EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT No. 412
Audit Reports review during the 41st Parliament

Response to the Recommendations

Recommendation No. 2 (p.23)
The Committee recommends that FaHCSIA provides it with details of the Family Relationships Services Program.

Response to Recommendation No. 2

Please find attached copies of the Whole of Service Review (Attachment A) and the Client Input Consultancy (Attachment B) referred to in the document, under the Family Relationship Services Program evaluation discussion.

Recommendation No. 3 (p.25)
The Committee recommends that FaHCSIA provide it with a copy of the evaluation report in relation to drought funding.

Response to Recommendation No. 3

Please find attached copies of the 2006 (Attachment C) and 2007 (Attachment D) Evaluations of the Drought Counselling Assistance Package funded under the Family Relationship Services Program.

Recommendation No. 26 (p.298)
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.

Response to Recommendation No. 26

Standard funding agreements templates include the requirement for service providers to hold adequate insurance coverage for the level of funding provided and the nature of the program and/or services provided. Specific Items in the Funding

Agreements and associated user guides note the compulsory nature of this insurance. Staff training courses emphasise the need for this insurance and the Program Funding Manual released on 30 March 2007 sets out this requirement.

Standard levels of insurance are set out in the Program Funding Manual as a minimum of $10 million for Public Liability coverage and $5 million for Professional Indemnity coverage. Standard conditions also apply to the need for worker's compensation coverage and assets, such as vehicles, are also required to be adequately insured.

Program areas may undertake risk assessments to alter the level of insurance required in certain circumstances - for example, the nature of the Volunteer Small Equipment Grants program diminishes the need for recipients to have the same level of insurance as the funding recipients in the Family Relationships Services Program. These risk assessments assess the overall level of funding, the nature of the service provided, the likelihood of identified risk events arising and the exposure of the Commonwealth should that happen. Where staff are contemplating a shift away from the standard approach, the guidelines require that a risk assessment is to be undertaken. This risk assessment must be approved by the relevant delegate before any decision is made to reduce the insurance levels.

During the application for funding and selection processes funding recipients are required to provide evidence of insurance currency. This information is placed on corporate files. FOFMS is being enhanced to allow for the recording of the type, level and currency of insurance held by funded organisations. A standard form is under development for requesting evidence of insurance currency to ensure a consistent approach to gathering this information. Responses will be attached to the organisational records in FOFMS to enable other funding agreement managers and/or programs to utilise the information. This information will then only need to be collected once, to avoid the red tape around asking an organisation for this information for each funding agreement.

A risk-based approach is also used to the ongoing collection of currency certificates to ensure that there is no undue administrative burden for service providers. The sighting of certificates of currency will be factored into review and site visit templates being developed as part of ongoing refinement and continuous improvement of business processes.

Recommendation No. 27 (p.306)

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.

Response to Recommendation No. 27
Please find attached a progress report (Attachment E).

Recommendation No. 31 (p.351)

The Committee recommends that FaHCSIA provide the Committee with a written update in December 2009 in relation to the strategies being used in responding to the issue of non-lodgement.

Response to Recommendation No. 31 (Policy)
The Government announced measures in the 2008-09 Budget that aim to give effect to Recommendation 33, among other recommendations of the ANAO's Audit Report No. 12 06/07.

A written update can be provided in December 2009, as requested.

Recommendation no. 33 (p. 356).

The Committee recommended that the Family Assistance Office implement a program of intensive assistance to the non-lodger population potentially based on the Government's large debtor measure and provide a report to the Committee on measures adopted to strengthen assistance.

Response to Recommendation No. 33

Four measures were announced in the 2008-09 Budget to help families avoid cycles of overpayment and debt by encouraging customers to lodge their tax returns on time or advise they are not required to lodge. From 1 July 2009:

- families who incur Family Tax Benefit (FTB) debts for failing to lodge their tax returns may lose access to fortnightly payments until their entitlements are properly reconciled. The first prohibitions on instalment payments will take effect from January 2010;
- the length of time the Australian Taxation Office is able to transfer income details to Centrelink to enable FTB debts to be resolved, will be extended; and
- FTB top-up payments can be used to offset a greater range of FTB debts, including non-lodger debts.

The fourth measure, the Flexible Debt Management Strategy (FDMS), is the policy most directly related to Recommendation 33.

FDMS, which builds on the Large Debtor Strategy (see 'Background' below), is an automated system that allows Centrelink to flexibly target FTB debtors, including non-lodger debtors, based on a wide range of criteria, for individual contact and case management by Centrelink.

The case management process begins with a Centrelink officer attempting telephone contact with the customer. Failing this, a letter is posted to explain that a debt is owed to the Commonwealth and asking the customer to contact Centrelink. When contact is made, Centrelink seeks to assist the customer to resolve the debt by encouraging them to lodge their outstanding tax returns or advise they are not required to lodge if that is the case. Where a debt remains, Centrelink either seeks payment of the debt in full or negotiates a suitable repayment plan with the customer. There is also follow-up contact. For example, if a customer does not adhere to an agreed repayment plan, Centrelink will attempt to negotiate a further suitable repayment arrangement.

FDMS was introduced in two stages:

- In October 2008 a 'manual' solution was implemented under which Centrelink extracted a point-in-time list of current customers with a cumulative value of outstanding non-lodger debt of $3,000 or more.
- In March 2009 an automated solution was introduced using the Service Profiling IT system that allows Centrelink to flexibly select target FTB debtors for case management on the basis of a wide range of criteria based on 'live' customer data.

Currently, FDMS is assisting FTB debtors who are income support customers and have 3 or more non-lodger debts.

From 10 October 2008 until 27 February 2009 Centrelink completed FDMS case management of around 2,100 customers with FTB non-lodger debts.

JCPAA Report 412 – Recommendations
Response to JCPAA Recommendation 27

Background

The Department of Finance & Deregulation letter dated 14 November 2008 to FaHCSIA's Chief Financial Office, titled '*Joint Committee for Public Accounts & Audit Report 412*' requested that the Secretary of FaHCSIA respond to six JCPAA recommendations that arose from JCPAA Report 412.

Audit & Fraud Branch was requested to provide information to resolve JCPAA recommendation 27 from JCPAA Report 412.

JCPAA Recommendation 27 required that, in relation to the ANAO's 2005-06 Audit Report No.47 '*Funding Communities & Community Organisations*' 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*".

Attachment 1 consists of two tables:

a. Table 1 shows the relationship of the JCPAA recommendations to three separate ANAO reports.

b. Table 2 provides specific management comments that explain the management actions taken in fully resolving the respective ANAO recommendations from the ANAO's 2005-06 Audit Report No.47 '*Funding Communities & Community Organisations*'.

Table 2 shows all eight ANAO recommendations provided within ANAO's 2005-06 Audit Report No.47 '*Funding Communities & Community Organisations*' as fully resolved.

The basis for accepting resolution of the recommendations has been through FaHCSIA's Risk Assessment & Audit Committee (RAAC) rules for authority to resolve audit recommendations having reviewed the stated management action.

Under the rules, RAAC is to confirm resolution of recommendations that have been ascribed a risk-rating of 'Significant' or above, and the Chief Internal Auditor for recommendations risk-rated as 'Moderate' and below.

JCPAA Report 412 – Recommendations
Response to JCPAA Recommendation 27

Table 1. Summary of JCPAA Recommendations to FaHCSIA Relating to Associated ANAO Audit Reports

JCPAA Recn No.	ANAO Recn No.	JCPAA Report 412 Recommendations
ANAO 2004-05 Audit Report No.50 'Drought Assistance'		
2	10 (see Table 2 below)	The Committee recommends that FaHCSIA provides it with details of the Family Relationships Services Program evaluation.
3	10 (see Table 2 below)	The Committee recommends that FaHCSIA provide it with a copy of the evaluation report in relation to drought funding.
ANAO 2005-06 Audit Report No.47 'Funding for Communities & Community Organisations'		
26	1, 2, 3, 4, 5, 6, 7 & 8 (see Table 2 below)	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
27	1, 2, 3, 4, 5, 6, 7 & 8 (see Table 2 below)	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.
ANAO 2006-07 Audit Report No.12 'Management of Family Tax Benefit Overpayments'		
31	1 & 2 (see Table 2 below)	The Committee recommends that FaHCSIA provide the Committee with a written update in December 2009 in relation to the strategies being used in responding to the issues of non-lodgement.
33	1 & 2 (see Table 2 below)	The Committee recommends that the FAO implement a program of intensive assistance to the non-lodger population potentially based on the Government's large debtor measure and provide a report to the Committee on measures adopted to strengthen assistance.

Table 2. ANAO 2005-06 Audit Report No.47 – Management Responses to Recommendations & Completion Status

ANAO 2005-06 Audit Report No.47 'Funding for Communities & Community Organisations'			
ANAO Recn No.	**Recommendation**	**Management Response and Action/s**	**Completion Status**
1	Ensure that an appropriate funding agreement is in place and current for all grants.	**[28/5/2007]** Compliance activities associated with the implementation of the reforms will be undertaken by Program Operations Group [now Program Performance Group (PPG)] in May-June 2007 and will include checks that agreements are in place. A schedule of visits currently is being developed for all program areas and State Offices (SOs), likely during July, August and September, by the Quality Assurance & Monitoring Section and will result in confirmation that all baseline documents, including an executed funding agreement, are in place for existing programs. Where these are found not in place, milestones will be set to fill the gaps by 30 June 2008. All new programs now must undergo three review gates that will ensure funding agreements have been prepared. **[11/04/2007]** - The Program Funding Manual (PFM) - Procedures & Requirements document was released on 30 March 2007 and clearly sets out the requirement for funding agreements to be in place before payments can be released. This includes the Long Form Funding Agreement (LFFA) training course regularly run for National Office and State Office staff is covered in the PFM information sessions in April and May in the National and State Offices. Compliance activities required for the implementation of the reforms will be undertaken by the PPG from May 2007 and will provide assurance that agreements are in place. Future enhancements to the FaHCSIA Financial Management System (FoFMS) will explore introduction of a mandatory field for execution of agreements that must be completed before funds are released. **[24/01/2007]** FaCSIA's (now FaHCSIA) 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. **[31/08/2006]** The need for an appropriate funding agreement to be in place is well understood by all program areas and SO staff. This message is reinforced by funding agreement training that commenced delivery in June 2006. To date, three training courses have been run in National Office. Another course is scheduled for September 2006. All SOs, with the exception of NSW, WA and NT have taken up the offer of training. It is intended to conduct training in the other SOs before the end of 2006-07.	**100%** Agreed by Audit Committee

Table 2 (continued)

2	Ensure 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.	**[11/04/2007]** Standard funding agreement templates (long form and short form) include the requirement for service providers to hold adequate insurance. Item 'L' on LFFA and S24 of the user guide, clause 17 of the MSFA and clause 12 of the SFFA and user guide note the compulsory nature of this insurance, FaCSIA's policy on the need for such insurance, and the requirement to complete a risk assessment, if consideration is being given to changing the default insurance level. The LFFA training course emphasises the need for this insurance and the PFM released on 30 March 2007 sets out this requirement. A risk-based approach to collection of currency certificates currently is used to ensure there is no undue administrative burden for service providers or the Department. **[04/12/2006]** The standard FaCSIA Funding Agreements require funding recipients to have appropriate insurance coverage for the level of funding provided. Program areas may undertake risk assessments to alter the level of insurance required in certain circumstances; eg. the nature of the Volunteer Small Equipment Grants program precludes the need for recipients to have the same level of insurance as the funding recipients in the Child Care Program. During the application for funding and selection processes funding recipients are required to provide evidence of insurance currency. This evidence currently is placed on corporate files. FoFMS will be amended to enable recording of the type, level and currency of insurance held by funded organisations, and will only need to be collected once, to avoid asking an organisation for this information for each funding agreement. **[31/08/2006]** The guidelines provided to staff around insurance clearly articulate FaCSIA's standard insurance requirements. Where staff contemplate a shift away from the standard approach, the guidelines require that a risk assessment be undertaken. The risk assessment must be approved by the relevant delegate before a decision is made to reduce the insurance levels. Sighting of certificates of currency will be factored into the site visit template being developed as part of the Business Process Re-engineering Project.	**100%** Agreed by Audit Committee

Table 2 (continued)

3	Improve 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 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.	[**05/02/2007**] Acquittal Teams in each State and Territory have been trained by WalterTurnbull and are now processing 2005-06 acquittals using standard procedures and templates. A risk based approach had been developed and implemented. Network Acquittal Teams provide weekly status reports to National Office. The Program Management Committee is being briefed on their progress and on issues that surface during the process. All audit recommendations now have been implemented. [**01/12/2006**] FaCSIA has developed a risk based approach to acquittals for the 2005-06 grant acquittal process. A central register of all grants due for acquittal in 2005-06 has been developed. The register will provide management information on progress, including recalcitrant services. Centralised acquittal teams have been formed in all Network Offices and National Offices. Acquittal processes have been mapped and agreed by the Acquittals Reference Group. A quality assurance process will be undertaken by National Office. FaCSIA in conjunction with WalterTurnbull delivered two 2 day training courses to the acquittals teams providing an overview of the process, detailed theory and practical experience in performing acquittals. [**01/09/2006**] In accordance with the ANAO recommendation No. 3, FaCSIA is working towards a risk-based management approach to acquittals. Liaison has occurred with all FaCSIA program areas to obtain current acquittal data. A register has been compiled providing program funding information around the number of acquittals, when acquittals are due, funding agreement types and expenditure levels. A Grants Acquittal Reference Group (GARG) has been established with FaCSIA program managers and State and Territory Managers. The GARG met via phone hook-up on the 25 August and will continue to meet fortnightly to progress 2005-06 grant acquittals and the introduction of a risk-based approach for grant acquittals. Risk based models currently are under consideration.	**100%** Agreed by Audit Committee

Table 2 (continued)

4	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 programmes, including for communities and community organisations' programs.	**[01/09/2006]** Enhancements to FoFMS are continuing. All Programs have now been migrated onto FoFMS. FoFMS functionality supports staff to ensure timely and consistent payments to be made in accordance with the funding agreement. FaHCSIA's processes (separation of duty, accountability at the Program Manager level for authorisation) ensures the integrity and match of the data entered from funding agreement into FoFMS. Information on timely and accurate grant payments, including to which organisation a payment has been made, can be extracted instantly from FoFMS. Processes in place to ensure that monitoring of timely payments occurs	**100%** Agreed by Audit Committee
5	Implement improved fraud control practices and procedures across all of its grants programs and at the individual service provider level, by: a) effectively implementing 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; b) providing relevant staff with fraud awareness training; and c) undertaking risk based initiatives specifically designed to identify fraud in the agency's grant programs.	**[05/09/2006]** **(a)** FaCSIA currently is implementing a new online departmental grants system and is undertaking a major business process re-engineering project to establish consistent processes for managing funding agreements across programs and locations. The POG (now PPG) has now been established to devise and oversight the changes to ensure consistent advice and support to staff and improved processes and practices. **(b)** Fraud awareness training is provided to new FaCSIA employees as part of the Orientation Program. Fraud awareness training additionally has been provided to employees in SA, NSW, WA and the NT. FaCSIA is about to embark on a strategy to develop and deliver a Fraud Awareness Program for employees based at the Indigenous Coordination Centres (ICCs) in conjunction with other relevant agencies. FaCSIA is to reassess its fraud awareness training responsibilities with a view to developing a rolling program that is more agency-specific. **(c)** FaCSIA is in the process of improving its compliance strategies for its grants programs. This includes an improved information and awareness campaign for services, fraud detection using risk profiling techniques, and an increased level of targeted and random compliance visits.	**100%** Agreed by Chief Internal Auditor

6	Ensure compliance with departmental practices and procedures relating to its administration of grants that support compliance with Regulation 10 of the Financial Management & Accountability Regulations 1997.	[**17/04/2007**] Financial Services Branch continually raises awareness of Reg 10 requirements at all appropriate forums; ie. SMG, EMG etc. Reg 10 training to all FACSIA staff also is offered to relevant Branches/Offices on an ongoing basis. The CFO's email on 3 April 2007 to all SES Officers reminded them of their Reg 10 responsibilities and outlined arrangements for handling Reg 10 processes within FaCSIA.	**100%** Agreed by Audit Committee
7	Develop uniform guidelines for monitoring the performance of its service providers. These guidelines should include better practices for: assessing risk; determining the 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.	This recommendation is being addressed by the Business Process Re-engineering Project (BPRP). Key outcomes of the BPRP will be a series of tools and templates to assist staff in all aspects of the Funding Agreement life cycle. Compliance with these tools and templates will be compulsory and POG (now PPG) will undertake 'gateway reviews' at strategic points of the cycle. Specifically in relation to risk, FaCSIA is developing program risk tools to help staff to identify and manage risk at program and provider level. Using the results from the risk tools, program staff will be able to develop monitoring strategies and plans in a more consistent and effective way. [**20/01/2009**]. Guidelines for assessing risk and determining monitoring requirements for service providers have been implemented. Risk tools for assessing program management risks have been pre-populated with common risks to provide a standard benchmark for consideration. Staff can add new risk as they are identified. Monitoring approaches are then determined in line with the assessed level of risk for the type of risk; eg. financial management, performance management etc. Guidance on suggested monitoring approaches also is provided via user guides. Results of risk mitigation activities, such as payment milestones and site visits, are recorded in FoFMS/GMS. The guidelines have been incorporated into chapter 8 of the PFM.	**100%** Agreed by Chief Internal Auditor

Table 2 (continued)

8	Improve the performance measurement framework relating to grants, such that:: a) performance information schedules to funding agreements include measures of effectiveness, quality and quantity; b) these measures are suitable to be aggregated to the program 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 program level.	[**24/01/2007**] The Program Simplification Project that currently is underway will focus on the need to rework performance frameworks. This already has commenced in a number of program areas, in particular for the 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. FaCSIA recently revised the standard Funding Agreements to make the completion of schedules simpler for staff as well as to highlight mandatory 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. FoFMS will allow better collection and reporting of the performance measures at agreement, program and outcome levels, including the ability for providers to record information electronically that can be downloaded to the system. This will provide the tools to aggregate performance information from provider level to program level. A performance management template and guidelines was released in October 2006. Their use is mandatory for FaCSIA programs. This recommendation is being addressed by the BPRP. Key project outcomes will be a series of tools and templates that will assist staff in all aspects of the Funding Agreement life cycle. Compliance with these tools and templates will be compulsory and POG (now PPG) will undertake 'gateway reviews' at strategic points of the cycle. In the context of this recommendation, monitoring strategies are being developed based on FaCSIA's Performance Framework.	**100%** Agreed by Audit Committee

Attachment F

BACKGROUND (Recommendation 33)

Non-Lodger Debt

Currently around 80,000 families a year end up with all of their Family Tax Benefit raised as a debt because they do not confirm their income by lodging tax returns or by advising that they are not required to lodge a tax return.

Non-lodger debt occurs where a customer and/or their partner have not lodged a tax return within the prescribed time, or have not informed the Family Assistance Office that they are not required to lodge a tax return for the relevant financial year.

Currently, fortnightly instalments of FTB are based on a family's estimated annual income. At the end of the financial year, the payments are reconciled against actual annual family income when a customer and their partner lodge tax returns with the Australian Taxation Office. Both partners in a family are required to lodge a tax return.

Customers who have not lodged, or advised they are not required to lodge by 1 July of the second lodgement year (12 months after the end of the entitlement year) are identified as non-lodgers. Non-lodger debts are usually raised in November of the second year.

If a customer and/or their partner do not lodge a tax return or advise that they are not required to lodge a tax return by the end of the second lodgement year (24 months after the end of the entitlement year), any entitlement to FTB supplement or top-ups due to underpayment of instalments during the entitlement year is lost.

Implementation of more active approaches to resolve non-lodger debt will enable customers to be more informed about their obligations, encourage them to reconcile their FTB payments and resolve any issues which are preventing lodgement and in some instance ensure that full FTB entitlements (including top-ups and supplements) are delivered to families who currently lose part of them.

Large Debtor Strategy

On 1 July 2006 a large debtor strategy was introduced to case manage customers who have an outstanding FTB reconciliation debt larger than $3,000 and more than 12 months old.

From April 2007 the target customer population was extended to include those with a reconciliation debt larger than $2,000 and from 1 July 2007 a trial was commenced targeting customers with a non-lodger debt greater than $3,000 and where the last debt accrued was more than 12 months old.