

The Auditor-General
Auditor-General Report No.37 2024–25
Performance Audit

Administration of the Future Fit Program

Department of Health, Disability and Ageing



Audit snapshot

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Why did we do this audit?

- ▶ The Commonwealth Home Support Program (CHSP) is a grants program that supports services that provide meals for older Australians. The Meals on Wheels (MoW) network receives CHSP grants.
- ▶ CHSP will transition from a grant program to a fee-for-service model no earlier than 1 July 2027. The Future Fit Program was aimed at supporting MoW Australia to prepare for the transition.
- ▶ The Department of Health, Disability and Ageing (Health) was responsible for the Future Fit Program.



Key facts

- ▶ In December 2021, Health contracted Miles Morgan Australia to deliver a project on behalf of MoW Australia, for \$5.49 million. The project became known as the Future Fit Program.
- ▶ Separate procurements with Miles Morgan Australia were undertaken in 2022 and 2024, which extended the scope and timeframe for the Future Fit Program. The cumulative value of the contract was \$8.74 million.



What did we find?

- ▶ Health's administration of the Future Fit Program was ineffective. Objectives were not achieved.
- ▶ Health did not establish sound governance arrangements to support the delivery of the Future Fit Program.
- ▶ Planning and conduct of the 2021, 2022 and 2024 procurements were not effective and fell short of ethical standards.
- ▶ Health's management of Future Fit Program contracts was not effective.



What did we recommend?

- ▶ There were eight recommendations to Health aimed at improving project governance; stakeholder engagement; evaluating project outcomes; procurement risk assessment and mitigation; the quality of value for money assessments in procurements; and records management. Health agreed to the eight recommendations.

800,000+

Australians use CHSP services

1,264

CHSP providers in 2023–24, 42%
of which provided meals services

1

Supplier approached to deliver
the Future Fit Program

Summary and recommendations

Background

1. In 2015, the Australian Government introduced the Commonwealth Home Support Programme (CHSP). CHSP services include meals, cleaning, garden maintenance, transport and aids. The CHSP meals service category aims to ensure food security and nutritional and social benefits for older Australians. The Department of Health, Disability and Ageing (Health) is responsible for administering CHSP.
2. CHSP service providers receive funding through Australian Government grants and client contribution fees. In 2023–24, CHSP grants totalled \$3.1 billion, making CHSP one of the Australian Government's largest grant programs. In 2023–24, the Australian Government funded 1,264 CHSP providers, 71 per cent of which were not-for-profit organisations. The value of grant funding awarded for the CHSP meals service category totalled \$114.3 million across 540 meal providers in 2023–24.
3. Meals on Wheels is a volunteer-based meals delivery service to people at home 'who are unable to cook or shop for themselves' or 'living with an illness or disability'.¹ Meals on Wheels Australia Limited (MoWA) is the national peak body that represents and advocates for providers that are members of the Meals on Wheels (MoW) network. In 2023–24, 135 of 540 (25 per cent) CHSP meal providers were affiliated with the MoW brand. MoW providers received \$45.4 million in CHSP grants in 2023–24.
4. The Australian Government responded to the 2021 Royal Commission into Aged Care Quality and Safety's recommendations relating to in-home aged care through a number of measures, including the design of a new Support at Home Program.² The Support at Home Program will bring together three in-home aged care programs, including CHSP, under a single program. CHSP is due to transition to the Support at Home Program no earlier than 1 July 2027. Under the Support at Home Program, providers will be required to invoice the Australian Government based on services provided and will receive payment after services have been delivered (a fee-for-service model).
5. The Future Fit Program aimed to improve MoWA's organisational capability, including how it captures data on meal delivery services and accounts for aged care social outcomes associated with the MoW operating model. Health procured Miles Morgan Australia using CHSP funds to deliver the Future Fit Program.
 - On 23 December 2021, Health contracted Miles Morgan Australia to deliver 'strategic business transformation advice and services' for \$5,487,191.³ The project was to be concluded with a final report on 18 January 2023.

1 Meals on Wheels Australia Limited, *FAQs*, MoWA, 2024, available from <https://mealsonwheels.org.au/learn-more/faqs/> [accessed 21 November 2024].

2 The Australian Government's response to the final report of the Royal Commission in Aged Care Quality and Safety in May 2021, available from <https://www.health.gov.au/sites/default/files/documents/2021/05/australian-government-response-to-the-final-report-of-the-royal-commission-into-aged-care-quality-and-safety.pdf> [accessed 5 February 2025].

3 All dollar figures listed in this report are GST inclusive unless otherwise stated.

- On 4 October 2022, a contract variation with Miles Morgan Australia increased the 2021 contract value by \$1,560,900, for a total cumulative value of \$7,048,091. A key element of the variation was a customer relationship management (CRM) software system for the MoW network. The timeframe for delivery of the Future Fit Program final report was extended to 1 November 2023.
 - On 19 January 2024, Health contracted Miles Morgan Australia to ‘transition’ meals operations in the Whitehorse Local Government Area (LGA) in Victoria. The value of this contract was \$1.69 million, for a total cumulative value of \$8.74 million across all three Future Fit Program contracts. A final report was to be delivered on 8 March 2024, and the contract stated that all work was to be completed by 10 March 2024 (with a provision for unanticipated delays to 31 May 2024).
6. This audit covers governance, procurement and contract management of the Future Fit Program between December 2021 and May 2024.

Rationale for undertaking the audit

7. In 2023–24, the Australian Government provided \$3.1 billion in funding to 1,264 CHSP providers, making it one of the Australian Government’s largest grants programs. Over 800,000 Australians used CHSP services in 2023–24.⁴ CHSP is transitioning to the Support at Home Program no earlier than 1 July 2027. The Future Fit Program involved \$8.74 million in procurement payments to Miles Morgan Australia to support Meals on Wheels Australia and the Meals on Wheels network to prepare for the transition from CHSP to the Support at Home Program.
8. This audit provides the Parliament with assurance on whether Health’s administration of the Future Fit Program was effective.⁵

Audit objective and criteria

9. The audit objective was to assess the effectiveness of Health’s administration of the Future Fit Program.
10. To form a conclusion against the audit objective, the following high-level criteria were adopted:
- Has Health established sound governance arrangements to support the delivery of the Future Fit Program?
 - Has Health conducted procurements for the Future Fit Program effectively?
 - Has Health managed the Future Fit Program contracts effectively?

Conclusion

11. Health’s administration of the Future Fit Program was ineffective. Poor project governance, procurement practices that were not aligned to the Commonwealth Procurement Rules, and weak contract management impeded the achievement of the Future Fit Program’s objectives. Health has not evaluated the Future Fit Program to determine if the project has

4 Department of Health, Disability and Ageing, *2023-24 Annual Report*, Health, p. 83.

5 In March 2024, the ANAO received correspondence from Senator Penny Allman-Payne and Senator Janet Rice requesting an audit of Health’s management of the Future Fit Program.

resulted in the Meals on Wheels network being in a better position to transition to the new Support at Home Program.

12. Health did not establish sound governance arrangements to support the delivery of the Future Fit Program. Health did not maintain appropriate oversight of the project. Health did not appropriately identify and manage project risk. Health did not engage with stakeholders in accordance with its Stakeholder Engagement Framework. Health did not measure the achievement of Future Fit Program outcomes.

13. Planning and conduct of the 2021, 2022 and 2024 Future Fit Program procurements were not effective, except for meeting AusTender reporting requirements. Health did not appropriately plan for the Future Fit Program procurements and its consideration of procurement risk was limited. Approaches to market did not support a value for money outcome. Procurement effectiveness was further undermined by insufficient demonstration of value for money, failure to maintain complete records, limited achievement of procurement objectives, and weak probity management. Procurement processes fell short of ethical standards.

14. Health's management of Future Fit Program contracts was not effective. The Future Fit Program's objective was to prepare the MoW network for the transition from the Commonwealth Home Support Programme to the Support at Home program. Some contract deliverables were not realised, and there is no evidence-based analysis of the achievement of the intended outcomes. Health's contract administration effectiveness was impacted by a lack of contract management planning (including risk management), inappropriate segregation of duties, a poorly justified contract variation, deficient records management, and limited probity management. Health did not establish contract performance measures. While contract management practices improved for the 2024 contract, the contract ended in a legal dispute and non-delivery of some contract requirements.

Supporting findings

Governance

15. Health did not assess the Future Fit Program against the requirements of its project management framework nor establish governance arrangements for the project that were consistent with the framework. The Future Fit Program contractor, Miles Morgan Australia, established roles and responsibilities for the Future Fit Program in 2022. Health did not have an established role in project oversight or delivery. The Future Fit Program was established in part to place MoWA in a better position to support MoW state associations and providers. In October 2022 Health agreed to a proposal from Miles Morgan Australia to remove MoWA from project governance arrangements, without consulting MoWA or advising the minister. From mid-2023, Health engaged more directly with MoWA and the MoW network on the Future Fit Program. (See paragraphs 2.1 to 2.20)

16. Health required Miles Morgan Australia to develop a project risk register at the outset of the Future Fit Program in 2022. The March 2022 project risk register identified and assessed risks and included treatments for risks outside of tolerance. Health was assigned 'shared' ownership of six of the 22 identified project risks, including one extreme risk that was rated 'unacceptable.' Health was not involved in the treatment of shared risks. Project status reports repeatedly showed the Future Fit Program as being at 'high' or 'extreme' risk of not being delivered as

planned. There was no process of identifying treatments for these risks. Health did not subsequently seek updates of or refer to the 2022 register. A separate risk register was developed for the 2024 contract. Health did not contribute to the 2024 register. (See paragraphs 2.21 to 2.35)

17. Health did not have a fit-for-purpose stakeholder engagement plan for the Future Fit Program. In 2021 and 2022, communications activities were designed by a sub-contracted firm. The communications plan was not updated over time as the situation evolved. The communications plan and engagement activities did not reflect Health's principles of effective stakeholder engagement, especially the principle of inclusivity. A decision to direct source a provider for meals provision in several Victorian locations was made without consultation with key stakeholders. Stakeholder activities were not appropriately recorded or reviewed. Health's handling of a stakeholder management complaint in 2023 did not align with principles set out in its complaints management policy. From mid-2023, Health's stakeholder engagement practices improved. (See paragraphs 2.36 to 2.70)

18. Health received project status reports from Miles Morgan Australia for the 2021 and 2024 contracts, although Health did not ensure that six of 21 reports were provided in a timely manner, or that reports were provided throughout the whole of the implementation period. Most of these reports identified significant issues with project delivery. Health did not acknowledge the reports. Health did not enforce contractual requirements for Miles Morgan Australia to develop an evaluation plan. As at April 2025, the Future Fit Program had not been evaluated. (See paragraphs 2.71 to 2.81)

Procurement

19. Planning and approaches to market for the 2021, 2022 and 2024 procurements were deficient and did not comply with the Commonwealth Procurement Rules.

- Health's decision to use a procurement to fund the Future Fit Program was not underpinned by a strong policy rationale or market analysis.
- There was no planning for any of the three procurements. Procurement values were not estimated before the approach to market.
- Risk was not identified and assessed in the 2021 and 2022 procurements. For the 2024 procurement, risks were identified, however all risks were assessed as low and therefore did not require treatment despite well-known delivery issues.
- Health approached one supplier (Miles Morgan Australia) in all three procurements. The supplier was selected without analysis of alternatives. A standing arrangement (panel) to facilitate the procurement of this specific supplier was identified after a decision was made to procure the supplier.
- In 2021, Health engaged Miles Morgan Australia from the panel after having been made aware that the method was at risk of breaching the Commonwealth Procurement Rules. The 2022 procurement used the same panel and included services beyond the panel scope. There was a lack of due diligence when the contract was varied in 2022 to include a customer relationship management (CRM) system. Health used a limited tender condition for the 2024 procurement based on flawed reasoning that lacked transparency. Across the three procurements, there were instances of internal legal advice not being

sought, not being followed and/or not being appropriately shared with Health's Procurement Advisory Services.

- AusTender reporting of the procurement method was appropriate. (See paragraphs 3.1 to 3.53)

20. Demonstration of value for money and maintenance of appropriate records were deficient for the 2021, 2022 and 2024 procurements. Procurement approvals were appropriately recorded for two of three procurements. Probity was not effectively managed, and there could be improvements to Health's gifts, benefits and hospitality policy to support probity. Conduct fell short of ethical standards. Health met AusTender timeframes for reporting contracts. (See paragraphs 3.54 to 3.82)

Contract management

21. Health did not have contract management plans in place for the Future Fit Program contracts with Miles Morgan Australia. Contract risk was not assessed in 2021 or 2022. Contract risks were assessed as low in 2024 despite known issues and some risks had already been or were quickly realised. Between 2022 and 2023, there was insufficient segregation of duties (a key control to prevent poor decision-making and fraud) in procurement and contract management, however this was improved in 2024. In October 2022, the 2021 contract was varied to include development of a Customer Relationship Management (CRM) system without an assessment of whether the variation offered value for money, whether it affected the original procurement's value for money, or whether procured goods and services could be provided by other potential suppliers. Contract administration activities, including the verification of deliverables prior to release of payments, were poorly recorded for the 2021 and 2022 procurements. Records management and verification of deliverables improved for the 2024 contract. Probity was not managed. (See paragraphs 4.1 to 4.22)

22. Future Fit Program 2021, 2022 and 2024 contract deliverables were partially achieved. The 2024 contract was executed while 2022 contract deliverables were still outstanding, including confirmation that a CRM system, which was to be 'transitioned' from Miles Morgan Australia to a MoW provider under the 2024 contract, had been successfully deployed. There was a lack of success measures to determine if project outcomes had been achieved. There is no evidence that Health managed performance issues related to the 2021 and 2022 contracts. The 2024 contract was clearer about performance expectations than the 2021 and 2022 contracts, and Health managed concerns about contractor performance in 2024. (See paragraphs 4.23 to 4.32)

Recommendations

Recommendation no. 1 The Department of Health, Disability and Ageing implement controls to ensure that:
Paragraph 2.7

- (a) all potential projects are assessed against its project tiering guidelines, to help ensure fit-for-purpose governance arrangements are established in accordance with its project management framework; and
- (b) the rationale for not categorising a project into one of its three project tiers is recorded.

Department of Health, Disability and Ageing response: *Agreed.*

Recommendation no. 2 When procuring project management services, the Department of Health, Disability and Ageing ensure that:
Paragraph 2.33

- (a) the department's accountability for project delivery is recognised in governance arrangements; and
- (b) project risk is managed in accordance with the department's project and risk management frameworks.

Department of Health, Disability and Ageing response: *Agreed.*

Recommendation no. 3 For projects that involve complex stakeholder relationships, the Department of Health, Disability and Ageing develop processes to ensure that:
Paragraph 2.64

- (a) stakeholder engagement plans are prepared that reflect the five Stakeholder Engagement Framework principles of purposeful, inclusive, timely, transparent and respectful; and
- (b) outcomes of stakeholder interactions are appropriately recorded; including to better enable the review and measurement of stakeholder engagement as required under Health's five-step engagement model.

Department of Health, Disability and Ageing response: *Agreed.*

Recommendation no. 4 The Department of Health, Disability and Ageing evaluate the Ballarat and Whitehorse LGA pilot programs to inform future program design and to better support the transition of Commonwealth Home Support Programme providers to the new Support at Home program.
Paragraph 2.80

Department of Health, Disability and Ageing response: *Agreed.*

**Recommendation no. 5
Paragraph 3.23** The Department of Health, Disability and Ageing amend its procurement risk profile template to include consideration of the lawful basis for the proposed procurement expenditure.

Department of Health, Disability and Ageing response: *Agreed.*

**Recommendation no. 6
Paragraph 3.31** The Department of Health, Disability and Ageing strengthen its procurement procedures to ensure legal advice obtained in the course of arranging a procurement is shared with the Procurement Advisory Services team to mitigate procurement risk.

Department of Health, Disability and Ageing response: *Agreed.*

**Recommendation no. 7
Paragraph 3.59** The Department of Health, Disability and Ageing strengthen procurement controls to ensure that relevant information (including price, legal advice, past and ongoing disputes, and performance issues) is incorporated into the value for money assessment for procurements.

Department of Health, Disability and Ageing response: *Agreed.*

**Recommendation no. 8
Paragraph 3.68** To ensure the proper use and management of public resources, the Department of Health, Disability and Ageing reinforce to officials their records management obligations under the *Archives Act* 1983, including when using mobile devices for official business.

Department of Health, Disability and Ageing response: *Agreed.*

Summary of entity response

23. The proposed audit report was provided to the Department of Health, Disability and Ageing. Extracts of the proposed audit report were provided to Newcastle Meals on Wheels and a representative of Miles Morgan Australia. The Department of Health, Disability and Ageing's summary response is provided below and its full response is provided at Appendix 1. Responses from Newcastle Meals on Wheels and a representative of Miles Morgan Australia are provided at Appendix 1.

The Department of Health and Aged Care (the department) notes the findings in the report and accepts the recommendations.

The department is taking the report's findings seriously, in particular that the actions of departmental staff did not meet ethical standards. As noted in the Secretary's opening statement at the public hearing for the Joint Committee of Public Accounts and Audit inquiry into probity and ethics in the Australian Public Sector on 1 February 2024, the department is committed to ensuring all staff are supported in managing public resources in a transparent and ethical manner by fostering a culture of integrity. The department has well established processes for responding to such behaviours.

In response to this audit, the department will commission an evaluation of the Future Fit Program. The evaluation will form part of a suite of advice to government on future program design for the Commonwealth Home Support Program (CHSP), including advice to support government decisions

on the future transition of CHSP to the new Support at Home Program no earlier than 1 July 2027. The department is also undertaking activities to strengthen its administrative processes in relation to projects, procurement and records management. In particular, the department is taking steps to ensure projects are accurately identified and appropriate departmental governance and oversight arrangements are in place.

Key messages from this audit for all Australian Government entities

24. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Procurement

- Accountable authorities and senior executives should set an appropriate tone from the top to encourage a culture of ethical behaviour within their entities and promote procurement practices that achieve value for money for the Australian Government and the taxpayer.
- When planning for a procurement, officials should consider the most appropriate funding mechanism to ensure policy outcomes are achieved and value for money is demonstrated. All decisions to use a particular financial arrangement, such as a procurement or grant arrangement, should be underpinned by analysis and a strong policy rationale.
- Entities should maintain appropriate oversight of project delivery when outsourcing project management services and ensure risks are identified, treated and monitored. To ensure value for money, officials should regularly review whether outsourced programs are delivering the intended objective. Entities retain accountability for outsourced projects, including the achievement of project objectives.