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and Indigenous Affairs

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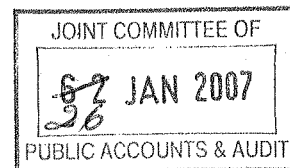
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Dear Sir/Madam

I am writing to respond to the Questions on Notice asked by the Joint Committee of Public Accounts and Audit, subsequent to the cancelled hearing of 6 December 2006, concerning ANAO Audit report No. 47, 2005-06, *Funding for Communities and Community Organisations*.

My response to the Questions is attached.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wayne Gibbons'.

Wayne Gibbons

24 January 2007

Joint Committee of Public Accounts and Audit
ANSWERS TO QUESTIONS ON NOTICE
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Cancelled Public Hearing, 6 December 2006 – ANAO Audit Report No. 47, 2005-06

Topic: ANAO Audit Report No. 47, 2005-06:

Question No: 1.1 - 1.15

Funding for Communities and Community Organisations

The Committee asked:

- 1.1 Could you provide a brief update on the status of each of the initiatives listed in paragraph 1.22 on page 35?
- 1.2 Has the new policy allowing the thresholds for funding Agreements to be exceeded by a maximum of 10 per cent been issued to FaCSIA staff as expected (footnote 25, page 39)?
- 1.3 Were funding Agreements in place for all service providers for the 2005–06 financial year?
- 1.4 What has FaCSIA done to ensure that “an appropriate funding Agreement is in place and current for all grants”? [Recommendation 1, p.44]
- 1.5 What has FaCSIA done to ensure that all long-form funding Agreements with providers clearly specify budget expenditure, including allowable expenditure items and limits for these items? [para 2.30]
- 1.6 What has FaCSIA done to implement a risk-based approach to collecting, and placing in its records, evidence that service providers have adequate insurance, in order to ensure that “grant recipients have appropriate types and levels of insurance in place”? [Recommendation 2, page 52]
- 1.7 Can you explain how FaCSIA’s business process reengineering project currently underway will address the need to adopt a risk-based strategy and how it will be applied? What is the current status of this project?
- 1.8 Has FaCSIA now clearly defined ‘financial statement’ as well as ‘final audited acquittal statement’ in its funding Agreements for audit acquittal purposes as suggested by the ANAO? [Footnote 51, p 64]
- 1.9 What has FaCSIA done to improve its processing of funding agreement acquittals, particularly in terms of:
 - (a) applying a risk management approach to financial acquittals, so that resources and efforts to process funding agreement acquittals are matched to perceived risks;

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(b) implementing adequate quality control checking and accountability processes to ensure that acquittal processing adheres to the terms of funding agreements; and

(c) adequately training 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? [Recommendation 3, page 65]

1.10 What has FaCSIA done to improve the management of grant payments, such that:

(a) payments are consistently made according to the terms of funding agreements;

(b) management information systems readily match financial information with funding agreement information; and

(c) timely and accurate information about grant payments can be extracted across all FaCSIA Programs, including for communities and community organisations' programmes? [Recommendation 4, page 68]

1.11 What has FaCSIA done to implement improved fraud control practices and procedures across all of its grants programmes and at the individual service provider level, particularly by:

(a) ensuring effective implementation of the key fraud control mitigation strategies contained in FaCSIA's current fraud control plan;

(b) providing relevant staff with fraud awareness training; and

(c) undertaking risk-based initiatives specifically designed to identify fraud in the agency's grant programmes? [Recommendation 5, page 70]

1.12 What has FaCSIA done to ensure compliance with departmental practices and procedures relating to administration of grants that support compliance with Regulation 10 of the Financial Management and Accountability Regulations 1997? [Recommendation 6, page 73]

1.13 What has FaCSIA done to develop uniform guidelines for monitoring the performance of service providers? As suggested by the ANAO, do these guidelines include better practices for: assessing risk; determining monitoring approaches given broad risk ratings and monitoring costs; and undertaking the main monitoring practices? [Recommendation 7, page 78]

1.14 What has FaCSIA done to improve its performance measurement framework relating to grants, such that:

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

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(b) 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

(c) performance information collection and collation systems are established that facilitate the aggregation of performance information in funding agreements to the programme level? [Recommendation 8, page 89]

1.15 As suggested by the ANAO, has FaCSIA introduced more quality indicators into the National Performance Indicator set contained in the Toolkit? [para 4.61]

Answer:

1.1 Update on the status of each of the initiatives listed in paragraph 1.22 on page 35:

- The implementation of the FaCSIA Online Funding Management System (FOFMS)

Implementation of the FaCSIA Online Funding Management System (FOFMS) was completed in April 2006. 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.

The system interfaces with the Department's financial management system, allowing for the recording of specific payment details against Funding Agreement records. In operation for all former FaCS Funding Agreements from 2006-07, it will increase the Department's ability to manage and store information relating to Funding Agreements, providers and payments, and can produce comprehensive reports. FOFMS is regularly reviewed and updated as necessary to suit current business requirements.

- Performance management enhancements for individual programmes, and the agency-wide dissemination of guidelines for performance management

As outlined in the Program Design and Implementation component of FaCSIA's Core Business Processes, a performance framework, regardless of the type or complexity of the program, must be used to support all programs. A Performance Framework template is available on the Department's Intranet to assist FaCSIA staff to deliver the performance framework for the program, along with the Performance Framework Chapter of FaCSIA's *Practical Guide to Program Administration with FaCSIA Funded Service Providers*. The Chapter provides the supporting guidance around how to develop a performance framework and clearly defines and documents the processes in place to measure program and provider performance and clearly identifies who is responsible at each level of measurement.

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- Revising Funding Agreements and related guidance
FaCSIA has recently completed a review of the Short Form and Minimalist standardised FaCSIA Funding Agreements and associated User Guides. The review investigated and identified past practices and experience gained by FaCSIA staff in administering the Agreements and the effectiveness of the Agreements. In support of the One FaCSIA initiative to simplify process and provide consistency in how the Department does business, the review also focussed on aligning the content and format of the Short Form and Minimalist Agreement with the current standard Long Form Funding Agreement. The use of User Guides and templates made available to staff on the Department's Intranet is mandatory.

- Implementing a Service Delivery Helpdesk and enhancing programme management guidance
The Service Delivery Helpdesk is fully operational and provides a single gateway for advice on all issues related to developing, implementing and managing community programmes within FaCSIA. During the period October 2005 to March 2006 an average of 50 Helpdesk requests were processed per month, with the monthly average for April 2006 to September 2006 increasing to 100.

There is also a range of supporting tools and resources to assist staff to guide the effective development, implementation and management of community programmes. This includes the comprehensive Practical Guide to Program Administration with FaCSIA Funded Service Providers, which provides staff working on designing, implementing and managing programs with information and supporting templates on aspects of service delivery.

- 1.2 Yes, this policy is now in place. A responsible delegate is able to determine which type of standard FaCSIA Funding Agreement is to be used and to vary the thresholds by 10% on a case-by-case basis. This is subject to a risk assessment being completed and the reasons for decisions being documented.

The standard Funding Agreement threshold amounts have also recently been increased to more accurately reflect relative generic risks.

- 1.3 FaCSIA's policy is that there must be an appropriate Funding Agreement in place with providers of all community-based programs prior to payments being issued. This is communicated to staff through FaCSIA's Core Business Processes, specifically the Program Implementation component, with details available on the FaCSIA Intranet site to ensure that processes are adhered to.
- 1.4 The FaCSIA Online Funding Management System (FOFMS), which is a web-based system that assists in the management of the FaCSIA Funding Lifecycle, has now

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been implemented. It will increase the Department's ability to manage and store information relating to Funding Agreements, providers and payments, and to produce comprehensive reports. All payments are managed through the system and are dependent on program delegate approval at key points. Funding Agreements for Indigenous services are recorded in the Department's Grants Management System.

- 1.5 Clause 9.5 of the standard Long Form Funding Agreement provides that 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. The budget may also contain, if appropriate, whether the funding recipient is able to transfer amounts of funding between budget line items up to a certain threshold. If no budget breakdown is required for a particular Agreement, then the Item is completed as "Not Applicable".
- 1.6 Insurance details are generally requested during the provider selection process. As part of the business process reengineering project, consistent processes are being developed and implemented, including the collection and recording of insurance information provided by FaCSIA funded providers. A risk-based approach is used to ensure that there is no undue administrative burden for service providers or the Department. Standard FaCSIA Funding Agreements specify the type (eg public liability, professional indemnity insurance) and level of insurance required for funded providers of FaCSIA 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. These records are retained in the relevant Funding Agreement registered file.

The continued development of FOFMS enables its functionality to be used in a number of ways. The use of FOFMS to provide a mechanism for recording and sharing information about a range of program management activities, including insurance verification, is currently being investigated.

- 1.7 The business process reengineering project currently underway in the Department is one of several initiatives designed to establish consistent processes for managing Funding Agreements across programs and locations. A Procedures Manual is expected to be released in February 2007 which will contain the procedures for each stage of the Funding Agreement Lifecycle, as well as procedure maps, tools and templates. Adherence to the procedures contained in the Manual will be mandatory for programs at the particular points of the Funding Agreement Lifecycle.

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Some of the tools and templates have already been released, including three risk tools which help staff apply the FaCSIA risk management framework to community based programs. These are the residual program risk tool, inherent program risk tool, and the service provider profiling tool. The risks associated with programs and service providers will be identified, analysed, assessed and prioritised through the use of these tools, and monitoring strategies and plans can be developed to treat the risks at both the program and service provider level. These strategies and plans will be regularly reviewed by program staff and signed off by the Program Branch Manager to ensure they remain relevant and up to date.

- 1.8 In the next iteration of the standard Funding Agreements, FaCSIA will clearly define what financial documentation is required to be provided by a grant recipient in order to acquit the grant. Centralised teams have been formed in each Network office and National Office to acquit 2005-06 grants. Staff in those teams have attended a two-day course presented by WalterTurnbull which provided specific training on accounting principles and formats, the features of an audited report and financial analysis.
- 1.9 (a) FaCSIA has developed and implemented a risk based approach to acquit its 2005-06 grants which matches effort to perceived risk.
- (b) FaCSIA 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.
- (c) See answer to 1.8.
- 1.10 The FaCSIA Online Funding Management System (FOFMS) system 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 information to be extracted for all Funding Agreements and providers.
- 1.11 In November 2006, the FaCSIA Fraud Control Guidelines were released and made available to all staff to assist in building improved accountability measures within FaCSIA. The Guidelines will complement the FaCSIA 2007-09 Fraud Control Plan currently being developed by Ernst and Young, the risk assessment process for which is focusing on Program areas.

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One element of the fraud control strategy in FaCSIA is to assess service providers as part of the overall Program Risk Management Process. This assessment is carried out before Funding Agreements are finalised. As part of the business process reengineering project program risk tools have been developed to enable staff working on community-based programs to assess the level of risk in existing programs as well as assess risk in new programs.

Fraud awareness training is provided to new employees as part of the Orientation Program. Fraud awareness training has been provided in most State/Territory Offices (SA, WA, NT, and NSW) and some Indigenous Coordination Centres. FaCSIA is currently conducting a review of all fraud awareness training requirements across the department, and has also entered into initial discussions with other agencies to develop a specific fraud awareness program for the Indigenous Coordination Centres.

Suspected fraudulent activity identified through program monitoring may be referred to the FaCSIA Audit and Fraud Branch, and FaCSIA is actively recruiting qualified fraud investigators to undertake data analysis, prevention, education and investigation / prosecution action where appropriate.

- 1.12 FaCSIA has policies and practices in place to assist it to meet the requirements of Regulation 10 of the Financial Management and Accountability Regulations 1997. Further work will be undertaken to ensure compliance with these policies and practices. 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 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, and business process reengineering tools and templates to drive consistency and compliance.

The Funding Agreement preparation checklist contained in the standard Long Form Funding Agreement User Guide includes an item concerning obtaining approval from an appropriate delegate to expend money or make a commitment under the Agreement. FOFMS also has stringent financial controls aligned with the FaCSIA Delegations, and records Regulation 10 approvals where relevant.

- 1.13 As part of FaCSIA's business process reengineering project, the Department is re-assessing the way that it manages the monitoring of performance of service providers, in particular through the use of the service provider profiling tool. While

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it is necessary to identify specific outcomes and outputs on a program basis, the Department is exploring ways to ensure that the processes followed are more consistent. This includes the management of resources available to undertake this work so as to focus on activities or providers where there are more significant risks to outcomes.

The Department is currently developing more detailed advice on program risk assessments including identifying specific risks that should be considered in developing risk plans. This will be used as a basis for managing resources and monitoring activities across programs. The Program Operations Group will be responsible for developing the guidelines identified in the recommendation as well as ensuring consistent application of policy and processes.

In addition, the Department is exploring opportunities to record provider performance information within FOFMS so as to ensure that information is available across program areas. This will help ensure that risk assessments at the provider level may be based on a wider set of information than may currently be available on a program by program basis. FOFMS also allows critical issues to stop payment at Agreement level and organisation level.

Also see answer to 1.1 regarding performance management enhancements.

- 1.14 FaCSIA is introducing a series of clearance points for program planning and implementation documentation to ensure that, amongst other things, a performance framework has been established for the program, and program logic and outcome hierarchies identify and distinguish immediate and medium-term desired outcomes from longer-term desired outcomes.

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.

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 Department has recently revised the standard Funding Agreements to make the completion of schedules simpler for staff as well as highlighting the mandatory

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inclusion of performance information in the Agreements. The importance of performance information is stressed in program guidelines and in Funding Agreement training provided to staff.

- 1.15 The National Evaluation of the Stronger Families and Communities Strategy will include qualitative elements, such as themed studies and Promising Practice Profiles. Local Answers projects will be included in these qualitative studies.

The Project Level Indicators that contribute to the National Evaluation of Local Answers currently include some qualitative indicators and projects are able to use the provided User Survey if appropriate.

FaCSIA has commissioned work on developing qualitative, population level indicators for Local Answers, for use in a pilot project. It is possible to include quantitative indicators into the National Performance Indicator set. If the Indicators were amended to include further population level qualitative indicators for projects currently funded, or that will start in future rounds, the data would be available for the 2007/08 and 2008/09 financial years. The diverse nature of Local Answers projects means that the aggregated data for some additional indicators may be very small sets.