

2013

**THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

GOVERNMENT SUBMISSION TO THE AUDITOR-GENERAL

**AUDITOR-GENERAL'S PERFORMANCE REPORT
No 4/2013**

National Partnership Agreement on Homelessness

**Presented by
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Government Submission: Auditor-General's Performance Report No 4/2013 National Partnership Agreement on Homelessness

Background

The Auditors-General of the Commonwealth and each State and Territory agreed in February 2012 to undertake a concurrent audit of the National Partnership Agreement on Homelessness (NPAH). While a common basis for the performance audit was adopted by the Auditors-General, there was flexibility in how each audit was to be undertaken, to recognise jurisdiction specific needs and priorities.

The objective of the local audits was to determine if each jurisdiction was meeting its obligations under the NPAH and whether the program was making a difference for people experiencing homelessness. The ACT Audit reviewed indicators under three lines of enquiry:

- (1) Are programs and initiatives delivered under the NPAH well planned, supported by sound administrative processes and systems?
- (2) Is the implementation of the ACT's NPAH (or specific initiative) making a difference for homeless people or those at risk of becoming homeless?
- (3) Are ACT Government agencies and non government organisations collaborating effectively to deliver the NPAH (or selected initiative)?

The ACT Auditor-General reviewed three specific ACT NPAH initiatives as part of the ACT NPAH Audit process. The initiatives reviewed account for approximately 60 percent of funding spent in the ACT under the NPAH. The three initiatives reviewed as part of the Audit are:

- (1) Our Place – youth integrated education and accommodation service;
- (2) A Place To Call Home (APTCH) – a capital development and support initiative providing purpose built accommodation for 20 families as a direct response to homelessness; and
- (3) Housing and Accommodation Support Initiative (HASI) – a program that provides support to clients with moderate to severe mental illness to assist them to sustain their tenancy and access brokered community supports. The HASI program is run in partnership with ACT Mental Health.

On 19 June 2013, the Auditor-General of the Australian Capital Territory (ACT) released the *Performance Audit Report 04/2013 into the National Partnership Agreement on Homelessness* (the Audit Report). The Audit Report incorporated the management response from the Community Services Directorate.

This Government submission provides information on current reforms relevant to the findings of the Auditor-General and outlines specific improvements proposed to address recommendations made in the Auditor-General's Report.

Current Reforms

There are current reforms underway that will impact on financial and performance reporting requirements for community sector organisations. These reforms include changes to reporting timeframes, legislative requirements and procurement practices. These reforms are referred to as the Community Sector Red Tape Reform and are described in detail below.

Community Sector “Red Tape” Reform

In February 2013, the Minister for Community Services announced that CSD would change the financial reporting intervals required of the community sector under their service funding agreements from six monthly to annually. This improvement took effect as of 1 July 2013 with the caveat that this would not occur where there was a compelling business or other reason to seek more frequent provision of information. Minister Barr has written to his ministerial colleagues seeking a similar change in their relationships with the community sector and has received a positive response from all. This proposal only applies to grants that are associated with a service funding agreement.

In March 2013, Cabinet agreed to make legislative changes to the *Associations Incorporation Act 1991* to eliminate regulatory overlap between the ACT regulatory regime for incorporated associations and the newly established Australian Charities and Not-for-profit Commission (ACNC). The effect of this for charities in the ACT that are also registered with the ACNC will be exemption from compliance with the relevant provisions of the *Associations Incorporation Act*. This will not go directly to the financial relationship between the Territory and community sector entities, although there are provisions in the legislation that are likely to be relied upon in managing the financial relationship between the Territory and community sector entities, such as the provision of audited financial statements. A project team of ACT and ACNC officials will develop changes to ACT legislation due in late 2013.

The Minister for Community Services and the Attorney General have agreed through an exchange of letters (in advance of the alignment with the ACNC described above) to change the audit thresholds in the *Associations Incorporation Act 1991 Regulations* to align them with the ACNC legislation.

The upper threshold, requiring incorporated associations to employ auditors accredited to the standard required by the *Corporations Act 2001*, will be increased from a turnover of \$500,000 to \$1 million (having not been increased since 1991).

The lower threshold, at which the *Associations Incorporation Act 1991* first requires an incorporated association to appoint an accredited auditor, will increase from \$250,000 to \$400,000. The lower threshold is based on either turnover or assets.

This regulation is with the Attorney-General to be drafted and tabled in the Legislative Assembly and will apply immediately on approval. Following which, the standard terms of all service funding agreements will be modified to reflect the new regulation.

The Minister for Community Services has requested advice for the Government to address procurement, contracting and reporting relationships between the Territory and community sector entities in a more holistic and integrated fashion than the initiative discussed above. Preliminary discussions have taken place regarding potential legal issues that will flow from a fundamental review of this relationship. Treasury has also been advised in the expectation that any review of this nature may touch upon the *Financial Management Act 1996* and regulations. The project team to undertake this work, including representatives of stakeholder portfolios, was established in June 2013.

The objective of the reforms described above is to reduce the red-tape burden on the community sector in the ACT and is consistent with similar exercises being pursued in other jurisdictions. The project team undertaking this work is reviewing reports from the NSW Independent Commission against Corruption (ICAC) on the potential for corruption in the funding of service delivery by not for profit entities and is deeply conscious of the balance necessary between the protection of public funds and of public confidence in the administration of these services and of ensuring that the regulatory and administrative burden is no greater than it has to be, but equally, no less.

Understanding Homelessness in Australia and the ACT

The key themes in the report identified a range of factors contributing to challenges experienced, and positive outcomes achieved through the implementation of the NPAH. Some of the key challenges and outcomes identified in the report are:

- (a) a lack of agreed international definition of homelessness contributes to difficulty in measuring the effect of the NPAH;
- (b) consistent with the findings of other Auditors-General in their respective state or territory there is a lack of meaningful output and outcome measurements; and
- (c) difficulties in demonstrating programs contributions toward overall outcomes sought from the NPAH.

In the report the Auditor-General noted - There is no agreed international definition of homelessness and this impedes monitoring, making comparisons and facilitating community understanding on progress. Furthermore, there have been changes in the definitions of homelessness and therefore the methods for collecting data have changed. This presents the risk that comparisons made between years may result in inaccurate conclusions and the community being misinformed.

The Queensland Auditor-General made similar findings with the NPAH audit stating the number of homeless people is subject to many external influences and confounding variables, most outside the control of the department. Natural disasters, unemployment rates and housing affordability are factors that affect homelessness. It is unrealistic therefore to attribute changes in either the number or rate of homelessness solely to the NPAH initiatives, and is an exercise in futility to measure its success or otherwise in these terms.

The Performance Audit Report into the National Partnership Agreement on Homelessness

The Auditor-General's performance audit covers the period July 2009 to June 2013 and examines three specific initiatives funded through the ACT National Partnership Agreement on Homelessness (NPAH).

- (1) Our Place – youth integrated education and accommodation service;
- (2) A Place To Call Home (APTCH) – a capital development and support initiative providing purpose built accommodation for 20 families as a direct response to homelessness; and
- (3) Housing and Accommodation Support Initiative (HASI) – a program which provides support to clients with moderate to severe mental illness to assist them to sustain their tenancy and access brokered community supports. The HASI program is run in partnership with ACT Mental Health.

The report makes four recommendations with five parts, which the Government has agreed to. The issues of concern identified by the Auditor-General can be grouped into three themes:

- Financial Management;
- Contract Management; and
- Continuous improvement

The majority of the recommendations of the Auditor-General's Report agreed to by the Community Services Directorate will be addressed through the existing program of change.

Those recommendations relating to significant changes to contractual reporting requirements will require a longer implementation time and relate directly to work already underway through the Community Sector Reform Project.

The ACT Government continually strives to obtain better outcomes for, and to ensure the safety and wellbeing of those people experiencing, or at risk of, homelessness who come into contact with Government services.

Implementation of the agreed recommendations will be progressed by the Government through the Community Services Directorate and the Health Directorate as outlined in the individual recommendations.

Government Position on Recommendations/Findings

Overall Response

As part of the overall management response to the Auditor-General's Report, the Director-General of the Community Services Directorate stated that:

The Community Services Directorate is committed to continuous improvement of internal procedures and practices to ensure the highest level of service to its partner stakeholders and the ACT community. The Auditor-General's recommendations and report support the directorate's commitment to being a leading organisation in the way we work for the people of Canberra – "by listening, responding and working together as we strive for excellence".

This is embedded in practice by emphasising continuous improvement in staff capacity, service delivery, governance, collaboration and accountability. The recommendations in the report highlight the need for ongoing review of internal financial and contract management procedures to ensure accurate information is available at all times. This is then used to provide evidence of positive outcomes achieved in partnership with the ACT not for profit sector under programs such as the National Partnership Agreement on Homelessness.

The Community Services Directorate has implemented systems whereby support costs and hours for programs such as the Housing Accommodation Support Initiative are cross referenced to ensure the most appropriate levels of support are provided to some of the most vulnerable members of our community.

Social Housing and Homelessness Services is trialling a new form of response to reporting by its not for profit sector partners whereby the report assessment undertaken by contract management staff is provided in its entirety to the organisation. The aim of this is to create a more transparent contractual relationship and enable more effective collaboration in creating positive outcomes for service users. The directorate is also committed to the continuous review of outcomes and performance indicators when developing new or revised programs to ensure their alignment with the available evidence base and models of best practice both within Australia and internationally.

Recommendation One Chapter Three - Financial Management

The Community Services Directorate should improve processes for coordinating the expenditure of National Partnership Agreement on Homelessness funds to enable accurate recording and reporting of program resources and expenditure. Program resources should be periodically reconciled.

Government Position

Agreed

The CSD is committed to continuous improvement of accountability measures. The ACT Government has recently signed the 2013-14 NPAH and is implementing new resource and expenditure reconciliation measures to ensure ongoing accountability to the Commonwealth Government and the ACT Community.

Measures to be implemented

- (1) Implement quarterly reconciliation meetings. As part of normative quarterly funding management practices, line areas responsible for expending and reconciling funds under the NPAH will meet and ensure records of expenditure are consistent across business units.
- (2) Additional oversight will be provided through the Housing ACT Capital Committee when reviewing or allocating additional expenditure for programs that utilise Commonwealth funding.

Recommendation Two (a) Chapter Four - Contract Management

The Community Services Directorate should improve its contract management of service providers by requiring that a financial acquittal is undertaken for all funds provided to the service provider under the service funding agreement.

Government Position

Agreed

The CSD currently has financial acquittal processes in place however the directorate is working with the ACT not for profit sector to reduce the reporting burden whilst ensuring that the level of financial accountability is commensurate with the level of risk to both the service provider and the ACT Government. By doing this in partnership with the ACT not for profit sector the directorate is able to ensure that all stakeholders are able to accurately capture and report on expenditure of ACT and Commonwealth Government funds. This is reflected in the overview of the Community Sector "Red Tape" Reform described above.

Measures to be implemented

- (1) Implement annual financial reporting processes in line with Community Sector Reform Project direction;
- (2) Incorporate legislative change to the *Associations Incorporation Act 1991* into contract management practice;
- (3) Implement changes to Service Funding Agreements as directed through the Community Sector Reform Project; and
- (4) Monitor and implement any changes arising from review of procurement, contracting and reporting relationships between the Territory and community sector entities.

Recommendation Two (b)

The Community Services Directorate should improve its contract management of service providers by obtaining and approving documentation associated with any subcontracting arrangements.

Government Position

Agreed

Measures to be implemented

- (1) A review of current subcontracting arrangements will be undertaken to ensure that organisations currently operating through sub contract arrangements comply with contractual requirements; and
- (2) Revised contractual terms regarding sub contracting are included in new Service Funding Agreements from 1 July 2013.

Recommendation 3 Chapter Three and Chapter Five - Financial Management

The Community Services Directorate should review the key performance indicators associated with the A Place to Call Home Program and the Housing and Support Initiative to inform performance indicators for any future or similar programs it manages

Government Response

Agreed

The CSD is committed to improving service delivery. This is occurring through review of past and current initiatives to inform future program development. The directorate strives to ensure ACT service initiatives are consistent with the available evidence base and current Australian and international models of best practice.

Measures to be implemented

- (1) Continuation of current review practices to inform future program design and delivery.

Recommendation Four Chapter Five - Review

The Community Services Directorate, in consultation with the Health Directorate should finalise the review of the Housing and Support Initiative.

Government Position

Agreed

The CSD will work collaboratively with the Health Directorate to finalise a review of the Housing and Support Initiative.

Measures to be implemented

- (1) An initial baseline evaluation of the program logic of the HASI program was undertaken in 2011. CSD in partnership with ACT Health will utilise the evaluation and determine whether its future use can contribute to the review report.
- (2) Ongoing evaluation of the program logic will inform future service delivery.