.e. promoting physical, mental and social well-being);
- connecting with the community;
- building and maintaining supportive environments; and
- supporting learning and transitions.

⁸ ACT Government (2003) *Addressing disadvantage in the ACT*, ACT Government, Canberra, p. 103.

2.8 In August 2004, the ACT Government launched a new framework document *Strengthening Opportunities for all Young People in the ACT*, which includes:

- *the Young People's Plan;*
- *Blue Print for Young People at Risk;*
- *ACT Government Commitment to Young People, and*
- *the Action Plan for Young People.*

2.9 The ACT Young People's Plan 2004-2008 is a broad whole-of-government policy framework linked to the Canberra Social Plan. The Young People's Plan is based around the four directions of Participation, Access, Transitions, and Support. Implementation of the Young People's Plan will be supported by the development of an annual action plan for each year of the Plan and will be overseen by a Youth Policy Group comprising representation from government agencies, non-government organisations and the broader community, including young people. The annual action plan will be informed by a policy forum held each year ahead of the ACT Budget cycle.

2.10 Another important part of the service delivery framework is the *Children and Young People Act 1999*, which is jointly administered by OCYFS⁹ and the Department of Justice and Community Safety. The Act provides the legislative framework to promote and protect the rights of children¹⁰ and young people¹¹ living in the ACT. The Act introduces the concept of 'parental responsibility', which is defined as 'all the duties, powers and responsibilities parents ordinarily have by law in relation to their children' and includes 'includes responsibility for the day-to-day or long-term care, welfare and development of the child or young person'.¹²

2.11 The Children and Young People Act specifically recognises that the primary responsibility for providing care and protection for the child or young person should lie with his or her parents and other family members. The Act also recognises that where family members are not able to meet their responsibilities, it is the place of the government and the community to support them or, if necessary, share or take over their responsibilities.¹³ In this respect, the Chief Executive of the administering agency may exercise parental responsibility in relation to a child or young person.

2.12 Importantly, the Children and Young People Act requires that the best interests of the child or young person are the paramount consideration when a

⁹ Before the creation of OCYFS, this role was undertaken by the Department of Education, Youth and Family Services.

¹⁰ A *child* is a person under 12 years old (Part 1.3, s7 of the Children and Young People Act).

¹¹ A *young person* is a person who is 12 years old or older, but not yet an adult (Part 1.3, s8 of the Children and Young People Act).

¹² Parental responsibility is detailed in Part 2.3, sections 17-21 of the Children and Young People Act.

¹³ This is included in the general principles detailed in section 12 of the Children and Young People Act.

decision is made or action is taken in relation to a child or young person (the ‘best interests’ principle).¹⁴

2.13 Although the Children and Young People Act specifically applies to the exercise of ‘parental responsibility’, its principles and objectives inform much of the framework for delivering youth services.

FUNDING FRAMEWORK

Meaning of government outsourcing

2.14 As indicated above, a large range of youth services are currently outsourced to community and non-profit organisations. (Outsourcing, also referred to as contracting out, refers to the arrangement where a government agency decides to have a service or function performed by a non-government organisation).

2.15 A government agency that outsources a service retains overall responsibility for ensuring that the service continues to be performed at the required standard, and in particular that the needs of clients are adequately met. Although responsibility for a government service can be transferred to a non-government organisation, accountability for the overall results to be achieved rests with the government agency that has outsourced that service.

Community Sector Funding Policy

2.16 There was an assumption among ACT government agencies that the provision of human services should be contracted out unless there is a good reason for the ACT Public Service to continue to provide them.¹⁵

2.17 As with other human services, youth services are operating in an environment of considerable policy change. The funding of youth services by the ACT Government originated in a grants environment and Audit notes that the mix and funding level of youth services is often historically based. In 1997, the ACT Government introduced the purchaser-provider model, based on competitive tendering and market arrangements. This model has set the scene for much of the delivery of services to youth since 1997. Under this model, new funding programs for youth services were subject to competitive tendering arrangements in line with policy and legislative frameworks, while existing funding programs were generally not subject to competitive tendering.

¹⁴ The ‘best interests’ principle is discussed in detail in Part 2.2, s12 of the Children and Young People Act.

¹⁵ ACT Legislative Assembly Standing Committee for the Chief Minister’s Portfolio (1998) Government Submission to the Inquiry into Implementation of Service Purchasing Arrangements in the ACT, December 1998. p.2.

2.18 In February 2004, following a review of the ACT Government's contractual arrangements with non-government organisations, the ACT Government issued a new *Community Sector Funding Policy*. The new policy shifted the emphasis from the purchaser-provider model to a partnership model, based on collaboration rather than competition. This policy reflects the ACT Government's commitment to work in partnership with non-government organisations, while remaining within the ACT Government Procurement Framework. Under this policy, performance reporting is standardised as far as possible to ensure it is useful to both parties and proportional to risk and value.

2.19 Other elements of the new community sector funding policy include a consistent whole-of-government approach, three-year funding cycles and multi-year service agreements. Funding plans, which are central to this policy, describe the decision-making process leading to the award of service agreements for multi-year periods (up to three years) for related services. The framework for funding plans is based on the Procurement Plan template developed by the Government Procurement Board and specified in the *Approved Purchasing Unit (APU) Guideline 2002*.

2.20 The community sector funding policy also has a stronger focus on quality improvement, including greater flexibility to respond to emerging needs, the ability to cater for new service providers and the provision of a joint professional development and training program emphasising best practice.

Financial Management Act

2.21 Under the *Financial Management Act 1996*, ACT government agency chief executives are accountable to the relevant Minister for the efficient and effective financial management of their agencies. The Act also requires officers to comply with the provisions of the Act and the financial management guidelines.

ACT Government Procurement Act

2.22 The *Government Procurement Act 2001* provides for the development, implementation, monitoring, and review of policies and practices regarding the process of procurement by ACT Government agencies.

2.23 Under the Government Procurement Act, ACT government agencies' chief executives are responsible for ensuring that all facets of agency procurement activity are within the scope of the Act. The Act also requires officers to comply with the provisions of the Act and the Procurement Guidelines issued by the ACT Government Procurement Board. The procurement guidelines include the following principles that ACT government agencies must apply in undertaking procurement activities, including contracts on human services such as youth services;

- procurement must demonstrate value for money;
- procurement must ensure open and effective competition;

- government agencies must comply with the highest standards of probity and ethical behaviour;
- procurement activities must consider environmental sustainability;
- government agencies must give consideration to maximising opportunities for local industry development;
- government agencies must implement sound risk management strategies in procurement; and
- government agencies must deal only with ethical official suppliers and ensure suppliers comply with their employee and industrial relations obligations.

Public Access to Government Contracts Act

2.24 Up to July 1 2003, a requirement under the *Public Access to Government Contracts Act 2000* was that all ACT government agencies were to make publicly available the public text of a new contract or an amended existing contract within 21 days after making the contract or amendment where the value of the contract is \$50,000 or more. Since that date, the requirements have been included in the *Government Procurement Act 2001*.

3. ASSESSING NEEDS AND IDENTIFYING PROVIDERS

3.1 This chapter considers whether the processes used by relevant Government agencies to assess the need for youth services and the identification of suitable youth service providers are effective.

SIGNIFICANT FINDINGS

- All agencies audited had in place specific programs to support young people at risk.
- Agencies conducted adequate research or had available to them adequate research to assess the need for youth services and identify suitable youth service providers.
- Although there were sound overarching policy frameworks and plans which articulated appropriate actions and outcomes for youth services, there was less evidence of effective implementation of these plans. This includes interagency cooperation in the planning and delivery of services and of service providers offering coordinated and integrated services where appropriate. Effective initiatives such as the Young People's Framework Coordination Group should be applied more consistently across the sector.
- Agencies tended not to rely on formal arrangements (other than the high level policy frameworks) with other ACT government agencies to ensure effective coordination of services to young people at risk. Instead, the agencies used less formal mechanisms such as networking and inter-agency case management meetings to achieve some service coordination.

AUDIT FINDINGS

Programs to support young people at risk

3.2 Audit formed the view that all agencies audited had a strong legislative and policy framework, which were linked appropriately to the youth programs provided through, for example, the Supported Accommodation Assistance Program (SAAP) or various mental health services.

DHCS

3.3 DHCS addresses the needs of young people at risk chiefly through the Supported Accommodation Assistance Program (SAAP) and Disability ACT services. SAAP is a support program for people who are homeless or at risk of homelessness. It aims to provide transitional supported accommodation and a range of related support services to help these people to achieve the maximum possible degree of self-reliance and independence. Young people are a specific target group of the program.

3.4 SAAP is jointly funded by the Commonwealth and the States/ Territories, and is administered by the States/Territories under the SAAP Memorandum of Understanding 2000-2005. Delivery is by non-government organisations.

3.5 The Department's activities under the SAAP are regulated through the SAAP Memorandum of Understanding 2000-2005, which provide the administrative framework for the program and reflects the *Supported Accommodation Assistance Act 1994* (Commonwealth). DHCS is also responsible for the *Housing Assistance Act 1987* and the *Disability Services Act 1991*, which form the principal legislation regulating the funding of housing and disability services.

3.6 The above instruments and the *ACT Young People's Framework 2001-2003* are supported by the DHCS *Strategic Plan 2003-2005*. The Strategic Plan articulates the strategic themes relating to the provision of human services including engaging and involving clients, improving outcomes for clients, building better community partnerships, serving and contributing to good governance, and performance as a best practice organisation. These themes have measurable objectives, which are supported by strategies, actions and measures of success.

3.7 DHCS advised that since the audit, it had developed, in collaboration with other government agencies, community sector and service users, the *Breaking the Cycle – ACT Homelessness Strategy*, which was launched in April 2004. Key objectives of the Strategy include the establishment of a joint operational framework between government agencies and community agencies in response to homelessness and the establishment a multilateral Memorandum of Understanding between government agencies and community agencies to give effect to the joint and integrated operational framework of homelessness services in the ACT. The Department is also developing a specific response to the circumstances of homeless young people to sit alongside the ACT Homelessness Strategy, ensuring effective cross agency responses to the unique needs of young people.

Education

3.8 The Division of Children's, Youth and Family Services was responsible for a range of funded and delivered services that support children and young people and their families. A Branch within this Division, the Youth Services Branch, provided policy advice and managed delivery of services to assist better outcomes for children and young people. In terms of outputs, this Branch provided youth justice services through the supervision of young offenders; case management for children and young people in need of support, substitute care, protection and an adoption service; services to assist young people to participate in a range of community activities; and support and resources for a variety of family support activities and related services.

3.9 The *Children and Young People Act 1999* provided the foundation for promoting and protecting the well-being of young people. This Act and the *ACT Young People's Framework 2001-2003* was supported by the *Education Children's Youth & Family Services Strategic Plan 2003-2005* and the *Youth Services Business Plan 2003-2005*.

3.10 The Department's Children's Youth and Family Services Strategic Plan outlined the strategic imperatives relating to youth service provision. This includes building on quality education and training, increasing opportunities for all children and young people, and improving outcomes for the most vulnerable. These strategic imperatives were supported by various strategies, one of which was the development and implementation of new youth services.

Health

3.11 ACT Health addresses the needs of young people at risk chiefly through Mental Health ACT, which aims to provide person-centred mental health care and achieve improved mental health outcomes for people living in the ACT.

3.12 In addition to the requirement to comply with the *Children and Young People Act 1999*, ACT Health is responsible for the *Mental Health (Treatment and Care) Act 1994*, which establishes the framework within which treatment and care is provided to people in the ACT who have a mental illness. This framework establishes a mental health services system designed to ensure that people with a mental illness have access to appropriate medical treatment, including young people at risk.

3.13 The *ACT Mental Health Strategy and Action Plan 2003-2008* implements the above instruments. This document provides the overarching strategic framework for the development of mental health policy, planning, and services, and provides an outline of the range of strategies and actions to be implemented in pursuing the strategic direction. The Plan provides statements of the key strategies and actions, including increased emphasis on mental health promotion, prevention of mental health problems, increased capacity for early intervention, access to appropriate, coordinated and quality treatment services, and refining service delivery systems. As a client group, young people at risk feature prominently throughout this document.

3.14 The Mental Health Strategy and Action Plan provides a statement to the effect that ACT Health adopts and applies broader national mental health principles, and that it accordingly seeks to balance both national and Territory priorities. However, the Plan does not describe further its alignment with the broader policy framework of, for example, the *National Mental Health Plan 2003-2008*, *National Mental Health Policy*, *National Mental Health Statement of Rights and Responsibilities 1991*, the *Canberra Social Plan* and the *Canberra Plan*.

Cross-agency coordination

3.15 Each of the agencies, through its strategic or business plans, recognised the need to work in collaboration with other ACT government agencies to provide a whole of government approach. The Young People's Framework also recognised the importance of a whole-of-government approach. It featured a Coordination Group comprising representatives of relevant policy areas of government agencies, government youth-related service providers, non-government youth organisations and young people, whose task was to oversee the implementation of the Framework. The Coordination Group met on many occasions during 2002-2003 to oversee the

implementation strategies and activities regarding the Young People's Framework. Responsibility for individual strategies and actions under the Framework was allocated to key government and non-government stakeholders, and where more than one party was involved, a lead agency was identified to coordinate an integrated response. This appears to have worked well, leading to progress on almost 100 actions.¹⁶

3.16 Audit observed that agencies tended not to rely on formal arrangements (other than the high level policy frameworks) with other ACT government agencies to ensure effective coordination of services to young people at risk. Instead, agencies relied on less formal mechanisms such as networking, liaison and inter-agency case management meetings.

3.17 In responding to this report:

- DHCS stated that they recognised the importance of formal mechanisms in improving the coordination of inter-agency service provision and had commenced work on developing an action plan related specifically to young people who are homeless;
- Health advised that following the release of the ACT Mental Health Strategy and Action Plan 2003-08, Mental Health ACT is working assertively towards strategic service planning that involves more cooperation and integration across sectors; and
- Education stated that a range of MOU and other formal agreements exist to improve coordination and service outcomes for young people. In more recent times this work has been further expanded through work associated with the implementation of the Turnaround program for young people with intensive support needs (OCYFS) and the Complex Needs Project (DHCS).

NEEDS-BASED PLANNING

3.18 The Audit found that all agencies audited conducted or had available to them adequate research, supported by community consultation, to increase the information available on young people at risk, and to assess the need for youth services and identify suitable youth service providers.

DHCS

3.19 DHCS has a strong focus on research, the activity of which is guided by the strategic theme 'improving outcomes for our clients' and the following objectives:

- ensure that the department implements a rigorous approach to data and research which provides an evidence base for the planning and delivery of our services; and

¹⁶ ACT Young People's Framework 2001-2003 Progress Report April 2001 - December 2002

- through the use of evidence and by understanding the needs of our clients, develop proactive and responsive policies and programs.¹⁷

3.20 Some data is collected under section 12 of the Supported Accommodation and Assistance Act, which provides for the development of the SAAP National Data Collection (NDC). The objective of the NDC, jointly agreed by the Commonwealth and States/Territories, is to meet the planning, policy and accountability needs of these jurisdictions plus the information needs of SAAP service providers.¹⁸ The Australian Institute of Health and Welfare (AIHW) has the role of collecting, processing, analysing and reporting on SAAP data, including the provision of reports to DHCS.

3.21 The NDC comprises the Client Collection; the Administrative Data Collection; the Unmet Demand Collection; the Casual Client Collection; and special collections.

- The *Client Collection* consists of information about clients receiving support under SAAP, which is collected by service providers and forwarded to the AIHW monthly for paper based data and quarterly for electronic data.
- The *Administrative Data Collection* consists of information about each SAAP agency, which is provided to the AIHW by the relevant government agency in each State/Territory and is updated twice a year.
- The *Unmet Demand Collection* is an annual two-week collection, which consists of information about each person who requests support or accommodation at SAAP agencies, but who are not provided with the requested service, for whatever reason. The collection records other types of assistance provided.
- The *Casual Client Collection* is an annual two-week collection for high volume agencies such as free food services, which consists of information on instances and type of assistance provided to homeless people, but excludes numbers of homeless people assisted.

3.22 DHCS also has a strong focus on community consultation, the activity of which is guided by the strategic theme 'building better community partnerships'. For instance, following the release of the *Needs Analysis of Homelessness in the ACT* in late 2002, DHCS held community consultations to assist in the development of an ACT Homelessness Strategy guided by the Homelessness Advisory Group. The Strategy, released since the audit (in April 2004), will establish an integrated and planned response to homelessness in the ACT. The Needs Analysis conducted in 2002 was also an extensive data collection exercise, which assisted in forming the priority areas for the Strategy. Also, in early 2003, a series of forums on addressing

¹⁷ DHCS *Strategic Plan 2003-2005*

¹⁸ DHCS has advised that there are concerns among providers of SAAP services that this data is of limited value as it is not comparable with the data collected by agencies for funding agreement reporting.

the complex needs of young people was held for service providers from SAAP and the Child and Adolescent and Mental Health Service.

3.23 Audit received positive comments and feedbacks from service providers on the approach to partnership and consultation adopted by DHCS.

Education

3.24 Education collected data twice yearly from contracted youth services, the results of which were used for purposes including the identification of gaps in existing service provision to young people.

3.25 Audit notes that Education was also able to draw on the findings of research conducted by the ACT Chief Minister's Department on the topic of young people aged 12 to 25 at risk. For instance:

- the *Mapping ACT Government Funded Programs for Young People at Risk* research provided a picture of the approaches used to assist these young people and the funding allocated. It also provided an indication of where approaches may need strengthening; and
- the *Developing a Blueprint for Action for Young People at Risk* research indicated that young people needed more coordinated assistance from the ACT government and non-government agencies, complemented by strengthened age-appropriate support. The research also indicated that an integrated approach to collecting and sharing information on young people at risk and a stronger focus on effectiveness with more systematic evaluation of programs, is needed.

3.26 Consultation with key stakeholders, including young people themselves, representatives of youth service providers and peak welfare bodies, is a key strategy used by Education to better understand the needs of young people in the ACT and to ensure it had community support for the development of new youth services. For instance:

- the Youth InterACT Conference organised by Education in 2002 and 2003 has provided an opportunity for young people to speak to the ACT Government on issues of key importance to them. The findings from these conferences have been used to inform the work of the Minister's Youth Council; and
- funding of peak youth bodies provides an opportunity for these organisations through community forums and other mediums to provide Education with feedback on the adequacy and quality of services to young people.

ACT Health

3.27 ACT Health has a strong research and evaluation function to guide service planning for people who are experiencing mental health issues. ACT Health conducted a significant body of research in developing its Strategy and Action Plan.

ACT Health recognises the importance of mapping expressed need or activity against estimated need and uses the following data for this purpose.

3.28 For instance, the Mental Health Community Care and Prevention (MHCCP) model draws on a range of epidemiological fractions to estimate the ACT population in any year that will be at risk of mental health problems, or experience these problems at moderate and severe levels. These estimates are then used to develop further estimates of the volume of services required by applying models of intervention identified by the United States Department of Health and Human Services.

3.29 In terms of further research scheduled, the Action Plan stated that ACT Health will, using the MHCCP model, review the current allocation of resources across the mental health sector in the ACT. Where the current allocation of resources is notably different from that suggested by the MHCCP model, ACT Health will undertake a detailed review to determine the rationale for the current allocation.

3.30 Another action was to establish a research project that identifies and improves the management of consumers with complex needs, addressing best practice interventions and service delivery models, with the following organisations:

- the Department of Justice and Community Safety;
- DHCS;
- DEYFS;
- the ACT Division of General Practice; and
- the ACT Community Mental Health Provider Network.

3.31 Extensive community consultations occurred in February 2003 to inform the development of the Strategy and Action plan. A discussion paper, *Development of the ACT Mental Health Strategy and Action Plan*, was released for community comment in April 2003 and a summary of the consultations released in May 2003. Further community consultations occurred around the Draft Strategy and Action Plan. The views shared in the course of these consultations feature prominently throughout the Strategy and Action Plan.

3.32 The Strategy and Action Plan shows Health's commitment to embedding community consultation as one of its key functions. A key feature of the Strategy is enhanced governance of the mental health system, including consumer and carer participation. Actions to implement the strategy include collaborating with key stakeholders (such as the Mental Health Providers Network, the ACT Mental Health Consumers Network, Carers ACT and the ACT Community Mental Health Coalition) to establish a pool of consumers and carers to provide ongoing input into the planning, development, operation and review of mental health services at all levels in the ACT.

CONCLUSION

3.33 The Audit concluded that strong legislative and policy frameworks existed which were linked appropriately to the identified primary programs to support young people at risk. These frameworks, and the specific plans and strategies (such as the Children's Plan, the Young People's Plan, the Mental Health Action Plan and Turnaround) seek to build coordinated service systems and which inform program management at the agency level.

3.34 Primary programs to support young people at risk include:

- the Supported Accommodation Assistance Program administered by DHCS;
- the DECS Division of Children's, Youth and Family Services; and
- Mental Health ACT.

3.35 The audited agencies all conducted adequate research through various means and thus have available to them adequate research to assess the need for youth services and identify suitable youth service providers.

3.36 The Audit observed the absence of formal written agreements between ACT government agencies to improve the coordination of services to young people at risk. Agencies have relied on less formal mechanisms such as networking and inter-agency case management meetings. (Case management and case conferencing is an established approach to the coordination and delivery of services to those people who require multiple agency interventions.) Effective coordination often fails where it is dependent on the individual discretion of the officer to pursue it, rather than adopting a more formal approach.

Recommendation 1

Agencies delivering youth services should develop and implement formal protocols such as Memorandums of Understanding to integrate processes, procedures and services and ensure consistent and effective coordination across all aspects of youth services programs, including policy development, planning, service delivery and review processes.

4. DETERMINING COSTS

4.1 This chapter considers whether the methods used by agencies to determine cost outlays for new and ongoing youth services are effective.

SIGNIFICANT FINDINGS

- The methods used to determine costs of youth services were generally unsatisfactory and did not provide a robust basis for agencies to assess value for money.
- All agencies used ‘block funding’. Funding of many existing youth services during 2001-2002 and 2002-2003 was renewed without a formal and adequate review or analysis linking those services with existing infrastructure and service costs, demand, or continued suitability for meeting the needs of young people at risk.
- Not all agencies had appropriate funding guidelines for the administration and monitoring of youth service contracts.
- There have been improvements in more recent funding approaches to contracted youth services with some agencies having issued new funding guidelines in June 2003. Similarly, cost outlays for **new** youth services are based on suitable reviews and analyses.

COSTS OF YOUTH CONTRACTS

Table 4.1: Youth service contracts administered and monitored by key agencies, 30 June 2003

Agencies	No. of Contracts	Costs
DHCS	15	\$5,548,074
Education (principally DEYFS)	27	\$3,838,107
Mental Health	16	\$3,928,122
Total	58	\$13,314,303

Note: 1 This table shows programs included in the ACT Chief Minister’s Department report *Mapping ACT Government Funded Programs for Young People at Risk* (2003). Programs are included in the mapping if they provide direct support to young people at risk whose behaviour or life circumstances seriously jeopardise their wellbeing and results in them becoming disengaged and alienated from their families, school and the community. Such programs are not necessarily **specifically** for youth services.

2. Some programs are administered and monitored by other ACT Government agencies, such as the Department of Justice and Community Safety.

AUDIT FINDINGS

DHCS

4.2 DHCS had no funding guidelines for the administration and monitoring of youth service contracts, including the methods to be used to determine cost outlays for new and ongoing youth services.

4.3 Contracted youth services receive funds from DHCS on a quarterly basis and in advance. This form of funding is known as 'block funding'. Under this model, youth service providers are funded at a set funding level that has been historically negotiated with individual youth service providers and is not systematically reviewed. There is no direct relationship between the funding and the actual assistance required by the young person at risk. Block funding arrangements can be seen as inequitable as funding is not directly related to quality or quantity of services provided. The Audit notes that, among some Commonwealth agencies, there is a trend towards linking funding to client outcomes or providing case-based funding, which attaches the funding to the individual receiving services.

4.4 Audit is unable to draw conclusions about the effectiveness of the methods used to determine cost outlays for new youth services, as there is insufficient relevant information to make such an assessment.

Education

4.5 Following an independent review of DECS' funding approach to contracted youth services in 2002, DEYFS issued new funding guidelines in June 2003. While the guidelines provide conceptual guidance on the administration and monitoring of youth service contracts, the guidelines contain no provisions on the methods used to determine cost outlays for new and ongoing youth services.

4.6 Similar to DHCS, contracted youth services receive funds from DECS on a quarterly basis and in advance as block funding linked to program outcomes.

4.7 A major review of the Youth Services Grants Program was undertaken for DECS during 2001-2002. 'Education' advised that this review informed the issuing of contracts for 2002-2003 and specifically sought to link the role and funding of individual services with program wide objectives and identified need. Youth contracts managed by 'Education' for 2003-2004 were renewed for a 12-month period in line with a whole-of-government direction and criteria approved by the Government Procurement Board. The Chief Executive of Education approved 12-month contracts on the basis of a formal written assessment made by the Department that confirmed existing services were 'satisfactorily meeting all performance measures and other contractual requirements' and 'continuing to meet priority need'.

4.8 Audit found that, notwithstanding the lack of formal guidelines, the methods used by DECS to determine cost outlays for new youth services are generally based

on suitable reviews and analyses. Proposals for new youth services are supported by a framework that features a needs analysis of the intended target sub-group(s), alignment and linkages with existing DECS policies and existing youth programs, and a cost-benefit analysis.

ACT Health

4.9 ACT Health had no funding guidelines for the administration and monitoring of youth service contracts. The methods used to determine cost outlays for ongoing youth services remained unsatisfactory, with funding of existing youth services during 2001-2002 and 2002-2003 having been renewed without a formal review or analysis.

4.10 ACT Health advised, in responding to this report, that Mental Health ACT agreed on the need to develop formal policy and process relating to costing analysis and would be pursuing this in the near future.

CONCLUSION

4.11 Audit consistently found that many renewals of funding for existing and ongoing youth services had been undertaken without any formal reviews or analysis linking services with existing infrastructure and service costs, demand or continued suitability and relevance for meeting the needs of young people at risk. Roll-over of block funding was commonly used for funding existing services.

4.12 Audit noted the release of new funding guidelines for the administration and monitoring of youth service contracts by DECS in June of 2003. However, both DHCS and ACT Health are yet to release any such guidelines. DHCS advised that issues in relation to funding of services have been identified for inclusion on the Community Sector Funding Agreement Working Group to ensure a consistent approach across agencies. The introduction and implementation of the Community Service Funding Policy will assist in securing value for money in youth service agreements.

4.13 Audit also noted the absence of robust costing guidelines to determine cost outlays for new and ongoing youth services. Accordingly, there is no assurance that funding provided to organisations is appropriate for the quantity and quality of services delivered on behalf of these agencies.

4.14 DHCS has advised that an attempt was made in 1998 to establish a model of unit costing across human services in the non-government sector, involving an extensive consultation process coordinated by the Chief Minister's Department. This process, however, was not successful, as an agreed model and methodology for such costings could not be reached.

4.15 Audit notes that a strategy under the Community Sector Funding Policy is to 'develop and publish a framework to outline core pricing principles' for all types of community sector funding. The framework, to be developed and agreed

collaboratively with representatives from the sector, aims to provide a broad pricing approach that recognises the nature and value of funded services and the accountability relationships between the service provider and the government.

4.16 The Office of Children and Youth services has advised, in responding to this report that contract extensions for and after 2004-2005 have been subject to Funding Plans in line with the Community Sector Funding Policy and the Government Procurement Act. Further, the Youth Services Funding Plan includes a comprehensive assessment of each individual service against agreed criteria, and individual and program-wide risk assessments, as well as funding guidelines, new program advisory arrangements, and an industry development plan.

4.17 Audit considers that there would be considerable benefit in developing costing principles and application guidelines for use by the community sector and government agencies.

Recommendation 2:

All agencies should develop and adopt robust costing principles and guidelines, for use by community sector service providers and agencies in determining the appropriate costs of new and on-going youth services, as a means of ensuring value for money in contracting out youth services.

5. ADMINISTERING AND MONITORING CONTRACTS

5.1 This chapter considers whether the administration and monitoring of youth service contracts by ACT government agencies is efficient and effective, and comply with Government procurement policy and guidelines.

SIGNIFICANT FINDINGS

- Although the agencies complied with the general requirements of the Government Procurement Act, not all agencies registered youth service contracts with the Buyers and Sellers Information Service (BaSIS - <http://www.basis.act.gov.au>) as required by the Act.
- Not all agencies had in place a contract management plan to provide a common policy framework for the administration and monitoring of its contracts with youth service providers.
- Most youth services contracts failed to refer to relevant Territory laws on children and youth beyond a general standardised provision applied for all government contracts.
- Agencies mostly have in place an adequate risk management plan for each youth service contract
- Individual contracts with service providers clearly identified the desired outcomes for young people at risk and provided clear statements of performance requirements.
- Agencies require most contracted youth services to submit biannual Service Output and Performance Reports, measured against predetermined agreed criteria. However, agencies did not consistently provide timely written feedback to the contracted youth services following the review of the output reports, taking some four to six months to process these reports.
- Audit found a lack of documentation concerning the formal review and evaluation of each service contract conducted by DECS and DHCS prior to the expiration of the contract. ACT Health conducted formal review and evaluation of newer youth service contracts around one year prior to the expiration of the contract. DHCS has since advised that in addition to a review of SAAP, they commissioned an independent review of the Youth Services Grants Program, which was completed in 2001-2002.

AUDIT FINDINGS

5.2 Findings in relation to the administration and monitoring of youth service contracts were similar across all the audited agencies.

Compliance with better practice in procurement

5.3 In examining each agency's approach to procurement, Audit looked for systematic processes used to guide activity in this area. Audit found that generally the agencies complied with the *Government Procurement Act 2001* and Procurement (Principles) Guidelines with respect to the examination of procurement proposals. Under the Procurement Guidelines, most procurement proposals for delivery of youth services are required to be referred to an agency's Approved Purchasing Unit (APU). Audit noted that during 2002-2003, the DHCS APU approved one new youth service contract, DECS approved seven new contracts and ACT Health approved four new contracts. However, there was one agency procurement proposal for DECS which had no supporting documentation on the examination of the proposal.

5.4 However, not all youth service contracts for DHCS or ACT Health were available on the Buyers and Sellers Information Service (<http://www.basis.act.gov.au>) as required by the *Government Procurement Act 2001*.¹⁹ All DECS youth service contracts are lodged with the Buyers and Sellers Information Service. DHCS has advised that all youth service contracts have since been entered on BASIS.

5.5 DHCS has further advised that in the 2004 funding round all procurement of youth services occurred in a manner consistent with government procurement guidelines and the new policy direction of the Community Sector Funding Policy.

5.6 ACT Health has commented that the Mental Health Procurement Plan, approved by the ACT Government Procurement Board, also recognises the Community Sector Funding Policy and specifically provides for inclusion of risk management and contract management processes.

Contract management

5.7 Of the three agencies, only DECS had in place a contract management plan to provide a common policy framework for the administration and monitoring of its contracts with youth service providers.

5.8 Audit noted that the contracts between the three agencies and youth service providers are standardised, with the schedules of each contract being specific to the individual service and service provider. Each youth service contract identified clearly the desired outcomes for young people at risk and provided clear statements of performance requirements. To this end, the performance requirements have sufficient details to enable the agencies to adequately monitor the nature of the services provided by the youth service provider.

¹⁹ A requirement under the *Government Procurement Act 2001* since July 2003 (and before that the *Public Access to Government Contracts Act 2000*), is that all ACT government agencies are to make publicly available the public text of a new contract or an amended existing contract within 21 days after making the contract or amendment where the value of the contract is \$50,000 or more.

5.9 Audit noted that each youth service contract required compliance with applicable Territory laws. However, there was no reference in the contracts to relevant Territory laws of greatest relevance to children and youth (such as the *Children and Young People Act 1999*). As discussed earlier in this report, the Children and Young People Act supports a framework for youth services, and although its specific provisions apply in limited circumstances, its general principles and objectives have wider relevance.

5.10 Typically, the contracts included only a general standardised provision applied to all government contracts, such as reference to the *Discrimination Act 1991* in the employment of new staff. Some service providers, due to the non-profit and voluntary nature of their organisations, may not be familiar with specific legislation. The reference to clearly relevant Acts in the contract would provide added emphasis and highlight the importance of compliance with the legislative requirements.

5.11 It should be noted that when an agency contracts out services to a private and voluntary provider, it cannot assume that the service provider will be liable for any breach of the applicable legislation. Hence, it is important that agencies actively monitor the service provider's compliance with legislation relevant to youth services.

5.12 For DHCS, in addition to the requirement that youth service providers operate in a manner that is consistent with SAAP National Practice Principles, other requirements relate to the nature and level of service required, the provision of case management, formal referral and working links, participation in youth sector development, quality improvement, qualitative evidence that client needs are being met, and SAAP national data collection. These performance requirements are consistent with section 8 of the Supported Accommodation and Assistance Act, 'key matters to be dealt with in form of agreement' (i.e. the SAAP Memorandum of Understanding 2000-2005). Each youth service contract also contains clear mechanisms for variation to the contract and for dispute resolution.

Risk management

5.13 Risk management plans for each youth service contract were a feature in DHCS and DECS. Each risk management plan identified the relevant risks and the level of those risks, assessed the likelihood of the risks occurring and the likely business impacts (consequences), and indicated the adequacy of existing controls to minimise the risks. However, for both DHCS and DECS, the risk management plans could be further improved by covering the risks associated with fraud and corruption among contracted youth services. DHCS has advised that youth SAAP services are required to begin developing their own organisational risk management framework consistent with Australian standards on risk management. DHCS considers this approach is both effective and appropriate in managing risk and fraud potential within a funded service.

5.14 Audited noted that the two agencies had in place mechanisms for monitoring and reviewing the risk profile should it change over time. Each risk management plan is reviewed annually and revised where appropriate.

5.15 On the other hand, ACT Health had not applied the principles of risk management to its administration and monitoring of its contracts with youth service providers. Consequently, ACT Health did not have in place a risk management plans for youth service contracts. The implication of this is that ACT Health had insufficient control over the risks associated with the performance requirements under the contracts.

Performance monitoring

5.16 Agencies required most contracted youth services to submit biannual Service Output and Performance Reports, measured against predetermined agreed criteria. The contracted youth services complied with the reporting requirement, and most output reports were sufficient in detail. However, the agencies did not have in place timely and sufficient processes for validating the reported performance, even though in DECS the contract management plans provide clear statements on the strategies to be used to monitor performance.

5.17 Further, although agencies received regular output and performance reports, they did not consistently provide timely written feedback to the contracted youth services following receipt of the reports. There were some instances where it took four to six months to process these reports. Notwithstanding this administrative delay, Audit noted that the agencies held regular meetings with each contracted youth service to discuss progress, including any issues that may arise. In addition to these meetings, agency representatives attended regular forums convened by peak welfare bodies to listen to and act upon, where appropriate, matters relating to the delivery of youth services.

5.18 Periodic contact with service providers is an important aspect of monitoring the achievements and performance of the provider and building a partnership arrangement. If problems are identified, processes to address them should be agreed and followed up. Such contact should be documented as a matter of routine.

5.19 Also important is a regime of formal review and evaluation of each youth service contract prior to the expiration of a contract. Formal reviews can assist in assessing a provider's performance against contractual obligations, achievement of value for money in the delivery of services, and identification of on-going needs.

5.20 Audit found a lack of documentation concerning the formal review and evaluation of each youth service contract prior to the expiration of the contract, notwithstanding that the contract management plan used by DECS specified that a formal review and evaluation of each youth service contract should be conducted at least five months prior to the expiration of the contract. Audit was advised that the Chief Executive of Education approved 12-month contracts for 2003-04 on the basis of a formal written assessment made by the department that confirmed existing services were 'satisfactorily meeting all performance measures and other contractual requirements' and 'continuing to meet priority need'.

5.21 DHCS also advised that in addition to a review of SAAP, they commissioned an independent review of the Youth Services Grants Program, which was completed in 2001-02. Audit noted that ACT Health had begun a process for review and evaluation of newer youth service contracts around one year prior to the expiration of the contract.

Other comments

5.22 Audit noted that all contract managers had participated in training relevant to the administration and monitoring of youth service contracts. Further, contract managers generally reported that sufficient work time is allocated for the administration and monitoring of youth service contracts. Although at ACT Health, the high workload suggests that additional resources may be required to ensure effective administration and monitoring of youth service contracts.

5.23 All agencies had sound record keeping systems in place to assist it in administration and monitoring of youth service contracts, with a comprehensive registered file on each youth service contract. Audit noted, however, that the relevant insurance records are not adequately captured on each file, which carries the risk of not identifying early problems until after a service delivery failure has occurred. As a result, Audit could not form an opinion on whether the requirement for contracted youth services to be properly insured was being met.

CONCLUSION

5.24 The Audit found that the administration and monitoring of contracts for youth services by agencies needs improvement to ensure consistent and good outcomes for the Territory.

5.25 In undertaking procurement activities related to youth services, agencies did not consistently adopt practices that would ensure the principles of ACT Government procurement policy, particularly obtaining value for money in purchasing activities, operating in an environment of open and effective competition, and managing risks. Audit noted that there was recognition that the adoption of the procurement principles may not always be relevant or practical for human services contracts. Accordingly, the Government Procurement Board had approved some departure from these principles and allowed for renewals of contracts in 2002 under certain conditions.

5.26 There is a lack of effective performance monitoring of contracts, especially for on-going youth services, including the failure by some agencies to consistently provide timely written feedback in particular for under performance or non performance.

5.27 Risk management plans were not consistently applied to all contracts.

5.28 The Audit noted improvements in formal review and evaluation of more recent youth service contracts, but this improvement needs to be applied across all

agencies. Similarly, the new Community Sector Funding policy, released in February 2004, should be used to develop and implement a whole of Government approach with integrated services, where practical.

5.29 Audit acknowledges that an important issue in the administration and monitoring of youth service contracts by ACT government agencies is striking an appropriate balance between the degree of oversight by the contract manager of performance under the contract and the operational flexibility afforded to the non-government organisation. On this issue, the Audit acknowledges that there is a case for providing reasonable operational flexibility to the contracted youth service. Additionally, the success of the partnership between the parties will depend as much on the effort and commitment put in by the contract manager up-front, as the ongoing effort throughout the term of the contract.

5.30 Specifying youth service contracts in terms of outputs and outcomes, not inputs, allows for innovation in service delivery and consequent efficiency gains. This approach, however, is contingent upon the ACT government agency being able to clearly specify the measurable outputs, including appropriate service quality measures. In the situation where outputs and outcomes are difficult to define, it is appropriate for the ACT government agency to specify and monitor performance under the contract based on inputs as well as on how the service is to be provided.

5.31 Agencies have advised Audit that action has since been taken to address several of these issues, including ensuring all procurement of youth services since 2004 occurs in a manner consistent with government procurement guidelines, and application of risk management principles and practices.

Recommendation 3:

All agencies should include in their contracts with service providers the requirements for the contractors to be guided by relevant legislation such as the *Children and Young People Act 1999* and, where appropriate, to comply with the specific provisions of the legislation.

Recommendation 4:

All agencies should effectively monitor performance of service providers, provide feedback, and take corrective actions in a timely manner.

Appendix A – Audit Approach

The Audit focussed on the ACT Government's contracted youth services for young people aged 12 to 25 'at risk' living in the ACT. For the purposes of this Audit, 'youth services' is defined as services provided directly to young people by non-government organisations in the areas of accommodation, counselling, family assistance and mentoring, but does not include research activities. Additionally, a young person 'at risk' is defined as:

A person whose circumstances and/or behaviour jeopardises their physical, emotional or social development, and/or are at risk of becoming disconnected from 'mainstream settings' such as families and schools, and the community more generally.²⁰

The Audit examined the ACT Public Service's administration and monitoring of its contracts with non-government organisations to provide youth services. In particular, the Audit examined the processes used to determine the need for, priority, and cost of, contracted youth services. This included an examination of whether the data used is accurate, complete, interpreted correctly, and used appropriately. The Audit also examined the tender and selection processes adopted to identify appropriate service providers. The Audit did not separately examine, and therefore does not comment on, the outcomes or the quality of contracted youth services in the ACT.

The ACT government agencies reviewed for this Audit were the Department of Disability, Housing and Community Services, the former Department of Education, Youth and Community Services, and ACT Health. Together, these agencies provide the majority of services to young people in the ACT, which to varying degrees involves the prevention or case management of young people at risk. The Audit reviewed the administration and monitoring of contracted youth services by these agencies in 2001-2002 and 2002-2003.

The Audit approach consisted of seeking preliminary information about the provision of youth services to young people at risk across State and Territory jurisdictions. Interviews and discussions were also held with key community sector stakeholders, including representatives of youth services, to elicit their perspective on contracted youth services in the ACT.

A review of relevant agency documentation including briefings, current strategic plans, policies, procedures and strategies was undertaken. As well, contract

²⁰ ACT Department of Education and Community Services (2002) *Youth Services Grant Program Review – Final Consultation and Research Report*, ACT Government, Canberra.

management plans (including risk management plans), contract reports and evaluations, and the systems in place to monitor and report against contract performance were examined. Throughout the Audit, ongoing discussions were held with relevant agency representatives.

Appendix B – Audit Criteria

The key audit criteria used to assess the efficiency and effectiveness of agency administration of contracted youth services are set out below against each of the three key areas of this Audit:

1. The processes used to assess the need for youth services and the identification of suitable youth service providers:

Supporting Youth at Risk:

- Specific program/s in place to support youth who are at risk.
- A strategic plan exists, which is linked appropriately to the relevant youth programs.
- Cooperative arrangements with external stakeholders to implement the strategies/initiatives in the Strategic plan.
- MOUs or formal agreements are in place between agencies, where required.

Needs-based Planning

- the need for specific services is determined with appropriate reference to credible research, stakeholder submissions or consultations, practice in other jurisdictions, etc;
- An adequate feedback loop that allows continuous improvement in the provision of services to youth at risk.
- Policies and procedures exist for documenting identification/support arrangements for young people, which are:
 - consistent with other relevant government and entity policies, procedures and guidelines (e.g. procurement policies etc);
 - reasonable, clear, and unambiguous; and
 - formally reviewed on a regular basis for their continuing currency.

2. The methods used to determine cost outlay for new and ongoing youth services:

- Proposed cost outlays for new youth services are based on suitable reviews and analyses, which evidence relevant considerations, such as relative priority and value for money.
- Proposed outlays for ongoing youth services or renewed contracts are based on suitable reviews and analyses, which evidence relevant considerations, such as the performance of the service provider against agreed performance requirements.

3. The administration and monitoring of youth service contracts by ACT government agencies:

Better Practice in procurement and contract management

- Administration and monitoring of contracted services accords with established better practices, including government and agency policy and guidelines.
- The contractor is appointed in accordance to the *Government Procurement Act 2001* and the Procurement Guidelines.

Monitoring outputs

- There are clear and attainable objectives for the contract. 'Milestones' are set (specific goal to be achieved by a specific due date).
- The contractor is required to report at regular stages of the contract to inform the Department on the progress of meeting the objectives.
- Reports are analysed by the contracting agencies and in a timely manner.
- Written procedures exist and are followed for validating contractor performance.
- Clear strategies are in place for dealing with contractor performance issues and grievances.
- Regular meetings with the relevant agencies and the contractor are held.

Contract Managers

- Agency 'contract managers' have the capacity to efficiently and effectively administer contractual arrangements, including:
 - Staff workloads provide opportunity to appropriately administer all contracts;
 - Staff are appropriately trained;
 - Staff have appropriate delegated powers; and
 - Youth service 'networks' have been established to encourage the exchange of information between contract managers across all relevant Government entities.

Appendix C – Background Information

DEPARTMENT OF DISABILITY, HOUSING AND COMMUNITY SERVICES

The Department of Disability, Housing and Community Services (DHCS) commenced operations on 1 July 2002. DHCS integrates and coordinates the development of policy and the delivery of a range of human services in the ACT. DHCS is responsible for: housing policy and planning, and public housing; disability policy and planning, and disability services; community services and facilities; and child health and development services.

Table C.1 provides data on the youth service contracts administered and monitored by DHCS for young people at risk. It shows that DHCS funded 15 youth services at a value of \$5,548,074 at 30 June 2003.

Table C.1: Youth service contracts administered and monitored by Department of Disability, Housing and Community Services, 30 June 2003

No. of Contracts	Funding
15	\$5,548,074

Source: Department of Disability, Housing and Community Services, unpublished paper.

DEPARTMENT OF EDUCATION, YOUTH AND FAMILY SERVICES

The Department of Education, Youth and Family Services facilitated and delivered support to children, young people and families of the ACT. DEYFS also delivered education services through government schools, registered non-government schools, and administered vocational education and training in the ACT. During 2002-2003, functions relating to Child Health and Development Services and Community Services were transferred to the then new Department of Disability, Housing and Community Services.

Table C.2 (over the page) provides data on the youth service contracts administered and monitored by DEYFS for young people aged 12 to 25 at risk at 30 June 2003. The table shows DECS funded 27 youth services at a value of \$3,838,107. DECS funded the following sub-categories of youth services: youth centres, youth support services, youth development programs, and youth peak and sector development. Having these four broad categories has the potential benefit to differentiate between services as well as improve the overall coordination of youth services and the development of these services in coherent directions.

Table C.2: Youth service contracts administered and monitored by Department of Education, Youth and Family Services, 30 June 2003

No. of Contracts	Funding
27	\$3,838,107

Source: Department of Education, Youth and Family Services, unpublished paper.

ACT HEALTH

ACT Health is responsible for the planning of health policy and the provision of public health services in the ACT. Of particular relevance to this Audit, a major restructure of ACT Health saw the integration of all the arms of mental health services brought together to create a single entity called Mental Health ACT in 2002. Mental Health ACT provides services directly through its public facilities and through its contracts with non-government organisations.

Table C.3, which provides data on the youth service contracts administered and monitored by ACT Health for young people at risk, shows ACT Health funded 16 mental health youth services at a value of \$3,928,122 at 30 June 2003.

Table C.3: Youth service contracts administered and monitored by ACT Health, 30 June 2003

No. of Contracts	Funding
16	\$3,928,122

Source: ACT Health, unpublished paper.

PREVIOUS AUDIT REPORTS²¹

Reports Published in 2004

1. Administration of Policing Services
2. Travel Arrangements and Expenses
3. Revenue Estimates in Budget Papers 2002-03
4. Data Reliability for Reporting on the ACT 'No Waste by 2010' Strategy
5. Leave Management
6. Workers' Compensation Supplementation Fund
7. Annual Report 2003-2004
8. Waiting Lists for Elective Surgery and Medical Treatment

Reports Published in 2003

1. Effectiveness of Annual Reporting
2. Belconnen Indoor Aquatic Leisure Centre
3. Emergency Services
4. Management of Fraud and Corruption Prevention in the ACT Public Sector
5. Lease of FAI House
6. Allegations of Financial Mismanagement University of Canberra Union
7. Compliance Performance Audit – Recruitment Processes
8. Financial Incentive Package for Fujitsu Australia Ltd (FAL)
9. Annual Management Report for the Year Ended 30 June 2003
10. Financial Audits with Years Ending to 30 June 2003

Reports Published in 2002

1. Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001
2. Operation of the Public Access to Government Contracts Act
3. Governance Arrangements of Selected Statutory Authorities
4. Frameworks for Internal Auditing in Territory Agencies
5. V8 Car Races in Canberra – Costs and Benefits
6. Annual Management Report for the Year Ended 30 June 2002
7. Financial Audits with Years Ending to 30 June 2002

Reports Published in 2001

1. Financial Audits with Years Ending to 30 June 2000
2. Enhancing Professionalism and Accountability
3. Market Research and Marketing (Second Report)
4. Peer-Based Drug Support Services Tender – 1998
5. The Administration of Payroll Tax
6. Annual Management Report for the Year Ended 30 June 2001
7. Managing Canberra Urban Parks and Open Spaces
8. Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
9. Agents Board – Financial Administration of Training Grant Program
10. Corrective Services – Review of Certain Allegations
11. Financial Audits with Years Ending to 30 June 2001
12. The Freedom of Information Act

²¹ 57 Reports were issued prior to 1997. Details can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

Reports Published in 2000

- 1 Bruce Stadium Redevelopment — Summary Report
- 2 Bruce Stadium Redevelopment — Value for Money
- 3 Bruce Stadium Redevelopment — Costs and Benefits
- 4 Bruce Stadium Redevelopment — Decision to Redevelop the Stadium
- 5 Bruce Stadium Redevelopment — Selection of the Project Manager
- 6 Bruce Stadium Redevelopment — Financing Arrangements
- 7 Bruce Stadium Redevelopment — Stadium Financial Model
- 8 Bruce Stadium Redevelopment — Actual Costs and Cost Estimates
- 9 Bruce Stadium Redevelopment — Market Research and Marketing
- 10 Bruce Stadium Redevelopment — Stadium Hiring Agreements
- 11 Bruce Stadium Redevelopment — Lawfulness of Expenditure
- 12 Bruce Stadium Redevelopment — Governance and Management
- 13 Annual Management Report for the Year Ended 30 June 2000

Reports Published in 1999

- 1 Stamp Duty on Motor Vehicle Registrations
- 2 The Management of Year 2000 Risks
- 3 Annual Management Report for Year Ended 30 June 1999
- 4 Financial Audits With Years Ending to 30 June 1999

Reports Published in 1998

- 1 Management of Preschool Education
- 2 Lease Variation Charges - Follow-up Review
- 3 Major IT Projects - Follow-up Review
- 4 Annual Management Report for Year Ended 30 June 1998
- 5 Management of Housing Assistance
- 6 Assembly Members' Superannuation and Severance Payments to Former Members' Staffers
- 7 Magistrates Court Bail Processes
- 8 Territory Operating Losses and Financial Position
- 9 Financial Audits with Years Ending To 30 June 1998
- 10 Management of Schools Repairs and Maintenance
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer

Reports Published in 1997

- 1 Contracting Pool and Leisure Centres
- 2 Road and Streetlight Maintenance
- 3 1995-96 Territory Operating Loss
- 4 ACT Public Hospitals - Same Day Admissions
Non Government Organisation - Audit of Potential Conflict of Interest
- 5 Management of Leave Liabilities
- 6 The Canberra Hospital Management's Salaried Specialists Private Practice
- 7 ACT Community Care - Disability Program and Community Nursing
- 8 Salaried Specialists' Use of Private Practice Privileges
- 9 Fleet Leasing Arrangements
- 10 Public Interest Disclosures - Lease Variation Charges and Corrective Services
- 11 Annual Management Report for Year Ended 30 June 1997
- 12 Financial Audits with Years Ending to 30 June 1997
- 13 Management of Nursing Services

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