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Audit Report No. 47, 2005-06, Funding for Communities and Community Organisations

Introduction

Background

15.1   The Department of Families, Community Services and Indigenous Affairs (FaCSIA) provides funding under many programmes to facilitate social outcomes and benefits to the Australian community. These programmes typically fund non-government organisations to deliver services that contribute to such outcomes and benefits. In 2004–05, FaCSIA provided over $1 billion in funding for family and community services, delivered by almost 16 000 service providers.

15.2   Funding for communities and community organisations is primarily directed towards five groups of programmes, which account for 93 percent of this expenditure. These groups include:

- **support for people with a disability**-which provides employment assistance and other services;

- **family support**-this includes child abuse prevention, grants to family relationships support organisations, early childhood and family initiatives under the Stronger Families and Communities Strategy, and services for families with children;

- **community support**-this includes emergency relief funding and community initiatives under the Stronger Families and Communities Strategy;

- **child care support**-which mainly comprises direct subsidies to child care providers; and

- **youth and student support-**this includes assistance to young people to overcome barriers to social and economic participation.

15.3   FaCSIA uses a variety of arrangements to fund providers to deliver family and community services. These arrangements include grants and subsidies, and other related funding arrangements, such as case-based funding and funding according to milestone events. These arrangements place differing obligations on service providers in relation to delivering services for which they have been funded. The arrangements also provide FaCSIA with differing mechanisms and capacities to address poor performance by service providers. For ease of reading, the audit and this report refer to all these types of funding arrangements as grants.

15.4   Family and community grants fund a diverse range of services, but generally cater for those in the community with greater need for economic, social and physical support. A large number of services are provided in rural and remote areas, including to Indigenous people. In these areas, there are often few organisations capable of providing appropriate community and family services. However, many services are delivered in metropolitan and regional areas where there are numerous providers willing and able to provide services. These social welfare service providers are often very reliant on government funding for their financial viability.

Audit objectives

15.5   The objective of the ANAO audit was to assess whether FaCSIA administers grants effectively, according to better practice guidelines, and consistently across geographic areas and the range of programmes included in the scope of the audit.

15.6   The scope of the audit included grants administered by FaCSIA[1]
between 1 July 2002 and 30 June 2005, relating to programmes
falling within four of the five groups of programmes providing
funding for families and communities, namely Community Support;
Family Assistance; Childcare Support; and Youth and Student
Support[2]. In total, these groups involved total expenditure of some
$533 million in 2004–05.

15.7   The audit focussed on:

- whether FaCSIA executed adequate funding agreements for the
  grants included in the ANAO's sample. It assessed whether
  FaCSIA used the correct type of funding agreement, with
  appropriate terms, conditions and deliverables. It also examined
  risk management practices FaCSIA applies to its funding
  agreements;

- FaCSIA's financial management of funding agreements,
  including accuracy of payments made, financial acquittals,
  adequacy of payment and financial management systems, and
  compliance with key elements of finance legislation; and

- FaCSIA's monitoring of service provider progress in fulfilling the
  requirements of funding agreements, and the adequacy of
  internal and external performance reporting mechanisms for
  programmes that have substantial funding agreements.

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1   Until 24 January 2006, this department was known as the Department of Family and
Community Services. Following changes announced by the Prime Minister on 24 January
2006, the Office of Indigenous Policy Coordination became part of the new Families,
Community Services and Indigenous Affairs portfolio. This report refers to the
department as FaCSIA, except where quoting documents produced by the former
Department of Family and Community Services.

2   This audit excludes disability services. ANAO Audit Report No. 14 2005–06,
Administration of the Commonwealth State Territory Disability Agreement examined services
relating to the accommodation, care and participation in the community of people with a
disability. The Support for People with a Disability group of programmes provides
employment assistance and often other services to people with a disability. In 2004–05,
this group of programmes accounted for around half of the $1 billion in expenditure on
communities and community organisations. Given the magnitude of this programme
group, the ANAO concluded that this area of FaCSIA administration would be better
addressed in a separate audit of disability employment services. Accordingly, the
Support for People with a Disability group of programmes was excluded from the scope
of the audit.

15.8   The audit did not examine FaCSIA's processes to promote grant programmes, manage applications, and appraise, select and notify recipients of grants. These issues will be addressed in a separate audit the ANAO is currently conducting.

15.9   Criteria for the audit assessment were drawn from the ANAO 2002 Better Practice Guide, *Administration of Grants*. To collect information against these criteria, the ANAO drew a broadly-based sample of 102 grants from the four groups of FaCSIA programmes included in the scope of the audit [3]. Fieldwork for the audit was primarily undertaken between July 2005 and November 2005, with some follow-up work carried out in March and April 2006. In addition to interviewing relevant officers from FaCSIA's State and Territory and National offices, the ANAO also interviewed personnel from 26 of the 102 service providers in the sample, and a representative of a social welfare peak body.

15.10   During and subsequent to the ANAO's audit fieldwork, FaCSIA was undertaking a number of initiatives to improve its administration of grant programmes. These initiatives included the implementation of the FaCSIA Online Funding Management System (FOFMS)[4] enhancements to FaCSIA's performance management framework, and improving programme management guidance to FaCSIA staff as part of the new FaCSIA Service Delivery Framework[5]. In addition, FaCSIA commenced a major business process re-engineering project for community based programmes in November 2005 and is now working towards implementing process changes across the department.

15.11   The ANAO considers that these initiatives have the potential to considerably improve FaCSIA's administration of grant programmes. However, given that many of these initiatives were

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3   The objective of the sample was to provide an indication of grant management across FaCSIA as a whole. The sample size was not sufficient to assess the overall effectiveness of the management of each of the programmes sampled. Therefore, issues identified in the sample may not reflect on the entire programme.

4   FOFMS is a software system for grants that tracks financial information and is also intended to link financial information with the terms and conditions of funding agreements.

5   This framework is intended to provide the basis for FaCSIA to undertake its service delivery activities in a consistent manner. It highlights the need to focus on outcomes, not just inputs and outputs, and encourages transparent practices and supports accountability. The framework consists of high level service delivery principles and programme management standards.

either commenced or largely implemented after audit fieldwork, the
audit could not assess their impact.

Overall audit opinion

15.12   FaCSIA administers a large number of relatively small grants to a
         wide range of service providers. Many of these organisations are in
         the charitable, broader social welfare or volunteer sectors. To cater
         for this breadth of service delivery, FaCSIA focuses on using local
         knowledge garnered through its network of State and Territory
         offices, and knowledge held by its National office, to manage
         associated funding agreements. Recognising that the majority of
         these service providers rely on government funding for financial
         viability, FaCSIA has placed a strong emphasis on making timely
         payments.

15.13   The audit identified considerable scope for FaCSIA to improve grant
         administration processes and practices. These opportunities
         primarily relate to enhancing controls over grant payments, better
         monitoring and reporting of the performance of grant providers and
         programmes, and ensuring that FaCSIA enters into funding
         agreements that have appropriate terms, conditions and
         performance requirements.

15.14   At the time of audit fieldwork, FaCSIA was unable to compile
         comprehensive information relating to its grant programmes. This
         necessarily constrained programme management and the
         department's ability to compile accurate information in a timely
         manner for its Annual Reports and other accountability
         documentation.

15.15   The audit also identified considerable divergence in grant
         management processes and practices between FaCSIA's National,
         State and Territory offices and across its various programmes.

15.16   Improving these major elements of grant management, and the
         consistency of approaches between FaCSIA's State and Territory
         offices and across its broad range of programmes, has the potential
         to enhance the quality and effectiveness of services delivered by
         providers on behalf of FaCSIA. It is also likely to improve the
         financial integrity of grant programmes by ensuring services are
         being provided for agreed purposes and to the required standard.

15.17 FaCSIA recognised the importance of improving its grant administration and the need to ensure consistent practices for management of the department's arrangements with service providers across all community programmes. The department commenced a major information technology project in February 2004 to design, develop and implement an integrated solution for the department's funding management requirements. The staged release of FOFMS commenced in 2004–05 with two releases involving FaCSIA staff and Disability Employment Assistance Business Service providers. Further releases occurred during 2005–06, to enable all FaCSIA community programmes to progressively move to use the system over this period.

15.18 The ANAO considers that the full implementation of FOFMS, the new FaCSIA Service Delivery Framework, and the business process re-engineering project currently underway have the potential to support significant improvement in FaCSIA's management of some $1 billion per annum in grants. The ANAO notes that these initiatives represent a significant undertaking, which will require resources and commitment across the department if it is to deliver on improving the management of programmes and address the risks and issues identified in this audit.

15.19 As FaCSIA administers a large number of relatively small grants, an effective risk management approach is fundamental to facilitating efficient and effective service delivery. The ANAO found that FaCSIA could improve its risk management practices when monitoring service provider performance and acquitting payments. While FaCSIA's recent fraud control plans have included strategies to mitigate fraud associated with its grant programmes, FaCSIA could enhance practices to prevent and identify fraud, including through IT enhancements and in the course of implementing recommendations flowing from the business process re-engineering project.

ANAO recommendations

Table 15.1   ANAO recommendations, Audit Report No. 41, 2005-06

1.	The ANAO recommends that FaCSIA ensures that an appropriate funding agreement is in place and current for all grants.
	FaCSIA response: Agreed
2.	The ANAO recommends that FaCSIA ensures that grant recipients have appropriate types and levels of insurance in place by implementing a risk-based approach to collecting, and placing in its records, evidence that service providers have adequate insurance.
	FaCSIA response: Agreed
3.	The ANAO recommends that FaCSIA improves its processing of funding agreement acquittals by:
	a) applying a risk management approach to financial acquittals, so that resources and efforts to process funding agreement acquittals are matched to perceived risks;
	b) implementing adequate quality control checking and accountability processes to ensure that acquittal processing adheres to the terms of funding agreements; and
	c) adequately trained staff who process payment acquittals so that they can adequately interpret financial information and/or otherwise have access to technical advice to support them in undertaking this function
	FaCSIA response: Agreed
4.	The ANAO recommends that FaCSIA improves the management of grant payments, such that:
	d) payments are consistently made according to the terms of funding agreements;
	e) management information systems readily match financial information with funding agreement information; and
	f) timely and accurate information about grant payments can be extracted across all FaCSIA programmes, including for communities and community organisations' programmes.
	FaCSIA response: Agreed
5.	The ANAO recommends that FaCSIA implements improved fraud control practices and procedures across all of its grants programmes and at the individual service provider level, by:
	g) ensuring that it effectively implements the key fraud control mitigation strategies contained in its current fraud control plan, such as using effective funding agreements and applying sound financial acquittal practices;
	h) proving relevant staff with fraud awareness training; and
	i) undertaking risk-based initiatives specifically designed to identify fraud in the agency's grant programmes.
	FaCSIA response: Agreed
6.	The ANAO recommends that FaCSIA ensures compliance with departmental practices and procedures relating to its administration of grants that support compliance *with Regulation 10 of the Financial Management and Accountability Regulations 1997.*
	FaCSIA response: Agreed

7.   The ANAO recommends that FaCSIA develops uniform guidelines for monitoring the performance of its service providers. These guidelines should include better practices for: assessing risk; determining monitoring approaches given broad risk ratings and monitoring costs; and undertaking the main monitoring practices. These monitoring guidelines should form an integral part of the broader guidance on FaCSIA's administration of grants, and be promulgated to all relevant staff.

FaCSIA response: Agreed

8.   The ANAO recommends that FaCSIA improves its performance measurement framework relating to grants, such that:

j)   performance information schedules to funding agreements include measures of effectiveness, quality and quantity;

k)   these measures are suitable to be aggregated to the programme level and thereby contribute to the department's performance information framework contained in its Portfolio Budget Statements and Annual Reports; and

l)   performance information collection and collation systems are established that facilitate the aggregation of performance information in funding agreements to the programme level.

FaCSIA response: Agreed

The Committee's review

15.20   The Committee scheduled a public hearing on 6 December 2006, however, due to scheduling difficulties it did not proceed. Subsequently, the Committee submitted a series of Questions on Notice for response by FaCSIA, which was duly received.

Funding agreements

15.21   Funding agreements are legally binding agreements between the Commonwealth and another party and relate to the provision of funds to carry out a specific project. Current guidelines stipulate that FaCSIA (as the responsible department) have a funding agreement in place whenever an organisation is funded to deliver services. The agreements provide a clear statement of quality requirements, outcomes, timing and payment arrangements. They also require recipients of funding to adhere to good government standards including those in relation to financial management and viability of projects along with timescales for reporting performance to the Commonwealth.

15.22   FaCSIA has three types of funding agreements and each varies in its detail according to the level of funding being provided. Each also provides varying levels of terms and conditions along with varying levels of legal protection for the Commonwealth. The three types of agreements are the *Standard Long-Form Funding Agreement* (for projects valued at over $40 000), the *Standard Short-Form Funding*

Agreement (for projects valued between $5 000 and $40 000); and the
Minimalist Funding Agreement (for projects less than $5 000 in value).

15.23 FaCSIA advised the Committee that policy now allows these dollar-amounts to be varied by a threshold of up to ten percent. FaCSIA informed the Committee that a responsible delegate is now able to determine the appropriate type of funding agreement to be used and has authority to vary grant amounts by ten prevent provided a risk assessment is undertaken.[6]

15.24 FaCSIA also advised the Committee that it had undertaken a review of the Short-Form and Minimalist agreements.[7] After consultation with staff and reviews of past practice, the review focussed on aligning the content and format of both of these forms with the Standard-Long Form Agreement and the mandatory use of user guides and templates on the Department's intranet.

15.25 As mentioned, it is a requirement that all projects funded by FaCSIA have a current funding agreement in place. The ANAO found that in some cases, recipients did not have a funding agreement in place meaning that the service provider was not legally bound to provide the services that were expected of them. The Committee asked FaCSIA whether all service providers, since the audit report, had been placed under appropriate and current funding agreements for the 2005-06 financial year. The Department replied that current departmental policy required agreements to be in place prior to funds being made available and that the new FaCSIA Online Funding Management System (FOFMS) was now in place for the administration of grants and financial management.

15.26 In its report, the ANAO recommended that FaCSIA ensures that grant recipients have adequate levels of insurance by implementing a risk-based approach to collecting and placing this information in its records.[8] The Committee enquired as to FaCSIA's progress in implementing this recommendation. FaCSIA responded that:

> Standard FaCSIA Funding Agreements specify the type (eg
> public liability, professional indemnity insurance) and level
> of insurance required for funded providers of FaCSIA

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6   FaCSIA, Submission no. 1, 1.2.
7   FaCSIA, Submission no. 1, 1.1.
8   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community
    Organisations*, Commonwealth of Australia, p. 52.

programs. Agreements require that, if asked, the funding recipient must promptly provide a copy of insurance policies and/or certificates of currency to the Department. [9]

Recommendation 26

The Committee recommends that FaHCSIA seek stronger assurances from successful grant applicants that they possess adequate insurance policies or currency certificates on approval of their grant application.

Financial management and consistency of practice

15.27   One of the keys to FaCSIA's management of grant funding is the FOFMS. As the system was largely implemented post-ANAO fieldwork, the ANAO had insufficient time to assess the system. The Committee therefore asked FaCSIA to provide an update on the status of FOFMS.[10]

15.28   FaCSIA responded that the implementation of FOFMS was completed in April 2006. Essentially:

> FOFMS is a web-based system that assists in the management of the FaCSIA Funding Lifecycle through an integrated and standardised funding management solution that reflects the Australian National Audit Office Best Practice Grants Management Guidelines. [11]

15.29   Operationally, FOFMS:

> Provides the basis to better manage the control of payments, with business rules in place requiring delegate clearance at appropriate control points. The system interfaces with the Department's financial management system, allowing for the recording of specific payment details against Funding Agreement records. This ensures that all payments are directly matched to the provider and the Funding Agreement. This system will be in operation for all Funding Agreements from 2006-07. The use of FOFMS will also allow timely

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9   FaCSIA, Submission no. 1, 1.6.

10   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, p. 35. See also FaCSIA, Submission no. 1, 1.1.

11   FaCSIA, Submission no. 1, 1.1.

> information to be extracted for all Funding Agreements and
> providers.[12]

15.30   The report commented on the ANAO's request to FaCSIA to
provide a list of all funding agreements and grants in recent years,
by dollar value and categorised by programme and sub-
programme. FaCSIA took over three months to respond to the
request and eventually provided the information less dollar values
at sub-programme level. The ANAO was advised that to fulfil the
entire request would have been too time and labour intensive along
with the fact that FaCSIA could not provide assurances that the data
that was provided represented the entire population which the
ANAO had requested.[13] FaCSIA did assure the Committee
however, that with the introduction of the FOFMS, the problem of
accurate data extraction would be overcome.[14]

Budgets and expenditure

15.31   All FaCSIA Long-Form Funding Agreements contain a projected
budget stipulating how recipients of funding should spend their
grants. In an analysis of a sample of funding agreements, ANAO
found inconsistencies in the schedules of four long-term funding
agreements examined in that they did not include itemised details
of expenditure.[15] This is in breach of clause 9.5 of the standard
Long-Form Funding Agreement. The ANAO also stated that:

> Without clear guidance on budget issues, there is a risk that
> service providers will spend the funding on items that
> FaCSIA would not knowingly allow, or overstate
> expenditures on allowable items.[16]

15.32   The Committee questioned FaCSIA's progress in ensuring that all
Long Form Funding Agreements now clearly specify budget
expenditure, including allowable expenditure items and limits for
these items. FaCSIA responded by saying that:

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12   FaCSIA, Submission no. 1, 1.10.

13   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community
Organisations*, Commonwealth of Australia, p. 67.

14   FaCSIA, Submission no. 1, 1.10.

15   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community
Organisations*, Commonwealth of Australia, p. 45.

16   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community
Organisations*, Commonwealth of Australia, p. 46.

>…the funding recipient must spend the funding in accordance with the budget as defined within the Agreement. The budget details to be included are set out in item H of the Agreement Schedule, and include any limits set by the Department on particular expenditure items. The User Guide developed to assist Agreement drafters provides advice regarding when budget details should be included, and examples of budget items that should be listed.[17]

Management of payments to service providers

15.33 FaCSIA must ensure that payments to service providers are made in an accurate and timely fashion. FaCSIA's guidelines require that staff analyse acquittal documentation and comment on relevant issues (such as those made by an auditor).

15.34 The ANAO's audit report states that:

>Funding agreement payments should be made according to agreed deliverables, timeframes for delivery, milestone achievements and be linked to a well-constructed project budget, under the terms and conditions of the funding agreement…The purpose of acquittals of FaCSIA's funding agreements is to provide assurance that payments to service providers are made in accordance with payment specifications in those agreements, and that service providers have met stated performance requirements.[18]

15.35 Service providers are required to provide FaCSIA with an audited financial statement as part of the acquittal process against funding agreements. The ANAO found that in only nine percent of cases were adequate audited financial statements held in FaCSIA records. The audit found that some staff responsible for the financial management of funding agreements possessed insufficient financial skills to assess the adequacy of audited financial statements.

15.36 For example, the ANAO found that a sample of FaCSIA staff were confused about the term 'financial statement for audit'.[19] The ANAO subsequently suggested that funding agreements have clear

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17 FaCSIA, Submission no. 1, 1.5.

18 ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, pp. 57-58.

19 ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, p. 51.

definitions for the terms 'financial statement' and 'final audited acquittal statement'.

15.37   FaCSIA informed the Committee that along with providing staff with a two-day course in accounting principles and financial analysis, future standard funding agreements:

> …will clearly define what financial documentation is required to be provided by a grant recipient in order to acquit the grant.[20]

15.38   In light of the large number of grants administered by FaCSIA, risk management is an essential mechanism in the grant administration acquittal process. The ANAO found, however, that FaCSIA does not have such a system in place, and outlined the fact that grants with higher monetary values attached also attracted higher levels of risk. The ANAO recommended applying a risk management approach, especially in the administration of grants with higher monetary value, which would enable more scrutiny to be placed on them while reducing the emphasis placed on smaller financial grants with lower perceived levels of risk.[21]

15.39   In response to the Committee's concerns regarding FaCSIA's lack of a risk management process for acquittals for financial statements, FaCSIA informed the Committee that:

> FaCSIA has developed and implemented a risk based approach to acquit its 2005-06 grants which matches effort to perceived risk…[and] has developed and implemented a standard process for acquitting its grants. To ensure the acquittal process is of a high quality, centralised processing teams have been formed in each FaCSIA State and Territory office and in National office.[22]

Fraud control

15.40   Fraud control plans exist which assist FaCSIA in managing fraud associated with its grant administration activities. The most recent plan is the *Fraud Control Plan (2005-2007)*, however FaCSIA informed the Committee that *Fraud Control Guidelines* were issued to

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20   FaCSIA, Submission no. 1, 1.8.

21   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, p. 23.

22   FaCSIA, Submission no. 1, 1.9.

staff in November 2006, while external consultants Ernst and Young are developing the *2007-09 Fraud Control Plan*. An element of this strategy will be to assess service providers through the *Program Risk Management Process*, prior to funding agreements being finalised.[23]

15.41   The ANAO identified that existing controls were not completely effective in managing fraud within the grants administration process. Part of its reasoning was that because the most recent *Fraud Control Plan* ranks risks by organisational branch, it does not specifically address issues relating to grant administration.[24]   The ANAO identified several problems including staff:

> …not always using the appropriate type of funding agreement; often inadequately acquitting payments, including making payments without the required audited statements; and an instance of FaCSIA funding a service provider more than once for the same service and for services they had not provided for extended periods of time.[25]

15.42   One of the ANAO's recommendations was that FaCSIA implement improved fraud control practices and procedures across all of its grants programmes and at the individual service providers level by implementing the key fraud control measures outlined in its fraud control plan. It was also recommended that relevant staff be provided with fraud awareness training and undertake risk-based initiatives to identify instances of fraud.[26]

15.43   FaCSIA responded to the Committee's questions in relation to the recommendations by stating that all new employees are provided with fraud awareness training as part of their orientation and most State and Territory offices have also been provided with this training. Any suspected fraud issues are referred to the FaCSIA Audit and Fraud Branch, while the department actively seeks to recruit fraud investigators as a further preventative measure.[27]

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23   FaCSIA, Submission no. 1, 1.11.

24   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, p. 68.

25   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, p. 69.

26   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community Organisations*, Commonwealth of Australia, p. 70.

27   FaCSIA, Submission no. 1, 1.11.

Compliance with the FMA Act, Regulation 10

15.44   Compliance with Regulation 10 of the *Financial Management and
Accountability Regulations 1997* is an important financial
management consideration for all Australian Government
departments and agencies. Its operation assists in the regulation of
unauthorised expenditure by requiring the Minister for Finance to
approve spending proposals not already authorised. In regards to
FaCSIA's grant administration process, authority must be sought to
approve grants which cover multiple years.

15.45   The regulation stipulates:

> If any of the expenditure under a spending proposal is
> expenditure for which an appropriation of money is not
> authorised by the provisions of an existing law or a proposed
> law that is before the Parliament, an approver must not
> approve the proposal unless the Finance Minister has given
> written authorisation for the approval.[28]

15.46   The Finance Minister has delegated authority for Regulation 10
approvals to the Chief Executive Officer of FaCSIA who in turn has
also delegated the Chief Financial Officer of the Department to grant
approvals. The ANAO found, however, that approval was only
received for 12 percent of grants, contrary to FaCSIA's own
guidelines.

15.47   The ANAO recommended that FaCSIA ensure compliance with its
own procedures and policies that support compliance with
Regulation 10 of the *Financial Management and Accountability
Regulations 1997*.[29]

15.48   FaCSIA advised the Committee that in relation to compliance-based
issues:

> The Department has commenced work on a number of
> initiatives that will address the ANAO recommendations as
> well as provide the technical and procedural support for the
> staff managing Funding Agreements. These initiatives
> include specialised training for staff working with Funding

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28   URL: www.comlaw.gov.au updated by the Attorney-General's Department - 12 March
2007.

29   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community
Organisations*, Commonwealth of Australia, p. 73.

> Agreements, gated review of key program processes and
> documents at strategic points in the timeline for the
> development and establishment of programs, development of
> a procedures manual for the Funding Agreement
> Lifecycle…[30]

Monitoring and reporting performance

15.49   As part of assessing funding agreements, FaCSIA undertakes to
monitor the performance of service providers. The ANAO focused
on two broad elements of the process – the monitoring
arrangements with service providers and the performance
information reported by service providers. There are several
initiatives used in the performance monitoring and reporting
process.

15.50   In relation to the enhancement of programme management
guidance, FaCSIA informed the Committee that a range of
supporting tools and resources are available for staff use for the
effective development, implementation and management of
programmes. In particular, one of these resources is *the Practical
Guide to Programme Administration with FaCSIA Funded Service
Providers* which provides staff with information and templates on
aspects of service delivery.[31]

15.51   Another initiative highlighted by the ANAO is the implementation
of a Service Delivery Helpdesk and the enhancement of programme
management guidance. FaCSIA informed the Committee that the
helpdesk:

> …provides a single gateway for advice on all issues related to
> developing, implementing and managing community
> programmes within FaCSIA. [32]

15.52   The ANAO did note some discrepancies in the approaches used to
monitor programmes. In particular, the fact that some programmes
were monitored by the National Office while others were monitored
by State and Territory Offices. This had created confusion amongst
FaCSIA staff and service providers alike as there was no clear
distinction as to which Office holds responsibility for specific
programmes. The ANAO also observed some inconsistencies within

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30   FaCSIA, Submission no. 1, 1.2.
31   FaCSIA, Submission no. 1, 1.1.
32   FaCSIA, Submission no. 1, 1.1.

practices between State and Territory offices in relation to
performance monitoring.

15.53   The Committee inquired as to what actions FaCSIA had undertaken
in developing uniform guidelines for monitoring the performance of
service providers, especially in relation to the ANAO's
Recommendation 7. This recommendation required that the
guidelines:

> …include better practices for assessing risk; determining
> monitoring approaches given broad risk ratings and
> monitoring costs; and undertaking the main monitoring
> practices.[33]

15.54   FaCSIA responded that part of the Department's business process
re-engineering project would see the Department reassess its
management of service providers' performance. The Department is
planning more advice to staff regarding programme risk
assessments, and is also exploring the recording of provider
performance information in FOFMS.[34]

15.55   FaCSIA informed the Committee that:

> FOFMS will allow better collection and reporting of the
> performance measures at Agreement, program and outcome
> levels. This includes the ability for providers to record
> information via an electronic form that can be downloaded to
> the system. This will provide the tools to aggregate
> performance information from provider level to program
> level.
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> A program simplification project currently underway will
> focus on the need to rework performance frameworks. This
> has already commenced in a number of program areas, in
> particular in respect of youth and family relationship
> programs, where detailed performance frameworks are being
> developed and implemented Part of the implementation
> includes extensive consultation with providers and
> incorporation of requirements into Funding Agreements. The

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33   ANAO Audit Report, No. 47, 2005-2006, *Funding for Communities and Community
      Organisations*, Commonwealth of Australia, p. 25.
34   FaCSIA, Submission no. 1, 1.1.

> Department has recently revised the standard Funding
> Agreements. [35]

15.56   Finally, the ANAO's report highlighted an example of FaCSIA's
         improvement in performance monitoring through the Stronger
         Families and Communities Strategy. In regards to the Strategy's
         Local Answers Program, the Committee asked whether FaCSIA had
         acted upon the ANAO's suggestion of introducing more quality
         indicators into the National Performance Indicator set contained in
         the *Programme Outcomes and Performance Indicator Toolkit*.

15.57   FaCSIA responded that the National Evaluation of the Strategy
         would include qualitative elements, which will include the Local
         Answers Program. The Department has commissioned work on a
         pilot programme to develop qualitative, population-level indicators
         for the Local Answers Program, although it is possible to include
         qualitative indicators in the National Performance Indicator set.

Committee comment

15.58   The Committee feels that overall, FaCSIA is on track to
         implementing the recommendations made by the ANAO. However
         the Committee recommends as follows:

Recommendation 27

> **That FaHCSIA lodge a progress report with the Committee, by the end
> of February 2009, advising of progress in responding to the Auditor-
> General's recommendations.**

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35   FaCSIA, Submission no. 1, 1.4.