
New South Wales Auditor-General's Report
Financial Audit

Volume Eight 2015

Family and Community Services



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Eight of my 2015 report.

A handwritten signature in black ink, reading 'A. T. Whitfield'.

A T Whitfield PSM

Acting Auditor-General
26 November 2015

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Section One

Family and Community Services



Executive Summary

This report analyses the results of the financial statement audits of the ten Family and Community Services cluster agencies for the year ended 30 June 2015. The table below summarises key observations and recommended actions.

Financial performance and reporting

Financial reporting

Unqualified opinions were issued for all ten agencies. The quality of financial statements continues to improve and all statutory deadlines were met.

Financial performance

NSW Land and Housing Corporation plans to address its financial sustainability concerns through its Asset Portfolio Strategy, which includes property sales.

Financial controls

Internal controls

The audits did not identify any high risk internal control issues at cluster agencies.

Human resources

Annual leave balances for cluster agencies continue to exceed NSW Government targets.

Governance

Fraud control

Reporting of fraud allegations increased across the cluster.

Managing conflicts of interest

Contracting with non-government organisations (NGOs) increases potential conflicts of interest and the need to effectively manage them.

Compliance management

The Department monitors and reports on compliance with legislation and central agency policy.

Service delivery

Performance reporting

The Department regularly published performance statistics, but there is limited use of targets and benchmarks.

Contract management

There is no centralised contract register and contract performance is not centrally monitored.

Statutory child protection

The Department is not complying with its statutory requirement to undertake annual placement reviews of children in statutory care.

Social housing

The sale of Millers Point properties is expected to provide for 1,500 new dwellings.

Financial performance and reporting

Financial reporting quality has improved

Unmodified audit opinions were issued for all 30 June 2015 financial reports. The quality of financial statements has improved in the cluster, with reported misstatements falling from 38 in 2010-11 to three in 2014-15. All misstatements were corrected in the financial reports.

Early close procedures were completed and financial statements submitted on time

The statutory deadlines for completing early close procedures and submitting financial statements were met by all agencies in the cluster.

Financial sustainability is a risk for NSW Land and Housing Corporation

NSW Land and Housing Corporation's financial sustainability is at risk due to its operating losses. It plans to manage its cash flow needs in 2015-16 through its Asset Portfolio Strategy, which includes property sales.

Financial controls

No high risk internal control issues identified at cluster agencies

The audits of cluster agencies for 2014-15 identified internal control weaknesses of low and moderate risk. These were reported to the relevant agencies' management together with recommendations to address the weaknesses.

Annual leave balances continue to exceed Government targets

At 30 June 2015, the number of employees in the cluster with annual leave balances exceeding the Government target of 30 days was 2,115 (1,313 above 35 days at 30 June 2014).

Recommendation

Cluster agencies should revisit initiatives to reduce annual leave balances and regularly report against targets.

Governance

Reporting of fraud allegations increased across the cluster

There were 197 allegations of fraud reported in 2014-15, compared to 113 allegations reported from September 2013 to June 2014.

Recommendation

Cluster agencies should refer to the Audit Office's 'Fraud Control Improvement Kit' to enhance fraud control frameworks.

Managing conflicts of interest can improve

There are opportunities to improve how conflicts of interest are recorded and managed within the Department. As commissioning with non-government organisations (NGO) increases, conflicts may increase along with the need to effectively manage those conflicts.

Recommendation

The Department of Family and Community Services should benchmark its model for managing conflicts of interest against the Independent Commission Against Corruption publication 'Identifying and managing conflicts of interest in the public sector'.

Key agencies report over 90 per cent compliance with legislation and policy

Effective compliance management helps prevent agencies from breaching laws and regulations. The Department monitors and reports on its compliance with legislation and central agency policy.

Service delivery

Limited use of targets or benchmarks in published performance data

The Department regularly publishes performance statistics for each strategic objective, but no targets or benchmarks are included.

Recommendation

The Department of Family and Community Services should include targets and benchmarks in its performance reporting.

Over a third of total cluster expenditure is paid to NGOs

The Department has significant contracts with non-government organisations to deliver the services it would otherwise provide. These contracts amounted to \$2.5 billion or 34.3 per cent of total cluster expenses in 2014-15 (\$2.4 billion in 2013-14). There is no centralised contract register and contract performance is not centrally monitored.

Recommendation

The Department of Family and Community Services should:

- Self-assess its contract management framework against the Audit Office's 'Better Practice Contract Management Framework'
- develop a centralised contracts register which is regularly updated
- centrally monitor and report on contract compliance.

Placement reviews are not undertaken for all children and young people

Placement reviews are not undertaken for all children and young people in statutory care. The *Children and Young Persons (Care and Protection) Act 1998* requires the placement of a child or young person in statutory care to be reviewed at least every 12 months. During 2014-15, placement reviews have only been undertaken for 76.5 per cent of eligible children and young people.

Recommendation (repeat issue)

The Department of Family and Community Services should comply with its statutory requirement to undertake annual placement reviews of children in statutory care.

Millers Point property sales are expected to provide 1,500 new dwellings

NSW Land and Housing Corporation expects over 1,500 new dwellings will be funded from the sale of Millers Point properties to help meet demand for social housing. At 30 June 2015, \$46.0 million of the net sales proceeds to date has been spent on new dwellings.

Introduction

This report provides Parliament and other users of the Family and Community Services cluster agencies' financial statements with audit results, observations, conclusions and recommendations in the following areas:

- Financial Performance and Reporting
- Financial Controls
- Governance
- Service Delivery.

Family and Community Services Cluster

Family and Community Services Cluster

Total assets \$44.3 billion

Total liabilities \$1.7 billion

Total expenses \$7.3 billion

Total revenue \$7.2 billion

Principal Department

Family and Community Services

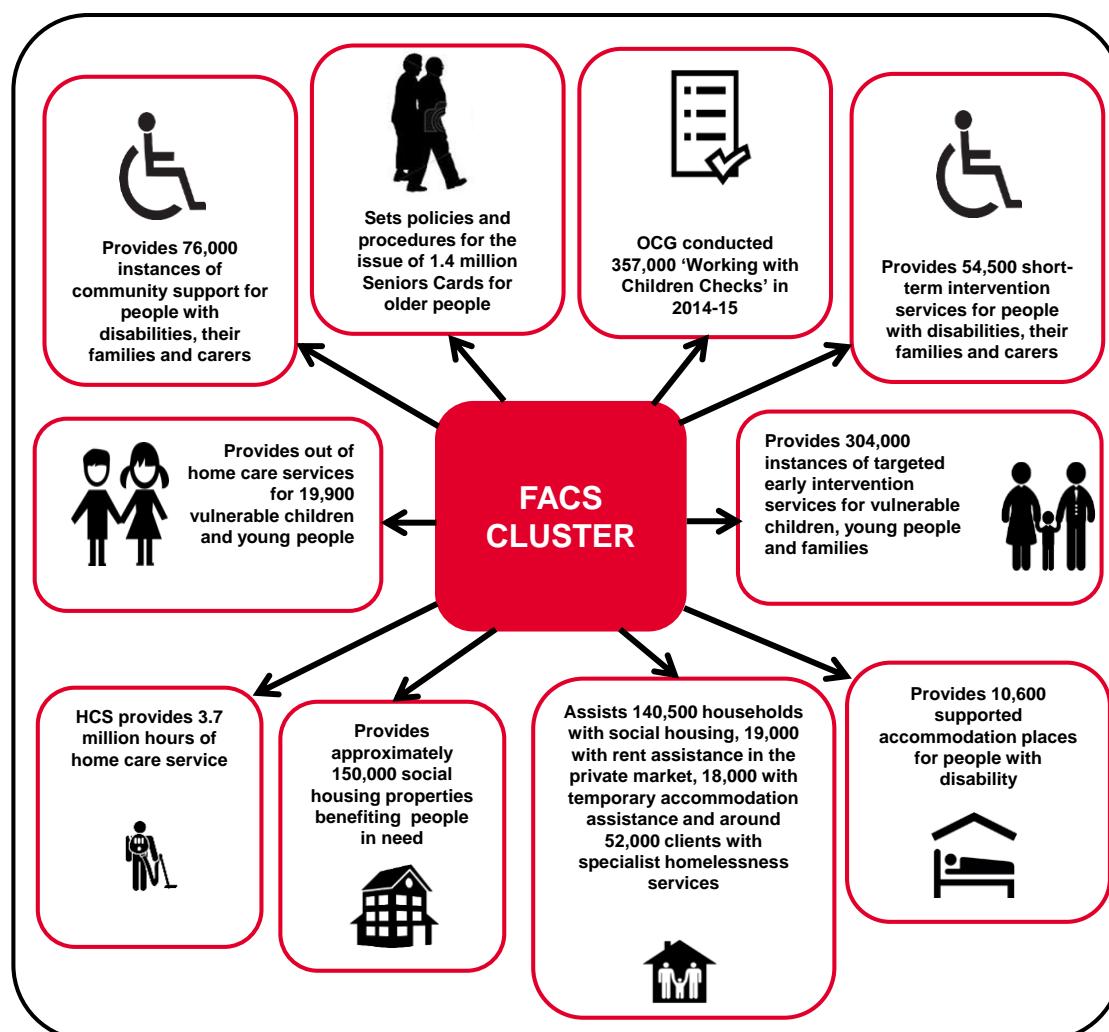
Other Agencies

- Home Care Services NSW (HCS)
- Home Care Services Staff Agency
- NSW Land and Housing Corporation (LAHC)
- Aboriginal Housing Office (AHO)
- City West Housing Pty Ltd
- Office of the Children's Guardian (OCG)
- Home Purchase Assistance Fund
- NSW Businesslink Pty Ltd
- John Williams Memorial Charitable Trust

The Department of Family and Community Services (the Department) is the lead agency in the cluster. The Secretary of the Department can issue directions to most family and community services agencies. The exceptions are the Office of the Children's Guardian and City West Housing Pty Ltd, which operate as independent agencies.

Operational activities of NSW Businesslink Pty Ltd were transferred to the Department from 1 July 2014.

2014-15 Family and Community Services activities are illustrated below



Changes to the Cluster from 1 July 2015






With effect from 1 July 2015, Administrative Arrangements (Administrative Changes – Public Service Agencies) Order (No 2) 2015 transferred:

- the Office of Communities (excluding the Office of Aboriginal Affairs) into the cluster
- Women NSW from the Department to the Ministry of Health.

These changes have no impact on the financial information presented in this report.

Status of 2014 Recommendations

Last year's Auditor-General's Report to Parliament on the Family and Community Services cluster included five recommendations for the Department.

No	Recommendation	Current Status
The Department should:		
	Meet its statutory requirement of undertaking annual placement reviews by 30 June 2015 for children and young people in out-of-home care.	The Department has not met the statutory requirement for placement reviews despite the strategies it has implemented to date. Refer to the chapter on Service Delivery for further details.
	Increase its effort to reduce the gap between average actual and funded number of full-time equivalent caseworkers.	<p>The Department is carrying out recruitment initiatives to attract and retain caseworkers, especially in hard-to-fill locations. The initiatives include:</p> <ul style="list-style-type: none"> • offering rural/regional student placement opportunities • employing staff to assist caseworkers with administration • targeted marketing and social media campaigns. <p>Caseworker vacancies have decreased with 95.2 per cent of positions filled at 30 June 2015 (90.3 per cent at 30 June 2014).</p> <p>Refer to the chapter on Service Delivery for further details.</p>
	Reassess the useful lives of its assets and continued use of equipment by clients.	<p>The Department has written off software assets no longer in use. Management needs to annually assess the useful lives and condition of fully depreciated assets.</p> <p>Refer to the chapter on Financial Controls for further details.</p>
	Implement appropriate systems to determine the value of disability and home care services provided under the National Disability Insurance Scheme (NDIS) in trial sites.	<p>The Department received adequate funding for the trial sites. A Bilateral Agreement between the Australian and NSW Governments was signed on 16 September 2015 to allow all eligible persons access to NDIS between 1 July 2016 to 30 June 2018.</p> <p>Refer to the chapter on Service Delivery for further details.</p>
	Review the IT governance, change management and IT security frameworks to ensure they support the new service delivery model.	Initiatives are being undertaken as part of the OneFACS reforms. Refer to the chapter on Governance for further details.

2014 recommendation status

 Fully addressed  Partially addressed  Not addressed

Financial Performance and Reporting

Financial performance and reporting are important elements of good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate and timely. Effective financial management and reporting by agencies helps key stakeholders, such as the NSW Government, make effective decisions and achieve desired outcomes efficiently.

This chapter outlines audit observations, conclusions or recommendations related to the financial performance and reporting of agencies in the Family and Community Services cluster for 2014-15.

Financial reporting

Observation

Unqualified audit opinions were issued for all agencies in the cluster.
Reported misstatements in the cluster fell from 38 in 2011 to three in 2015.

Agencies completed early close procedures and submitted financial statements by statutory deadlines.

Conclusion or recommendation

Early close procedures continue to allow issues and financial reporting risk areas to be resolved early in the audit process.

Timeliness of financial reporting is consistent with the prior year.

Financial performance

Observation

NSW Land and Housing Corporation's (LAHC) financial sustainability is at risk due to operating losses.

Conclusion or recommendation

LAHC plans to manage its cash flow needs through its Asset Portfolio Strategy, which includes property sales.

Quality of Financial Reporting

Unqualified audit opinions were issued for all agencies' financial statements

Unqualified audit opinions were issued on the 30 June 2015 financial statements for all agencies in the cluster.

A financial audit is designed to identify matters considered important enough to report to those charged with governance of the agencies, the portfolio Minister, Treasurer and agency head. One significant matter was reported in 2014-15.

At 30 June 2015, the NSW Land and Housing Corporation's (LAHC) current liabilities exceeded its current assets. To meet obligations as they fall due, LAHC plans to manage its cash flow needs through its Asset Portfolio Strategy, which includes property sales.

LAHC's Asset Portfolio Strategy details how strategic sales of properties will fund new social housing that is fit for purpose and redevelop, repair or upgrade existing properties.

The Strategy aims to:

- provide new social housing to meet client needs in locations accessible to services
- reduce high concentration of assets in particular locations
- upgrade and maintain dwellings to required standards.

The quality of financial statements continues to improve

The family and community services agencies have continued to improve the quality of financial reporting despite a number of restructures over the past few years. Misstatements fell from 38 in 2010-11 to three in 2014-5. This reflects the improved quality of financial reporting since Treasury introduced its 'early close procedures' initiative in 2011-12. The three misstatements were corrected in the financial statements.

The table below summarises the misstatements reported for cluster agencies in each of the last five years.

Reported misstatements for the year ended 30 June					
Agency	2015	2014	2013	2012	2011
Department of Family and Community	--	--	--	11	12
Home Care Services of New South Wales	--	1	--	1	2
Home Care Service Staff Agency	--	--	--	1	--
John Williams Memorial Charitable Trust	--	--	--	--	--
Aboriginal Housing Office	--	--	1	6	5
NSW Businesslink Pty Ltd	--	1	2	2	2
Office of the Children's Guardian	3	1	13	N/A	N/A
NSW Land and Housing Corporation	--	1	--	3	6
Home Purchase Assistance Fund	--	--	2	4	7
City West Housing Pty Ltd	--	--	--	--	4
Total	3	4	18	28	38

N/A OCG commenced operations in 2013.

Source: Statutory Audit Reports issued by the Audit Office of New South Wales.

Timeliness of Financial Reporting

Early close procedures completed and financial statements submitted on time

The statutory deadlines for completing early close procedures and submitting financial statements were met by all agencies in the cluster. The financial audits were also completed by the statutory deadlines.

Key Financial Information

The Department controls Home Care Service of NSW and other smaller agencies. LAHC and the Aboriginal Housing Office (AHO) are the other significant agencies within the cluster. The key components of the financial statements are summarised below.

Family and Community Services Cluster		
Department (consolidated)	AHO	LAHC
Grants and subsidies: \$3.3 billion	Grants and subsidies: \$29.1 million	Grants and subsidies: \$87.9 million
Other expenses: \$2.2 billion	Other expenses: \$79.3 million	Other expenses: \$1.3 billion
Assets: \$2.2 billion	Assets: \$1.6 billion	Assets: \$39.7 billion
Liabilities: \$693 million	Liabilities: \$27.0 million	Liabilities: \$903 million

Grants and subsidies represent 49 per cent of expenditure

The Department provided grants and subsidies of \$3.3 billion in 2014-15 (\$3.0 billion in 2013-14), comprising \$1.5 billion for disability services, \$719 million for out-of-home-care and \$133 million to LAHC.

Non-government organisations received \$2.5 billion in 2014-15 (\$2.4 billion) from cluster agencies including the Department, LAHC and AHO.

LAHC's deficit fell by 62 per cent to \$239 million

LAHC's deficit fell from \$627 million in 2013-14 to \$239 million in 2014-15, mainly due to less properties being transferred to community housing providers. In 2014-15, 296 properties valued at \$70.5 million were transferred compared to 2,721 properties valued at \$461 million in 2013-14.

Assets increased by more than \$4.5 billion

LAHC revalued its property portfolio in 2014-15 resulting in a \$4.3 billion increase in value. The land and buildings of the Department, AHO and City West Housing Pty Ltd were also revalued, adding \$235 million to the asset position of the cluster.

Appendix One details key financial information for the family and community services agencies included in this report.

Financial Sustainability

Appendix Two summarises the performance of agencies against some commonly accepted financial sustainability indicators for the year ended 30 June 2015.

Most agencies in the cluster are funded by the NSW Government through capital and recurrent appropriation or grants and contributions. The exceptions are City West Housing Pty Ltd and LAHC, which are primarily self-funded.

Financial sustainability for NSW Land and Housing Corporation is at risk

LAHC's financial sustainability is at risk due to its operating losses. To overcome this risk, cash inflows of \$441 million are expected in 2015-16 through its Asset Portfolio Strategy.

Performance against Budget

Appendix Three includes a table comparing the 2014-15 results of cluster agencies to original budgets presented to Parliament or Treasury.

Comparing agency performance against budget assists in understanding how public funds are being used to achieve NSW Government policy objectives.

Of the six agencies' budgets presented in Appendix Three:

- two agencies exceeded budgeted expenses by more than five per cent
- three agencies' net asset positions varied from budget by more than five per cent
- five agencies' profit or net result varied from budget by more than five per cent.

Reasons for budget variances include:

- the timing of grant payments
- significant land and building revaluations
- less properties transferred to community housing providers
- higher than expected developer contributions
- completing construction projects ahead of schedule.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of policies. They are essential for quality and timely decision making to achieve desired outcomes.

This chapter outlines audit observations, conclusions or recommendations related to the financial controls of agencies in the Family and Community Services cluster for 2014-15.

Financial controls	
Observation	Conclusion or recommendation
Chief financial officers (CFOs) of cluster agencies certified internal controls over financial information for 2014-15.	The certification provides the agency head and Treasury with some assurance the financial controls are adequate for financial reporting purposes.
The 2014-15 financial audits reported 27 internal control issues to management, four were repeat issues.	Management accepted audit findings and is actioning recommendations.
Recently completed IT projects were two years behind schedule.	Structural changes within the Department and scope changes caused the IT projects to be behind schedule.
Managing excess annual leave remains a challenge for cluster agencies. At 30 June 2015, the number of employees with balances exceeding 30 days was 2,115 (1,313 above 35 days at 30 June 2014).	Recommendation: Cluster agencies should revisit initiatives to reduce annual leave balances and regularly report against targets.
The future skill needs of employees are changing as contracting with the NGO sector increases.	The Department needs employees with well-developed contract and risk management skills to ensure optimal use of resources and service delivery outcomes are achieved.
Cluster agencies continued to use fully depreciated assets with an original cost of \$315 million (\$340 million at 30 June 2014).	The useful lives and the condition of fully depreciated assets need to be assessed annually and adjusted where necessary.

Certifying the effectiveness of internal controls over financial information

Agencies are certifying the effectiveness of internal controls over financial information

The CFOs of cluster agencies certified internal controls over financial information for 2014-15 as required by TPP 14-05 'Certifying the Effectiveness of Internal Controls over Financial Information'. This certification provides the agency head and Treasury with assurance that financial controls are adequate for financial reporting purposes. The agency head should obtain this assurance before signing the annual financial statements.

Internal Controls

No high risk internal control weaknesses identified

The audits of cluster agencies for 2014-15 did not identify any high risk internal control weaknesses. However, areas were identified where internal controls could be improved and these were reported to relevant agencies' management with recommendations to address the weaknesses.

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. The 2014-15 financial statement audits of cluster agencies identified internal controls were

generally designed appropriately and operated effectively to produce reliable and timely financial statements.

Twenty seven internal control issues were reported and four were repeat issues

The 27 internal control weaknesses reported in management letters of cluster agencies were limited to moderate and low risk findings. The findings comprised two governance issues, nine instances of non-compliance with legislation and policy, seven information technology issues and nine other operational issues.

The table below shows the number of internal control weakness and repeat issues identified and reported to management over the last three years.

Agency	Number of recommendations			Number of repeat recommendations		
	2015	2014	2013	2015	2014	2013
Year ended 30 June						
Cluster lead agency						
Department of Family and Community Services	21	13	15	3	5	7
Other cluster agencies						
Aboriginal Housing Office	2	3	6	--	--	2
NSW Business Link Pty Ltd	--	2	5	--	--	--
Office of the Children's Guardian	2	3	5	1	--	--
NSW Land and Housing Corporation	2	2	4	--	--	--
Home Purchase Assistance Fund	--	1	3	--	--	1
City West Housing Pty Ltd	--	2	11	--	2	2
Total for the cluster	27	26	49	4	7	12

Note: Department of Family and Community Services includes all its controlled entities.

Source: Management letters issued by the Audit Office of New South Wales.

The internal control weaknesses identified and key themes are summarised below.

Non-compliance with key legislation and policy

The 2014-15 financial audits identified breaches of the following key legislation and policy:

- *Government Information (Public Access) Act 2009* – outdated agency information guide on the website
- *Children and Young Persons (Care and Protection) Act 1998* – reviews were not conducted for all children and young people placed in statutory out-of-home-care
- Treasury Circular TC 14-11 'Reduction of Accrued Leave Balances' – excess annual leave balances
- non-compliance with policy to perform annual client reviews
- other non-compliance with requirements of agency policies and procedures.

Governance issues

The reported findings included opportunities to improve:

- managing conflicts of interest
- security over child safety information.

The Department has existing processes to ensure security over child safety information and the audit recommendations focus on continuous improvement rather than specific control weakness.

Operational issues

The other internal control weaknesses include:

- no centralised contract register
- one outdated service level agreement
- incomplete review of payroll reports and flexsheets
- timing differences between two property application systems
- inadequate market rent review process.

Information Technology

Information Systems Issues

Seven issues were identified with information technology systems

Seven information technology (IT) system issues were identified in general computer controls at the Department's Business Services in 2014-15 (nil in 2013-14). Six out of the IT findings are low risk. Weaknesses in user administration accounted for most issues. Weak user administration processes increase the risk of users having excessive or unauthorised access to critical financial systems, which compromises the integrity and security of financial data in these systems.

The information system audits focused on the IT processes and controls supporting the integrity of financial data used to prepare agencies' financial statements. The Department's Business Services managed the information systems of most cluster agencies from 1 July 2014, when it took over NSW BusinessLink's operations. The exceptions are City West Housing Pty Ltd which manages its own systems and the Office of the Children's Guardian which uses ServiceFirst.

Disaster Recovery Planning

The Department has disaster recovery plans for its financial systems

The Department's Business Services has formal disaster recovery plans for key information technology and communication systems which are tested annually. Systems outsourced to service providers are also tested annually.

Key Information Technology Projects

Some IT projects were behind schedule

Both the case workload management project and non-government organisation portal projects were completed later than planned. Structural changes within the Department and scope changes caused the projects to be behind schedule. The Department expects both projects to be completed during 2015.

Project description	Original budgeted cost \$'000	Actual cost \$'000	Original estimated completion year	Year completed
Casework workload management	758	758	2013	2015
Non-government organisation portal	4,257	4,474	2013	2015
Front line system support - ChildStory	60,310	4,297	2018	N/A
Shares services project - One SAP	48,092	415	2017	N/A
Total	113,417	9,944		

N/A Not applicable.

Source: Data provided by the Department (unaudited).

As arrangements with non-government organisations (NGOs) increase, the portal will enable a greater level of information sharing between the Department and NGOs, including real time synchronisation of placement information with the Department's systems.

The ChildStory project aims to support the NSW Government's Safe Home for Life reforms by replacing the Department's current IT systems for child protection and out of home care with an integrated solution. The project commenced in July 2014 and is being delivered in stages over four years. The project aims to reduce administration time of frontline staff so they can spend more time with families. The Department advises this project is on time and within budget in its early stages.

IT Project aims to reduce four instances of SAP to one

Business Services manages a complex IT environment with four distinct versions of SAP and other specialised systems used by discrete agencies/divisions. The One SAP project commenced in 2015. The Department has engaged an external vendor to deliver its program of work. The Department advises workshops and planning are on track and the new system will be implemented for Corporate and Business services in the second half of 2016, as planned.

Human Resources

Excess Annual Leave

Annual leave balances continue to exceed whole-of-government targets

Recommendation

Cluster agencies should revisit initiatives to reduce annual leave balances and regularly report against targets.

At 30 June 2015, the number of employees with balances exceeding 30 days was 2,115 (1,313 above 35 days at 30 June 2014). The Department, being the largest employer, had 1,956 employees (1,202 employees) over the target.

The table below shows the number of staff with excess annual leave and the value over the past two years.

	Headcount > 30 days	\$ Value of annual leave > 30 days	Headcount > 35 days	\$ Value of annual leave > 35 days
At 30 June	2015	2015	2014	2014
Cluster lead agency				
Department of Family and Community Services	1,956	4,999,819	1,202	3,080,621
Other agencies				
Home Care Service Staff Agency	145	154,168	109	97,200
Office of the Children's Guardian	14	62,975	2	4,445
Total	2,115	5,216,962	1,313	3,182,266

Source: Data provided by the respective agencies (unaudited).

Excess leave balances can affect an organisation in the following ways:

- the associated financial liability generally increases over time as salaries increase
- workplace health and safety issues may arise
- employee fraud may remain undetected.

Workforce Planning

Future skill needs are changing as contracting with the NGO sector increases

The Department contracts the NGO sector to provide social housing, out-of-home care to children and disability care. While arrangements with NGOs for social housing and out-of-home care services are increasing, contracting for disability care is expected to reduce. There is an ongoing need for employees with different skill sets. The Department needs employees with well-developed contract and risk management skills to ensure optimal use of resources and service delivery outcomes are achieved.

Refer to the Service Delivery Chapter for further details on contracting with the NGO sector.

Asset Management

Backlog maintenance increased by \$23.0 million or five per cent

Agencies in the family and community services cluster manage \$44.3 billion in assets. Property, plant and equipment represent 98.0 per cent of these assets.

Total backlog maintenance was \$454 million at 30 June 2015 (\$431 million at 30 June 2014), of which \$328 million relates to the NSW Land and Housing Corporation (LAHC) properties (\$315 million). The remainder relates to assets of the Aboriginal Housing Office (AHO) and the Department. LAHC records the condition and repair status of properties and uses this information to estimate backlog maintenance. An increase in building values can also cause the calculated backlog maintenance to increase.

Cluster agencies spent \$326 million maintaining property, plant and equipment (PPE) during 2014-15 (\$241 million in 2013-14). This included LAHC's spending \$272 million from a budget of \$285 million, AHO \$36.2 million and the Department \$17.2 million. Overall, almost one per cent of the total value of PPE is spent on maintaining the assets.

Maintenance expenditure increased during the year guided by property assessment surveys and the Asset Portfolio Strategy. According to LAHC, continued investment in planned maintenance will have a positive impact on backlog maintenance.

Fully Depreciated Assets

Cluster agencies continue to use fully depreciated assets

At 30 June 2015, cluster agencies continued to use fully depreciated assets with an original cost of \$315 million (\$340 million at 30 June 2014). The decrease is mainly due to the disposal of software and computer equipment identified by the Department as no longer in use.

Management needs to annually assess the useful life and the condition of fully depreciated assets. Fully depreciated assets, such as mobility equipment, may pose a safety risk to clients and/or employees if used beyond the manufacturers' design life.

Governance

Governance refers to the high-level frameworks, processes and behaviours established to ensure an entity performs by meeting its intended purpose, and conforms with legislative and other requirements, and meets expectations of probity, accountability and transparency.

This chapter outlines audit observations, conclusions or recommendations related to the governance of agencies in the Family and Community Services cluster for 2014-15.

Governance	
Observation	Conclusion or recommendation
The Department is updating its strategic risk register, risk management framework and policy.	The 2015-16 audits will continue to focus on governance including risk management.
Reporting of fraud allegations increased across the cluster.	Recommendation: Cluster agencies should refer to the Audit Office 2015 'Fraud Control Improvement Kit' to enhance fraud control frameworks.
Key cluster agencies report over 90 per cent compliance with legislation and policies.	Compliance management processes contain all key components of an effective system.
Contracting with non-government organisations increases potential conflicts of interest and the need to effectively manage them.	Recommendation: The Department should benchmark its model for managing conflicts of interest against the ICAC publication 'Identifying and managing conflicts of interest in the public sector'.

Good governance promotes public confidence in Government and its agencies. Well governed agencies should result in improved service delivery and the most efficient use of resources.

The governance framework for NSW public sector agencies is set out in legislation, regulations, policy documents, Treasury publications, Department of Premier and Cabinet publications and other directives. These include:

- *Public Finance and Audit Act 1983*
- *Government Sector Employment Act 2013*
- Treasurer's Directions
- Treasury Policy and Guidelines
- Department of Premier and Cabinet Memoranda and Circulars.

Policies and frameworks are only effective if implemented. Without clear accountabilities and ongoing monitoring the planned objectives may not be met.

Governance Lighthouse – Strategic Early Warning System

The Audit Office published its updated '[Governance Lighthouse - Strategic Early Warning System](#)' (Guide) in 'Volume One 2015 Areas of focus from 2014'. The Guide includes a checklist which enables agencies to self-assess and identify areas which need attention.

During our audits we made observations in the following areas covered by the Guide:

- ethical framework
- compliance framework
- risk management framework.

The 2015-16 audits will continue to focus on governance including the review of:

- agency governance against key principles in the Audit Office's revised Governance Lighthouse
- whether agencies have effectively implemented Treasury Policy Paper TPP 15-03 'Internal Audit and Risk Management Policy for the NSW Public Sector'
- fraud and corruption control by determining how agencies are using the 2015 Audit Office Fraud Control Improvement Kit.

Responses to the Audit Office 2015 Fraud Survey of NSW Public Sector agencies are expected to be published in early 2016.

Structure and Key Committees

The cluster has a shared audit and risk committee

Strong governance requires a well-defined set of key committees responsible for high-level direction and control.

The Family and Community Services cluster has a shared audit and risk committee which covers the Department, Home Care Services of NSW, the Aboriginal Housing Office and other smaller agencies. Treasury Policy Paper TPP 12-4 'Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees' encourages shared sub committees to reduce costs.

OneFACS Reform

OneFACS Reform is progressing well

Over the past three years, the Department has undergone significant structural change in bringing together different agencies. This required existing structures, policies, reporting lines and the governance framework to be reviewed and updated to align with the new direction.

In 2013-14, the Department commenced OneFACS reform to centralise functions, streamline and develop consistent processes, and make system changes to improve service delivery.

The OneFACS reform aims to:

- better support localisation of service delivery
- align executive structures with the *Government Sector Employment Act 2013*
- improve access, cost effectiveness and responsiveness of Divisions
- improve information access
- meet savings targets and remain financially sustainable.

The first two phases, completed in August 2015, focused on corporate services functions and executive structures. The final three phases are in progress. They focus on transitioning non-executives into the new structure, redesigning frontline service delivery and managing disability reforms. The final phases of this project are due to be completed by June 2018.

ICT Governance Framework

Last year's Auditor-General's Report to Parliament recommended the Department review its information technology governance and security frameworks to support its new service delivery model. The Department advises it has addressed the recommendation by follows:

- integrating and simplifying the organisation structure of information and communication technology (ICT)
- establishing an ICT governance framework
- establishing new sub-committees focusing on ICT
- consolidating its ICT security policies.

Risk Management

The Department is currently updating its risk management framework

The Department is updating its strategic risk register, risk management framework and policy. Changes will continue to be implemented during 2015-16.

These updates are part of the OneFACS reforms. Future policy development will be overseen centrally by the Corporate Governance and Performance Unit.

Risk management is a key component of good governance. It is the process of identifying, assessing and prioritising risks to minimise, monitor and control the impact of unforeseen events and realise opportunities. Risk treatment requires options for addressing risks identified, decisions on the best course of action and plans implemented.

Treasury Policy Paper TPP 15-03: 'Internal Audit and Risk Management Policy for the NSW Public Sector' requires agencies to establish and maintain an appropriate risk management framework and related processes.

A mature risk management process should:

- foster an embedded risk aware culture
- align strategic and business decision making processes with risk management activities
- improve resilience in dealing with adversity
- increase agility in pursuing new opportunities.

Agencies will need to evaluate the costs and benefits of risk management capability if they are to achieve a desirable balance between risk and reward. Some agencies may need more sophisticated risk management processes than others to suit the size and complexity of relevant activities.

Ethics

Fraud Control

Reporting of fraud allegations increased across the cluster

Recommendation

Cluster agencies should refer to the Audit Office 2015 Fraud Control Improvement Kit to enhance fraud control frameworks.

There were 197 allegations and 86 incidents of fraud reported to external bodies, such as the NSW Independent Commission Against Corruption and NSW Police in 2014-15, compared to 113 allegations and 79 external reports in the last three quarters of 2013-14. This increased reporting may be due to an increase in fraud, improved recording, increased employee awareness or a combination of these factors.

Many allegations of fraud and corruption are low value and relate to:

- misuse of agency resources, including petty cash
- inappropriate timesheet entries
- invalid travel and overtime claims
- theft from clients.

The Audit Office '[Fraud Control Improvement Kit](#)' (released in February 2015), consolidates previously issued Audit Office resources into one document and places additional focus on the cultural elements of an effective fraud control framework.

The responsibility for fraud control at the Department has recently moved to its Corporate Governance and Performance Unit. The Department advises this change will allow centralised fraud risk assessments, improved data collection and analysis and greater input to the internal audit program.

Compliance Management

Key agencies report over 90 per cent compliance with legislation and policies

The Department monitors and reports on its compliance with legislation and central agency policies. The reported compliance results for 2014-15 were:

- NSW Land and Housing Corporation, 100 per cent
- Department (including its controlled entities), 94 per cent
- Aboriginal Housing Office, 96 per cent.

The compliance management process includes independent review of the self-assessed results for accuracy. The process is mature and covers the key components of effective compliance management.

Effective compliance management requires agencies to:

- identify all applicable laws, regulations and government directions
- maintain a centralised up-to-date compliance register
- assign responsibility for each requirement
- monitor and report on compliance.

Breaching laws and regulations can be costly, impact service delivery and may result in negative publicity.

Managing Conflicts of Interest

Managing conflicts of interest can improve

Recommendation

The Department should benchmark its model for managing conflicts of interest against the ICAC publication 'Identifying and managing conflicts of interest in the public sector'.

Opportunities exist for the Department to improve how conflicts of interest are recorded and managed. As commissioning with the NGO sector increases, conflicts may increase along with the need to effectively manage those conflicts.

The Department's 'Code of Ethical Conduct' sets out responsibilities for all employees including what to do when conflicts of interest arise. Currently a decentralised approach is used to report, register and manage conflicts of interest. There are plans to implement an on-line system to allow employees to declare and register conflicts of interest in a single register. This will create a central point for the reporting, review and audit of compliance with the 'Code of Ethical Conduct'.

Independent Reviews

NSW Ombudsman

The Department is addressing recommendations from the NSW Ombudsman

The NSW Ombudsman's 2014 report, '[Review of the NSW Child Protection System: Are Things Improving?](#)' made a number of recommendations to the Department. The NSW Ombudsman requires the Department to publish progress every 12 months. [FACS 2015 Progress Report](#), its first progress report, was released in April 2015.

The key actions reported include:

- significantly reducing caseworker vacancies
- strategies developed to overcome longstanding issues in the Western District
- engaging the Parenting Research Centre, the Social Policy Research Centre at the University of New South Wales and the University of Melbourne to evaluate the Practice First Model
- liaising with NSW Police to enhance information sharing; however there are legislative impediments in granting access to systems.

The Department will continue to work with the Ombudsman's Office to progress recommendations on systemic child protection issues.

Royal Commission into Institutional Responses to Child Sexual Abuse

The Royal Commission into Institutional Responses to Child Sexual Abuse commenced in 2013. It is investigating how institutions like schools, churches, sports clubs and government organisations have responded to allegations and instances of child sexual abuse.

The Royal Commission is progressively publishing reports which include recommendations for the NSW Government. To date, the recommendations cover working with children checks and provision of effective redress for survivors through the establishment, funding and operation of a single national redress scheme and the provision of a direct personal response to survivors by institutions.

The Secretary of the Department participates in the inquiry, attends as a witness and provides information as requested. The Department will:

- monitor outcomes of the Royal Commission
- identify relevant recommendations
- track progress against those recommendations.

Service Delivery

The achievement of Government outcomes can be improved through effective delivery of the right mix of services, whether from the public, private or not-for-profit sectors. Service delivery reform will be most successful if there is clear accountability for service delivery outcomes, decisions are aligned to strategic direction and performance is monitored and evaluated.

This chapter outlines our audit observations, conclusions and recommendations related to service delivery by agencies in the Family and Community Services for 2014-15.

Service Delivery	
Observation	Conclusion or recommendation
The Department regularly publishes performance statistics for each strategic objective, but there is limited use of targets or benchmarks.	Recommendation: The Department should include targets and benchmarks in its performance reporting.
There is no centralised contracts register and contract performance is not centrally monitored.	Recommendation: The Department should: <ul style="list-style-type: none"> • self-assess its contract management against the key elements of the Audit Office's 'Better Practice Contract Management Framework' • develop a centralised contracts register which is regularly updated • centrally monitor and report on contract compliance.
Non-government organisations (NGOs) received Government funding of \$2.5 billion in 2014-15 to deliver services. Independent assurance is not obtained on how well the NGOs use this funding.	Other jurisdictions have legislation to ensure Auditors-General can provide independent assurance about service delivery outcomes and financial accountability in these types of arrangements. This is not the case in New South Wales.
Placement reviews are not undertaken for all children and young people in statutory care for more than 12 months as required by the <i>Children and Young Persons (Care and Protection) Act 1998</i> .	Recommendation (repeat issue): The Department should comply with its statutory requirement to undertake annual placement reviews of children in statutory care.
The face-to-face response rate for children and young people at risk of significant harm remains low.	The Department is reforming targeted earlier intervention programs, because the number of children reported at risk of significant harm continues to grow.
Caseworker vacancies have decreased with 95.2 per cent of funded positions filled.	The strategies implemented by the Department have shown positive results in 2014-15.
Over 6,000 properties have been transferred to community housing over the last five years.	A recent performance audit found the Department has managed the transfer of public housing to the community housing sector reasonably well and has improved the sustainability of the sector.

Service Delivery

Observation

The sale of Millers Point properties is expected to provide for 1,500 new dwellings.

The National Disability Insurance Scheme (NDIS) trial has expanded to the Nepean Blue Mountains Region following successful Hunter trial.

Conclusion or recommendation

The Millers Point Accommodation Plan aims to use sale proceeds to fund new dwellings to meet demand for social housing.

Full transition to NDIS, where funding is provided by the Australian Government, is expected to be completed by July 2018.

Performance Reporting

The Department regularly publishes performance statistics

The Department regularly publishes statistics on performance across each strategic objective:

- children and young people
- people with disability
- social housing
- participation in social and economic life
- reducing domestic and family violence
- working with aboriginal people and communities.

The Department publishes a 'Performance and activities report', a separate volume of its annual report, covering both financial and operational performance. There is an external focus for operational performance and data is presented over a number of years.

Limited use of targets or benchmarks when reporting performance

Recommendation

The Department should include targets and benchmarks in its performance reporting.

The Department has transparent performance reporting which is regularly published. While its reporting culture promotes accountability there is limited use and reporting of targets and benchmarks to enable users to measure success.

Measuring NGO Performance

Performance measures for NGOs are not outcome focused or benchmarked

Contracts with non-government organisations (NGOs) do not include outcome focused performance measures or include measurable targets. There is no benchmarking of NGO performance against the Department or other jurisdictions.

The 2015 performance audit '[Community Housing](#)' found the Department defined the outcomes it wanted from community housing. However, it did not specify how these outcomes would be measured. As a result, it is difficult for the Department to demonstrate whether they are being achieved. The Auditor-General recommended the Department ensure its social housing policy clearly defines outcomes and set measurable targets.

The Department's contract governance framework requires service providers to self-assess performance and complete financial acquittals by the end of October each year. These self-assessments are analysed against information gathered during the year and the risks for each NGO are assessed to identify potential issues.

Contract Management

No centralised contract register and monitoring of contract performance

Recommendation

The Department should:

- self-assess its contract management framework against the Audit Office's 'Better Practice Contract Management Framework'
- develop a centralised contracts register which is regularly updated
- centrally monitor and report on contract compliance.

Volume One of the 2015 Auditor-General's Report to Parliament recommended that agencies self-assess their contract management against the key elements of the Better Practice Contract Management Framework. The cluster agencies have not completed this self-assessment.

The 2014-15 financial audits and recent performance audits found:

- there was no centralised contract database for procurement contracts and contracts with NGOs
- contract performance plans, to effectively monitor and manage contract performance, were not in place for all eligible contracts
- contracts with community housing providers are monitored for compliance and a framework is in place to address underperformance
- contracts with community housing providers are not clearly linked to outcomes.

A rigorous contract management framework helps ensure all parties meet their obligations, contractual relationships are well managed, value for money is achieved and deliverables meet the required standards and agreed timeframes.

The 2014 performance audit 'Making the Most of Government Purchasing Power – Telecommunication' developed a 'Better Practice Contract Management Framework' with nine key elements as shown in the table below.

GOVERNANCE

- Agencies' contract management delegations are clear and consistent with their general financial delegation
- Appropriate reporting and oversight for contract management is in place
- The capability required to manage contracts is established
- The framework is regularly reviewed
- There is independent monitoring of contracts to check compliance and identify weaknesses

ROLES AND RESPONSIBILITIES

- Roles and responsibilities are clear
- People managing contracts have the appropriate skills and experience

POLICIES AND PROCEDURES

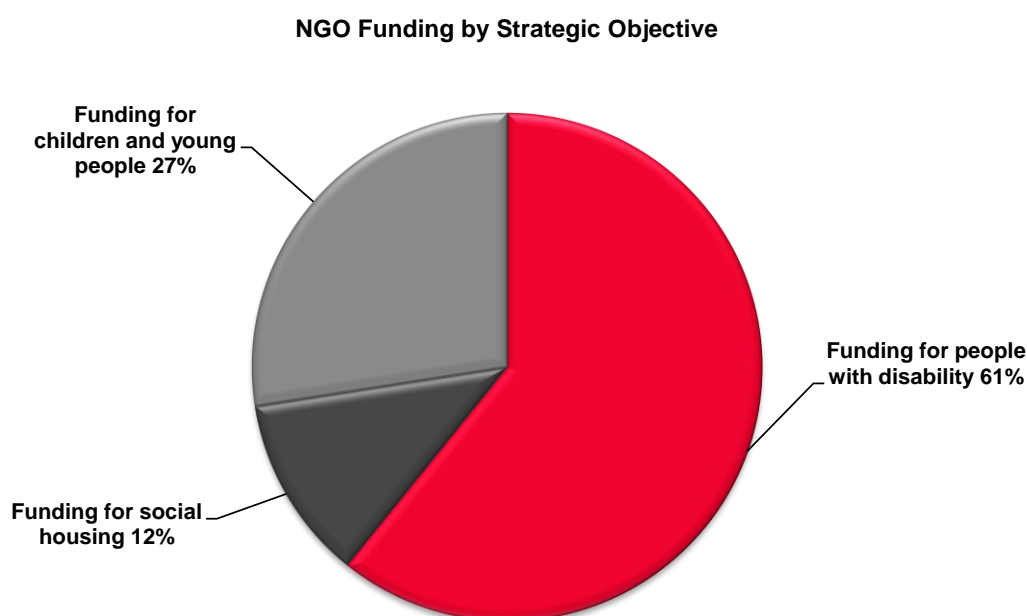
- Policies and procedures are in place to guide staff
- A contract management plan is in place for each contract

Source: 2014 Performance Audit 'Making the most of government purchasing power –telecommunications'.

Maintaining Accountability

NGOs received \$2.5 billion in Government funding to deliver services in 2014-15

Significant funding is provided to NGOs to deliver services that would otherwise be provided by the Department. This amounted to \$2.5 billion or 34.3 per cent of total cluster expenses in 2014-15 (\$2.4 billion in 2013-14).



Source: Department (unaudited)

No independent assurance on how well NGOs use this funding

Many services traditionally delivered by the Department are being transferred in varying degrees to NGOs, along with substantial funding. The NGOs are heavily dependent on this funding without being directly accountable to the NSW Government for how these funds are spent. The current process is based on service providers self-assessing performance and providing financial acquittals.

Legislation determines what Auditors-General can do to ensure accountability and this has a significant influence on their effectiveness. Other jurisdictions now have legislation to ensure Auditors-General provide independent assurance about service delivery outcomes and financial accountability in these types of arrangements ('follow the money' powers).

This is not the case in New South Wales, where the Auditor-General does not currently have 'follow the money' powers.

Opportunities exist to manage relationships with NGOs more efficiently

Approximately 343 NGOs provide services traditionally delivered by the Department. Many providers have agreements covering more than one District location and crossing different strategic funding objectives. This may be inefficient as there are:

- no formal communication protocols
- divergent processes
- no connected systems for managing relationships with providers.

The Department plans to review reporting requirements and processes for NGOs to further develop a more consistent, integrated and streamlined approach to reporting across all service streams and reform areas. Recently an NGO portal was developed to allow a greater level of information sharing with the Department through a secure platform. Also, a cross-divisional working group is being established, with NGO representatives, to agree on ways to resolve these issues.

Children and Young People

Accreditation of the Department and NGOs

The Department's interim accreditation has been extended until 31 July 2016

The 'Community Services Accreditation Order 2015' extends interim accreditation for the Department to 31 July 2016. The Children's Guardian supported the extension based on the information provided by the Department detailing plans to improve practices to meet the New South Wales standards for statutory out-of-home care for children and young people.

The Children's Guardian found that while the Department has improved with some of its operations meeting the criteria for accreditation, others need further work.

The Children's Guardian has fully or provisionally accredited all NGOs contracted by the Department. Of the 52 agencies contracted by the Department, nine are currently working towards being fully accredited.

The Children's Guardian promotes and safeguards the best interests and rights of all children and young people in out-of-home care, and has the following responsibilities:

- developing criteria for accrediting designated agencies and other providers of OOHC services
- maintaining a quality improvement program to assist providers in becoming accredited
- monitoring the responsibilities of designated agencies and providers under care and protection legislation.

The Department is a designated agency as it has the statutory power to provide OOHC services.

Out-of-Home-Care

The Department supports around 19,900 children in care

The Department currently supports around 19,900 children in care, and of these around 13,000 in statutory care. Most children in out-of-home-care (OOHC) live with relatives or foster parents.

The table below details the care arrangements for children and young people over the last three years.

Care arrangements at 30 June	2015	2014	2013
Children in statutory OOHC with the Department	5,658	5,788	6,457
Children in statutory OOHC with NGOs	7,525	6,662	5,028
Children in statutory OOHC with others	146	235	280
Children in supported care	3,531	5,611	5,639
Children on guardianship orders	2,295	N/A	N/A
Other/not specified	725	654	896
Total number of children and young people in care	19,880	18,950	18,300

N/A Guardianship orders commenced in October 2014.

Source: Department of Family and Community Services (unaudited).

OOHC refers to care of a child or young person by someone other than their parent. There are two types of out-of-home-care overseen by the Department:

- statutory care, where a court has ordered that the Minister has parental responsibility of a child
- supported care, where the Department provides care for a child, but the Minister does not have parental responsibility.

Transfer Care of Children and Young People to NGOs

The results of transferring care of children and young people to NGOs are mixed

The 2008 Wood Special Commission of Inquiry into child protection recommended statutory OOHC services be transferred to NGOs. At 30 June 2015, NGOs are managing 56.5 per cent of the 13,329 children and young people in statutory care.

Since 1 March 2012, the Department has been transferring children and young people who enter statutory care and those currently in statutory placements to NGOs. The 2015 performance audit '[Contracting out-of-home-care](#)' reported the following:

- an effective governance framework has been developed
- there are no measurable goals for improved well-being of children in care, such as improvements in their health, education and welfare
- a quality assurance framework is being developed which will include well-being measures
- targets have been set for transferring care of children and young people to NGOs
- the June 2014 target for transfer of Aboriginal children has been met and good progress has been made for non-Aboriginal children
- the targets for new children entering care are not being met as the numbers continue to increase above expectations
- the June 2017 targets may be difficult to meet.

Placement Reviews

Placement reviews are not being undertaken for all children

Recommendation (repeat issue)

The Department should comply with its statutory requirement to undertake annual placement reviews of children in statutory care.

Last year's Auditor-General's Report to Parliament recommended the Department meet its statutory requirement to undertake annual placement reviews of children in statutory OOHC by 30 June 2015.

The *Children and Young Persons (Care and Protection) Act 1998* requires the placement of a child or young person to be reviewed at least every 12 months. The Department is not fully complying with this requirement.

The Department advises improved results in 2014-15 with more of these children and young people having their placement reviewed. At 30 June 2015, placement reviews were undertaken for 76.5 per cent of 4,039 children and young people (53.7 per cent of 4,470 at 30 June 2014).

The Department's internal audit program includes assessing compliance with the statutory requirement for annual placement reviews.

Placements of children and young people in OOHC are reviewed to ensure the child's requirements are being met per the case plan. Caseworkers assess areas such as the health, wellbeing, education and social life of the child during placement reviews.

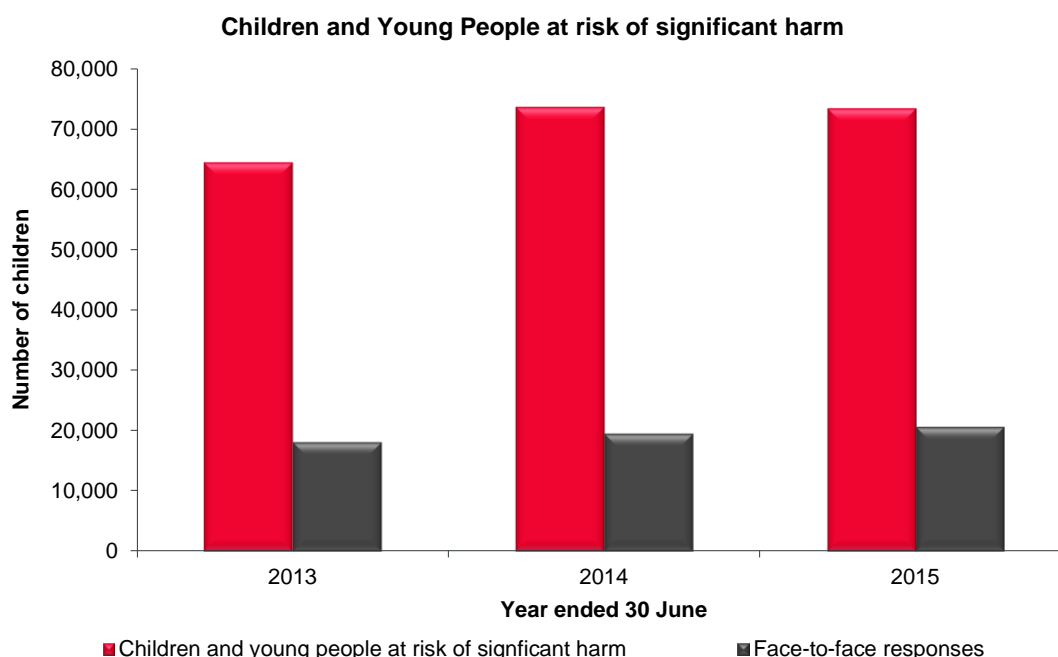
Statutory Child Protection

Risk of Significant Harm

Face-to-face response rates remain low

The Department's objective is to provide more children at risk of significant harm with a face-to-face child protection response from a caseworker. Since 2013, the response rate has fluctuated between 26.0 and 28.0 per cent of total risk of significant harm reports. Over the same period, the number of children reported to be at risk has grown from 64,470 to 73,432.

The graph below shows the number of children and young people reported to be at risk of significant harm and the number who received face-to-face responses over the past three years.



Note: 2015 results are till 31 March 2015.

Source: Community Services Caseworker Dashboard.

A child or young person is at risk of significant harm if the circumstances causing concern for the safety, welfare or well-being of the child or young person are present to a significant extent.

Early Intervention

About \$150 million is spent annually on early intervention programs. The Department is reforming targeted earlier intervention programs because the number of children reported at risk of significant harm continues to grow.

The Minister for Family and Community Services released the consultation paper 'Targeted Early Intervention Programs' in August 2015 to invite input and comment from NGOs on future directions. Early intervention programs will continue while this consultation process is carried out to either refine or redirect current initiatives.

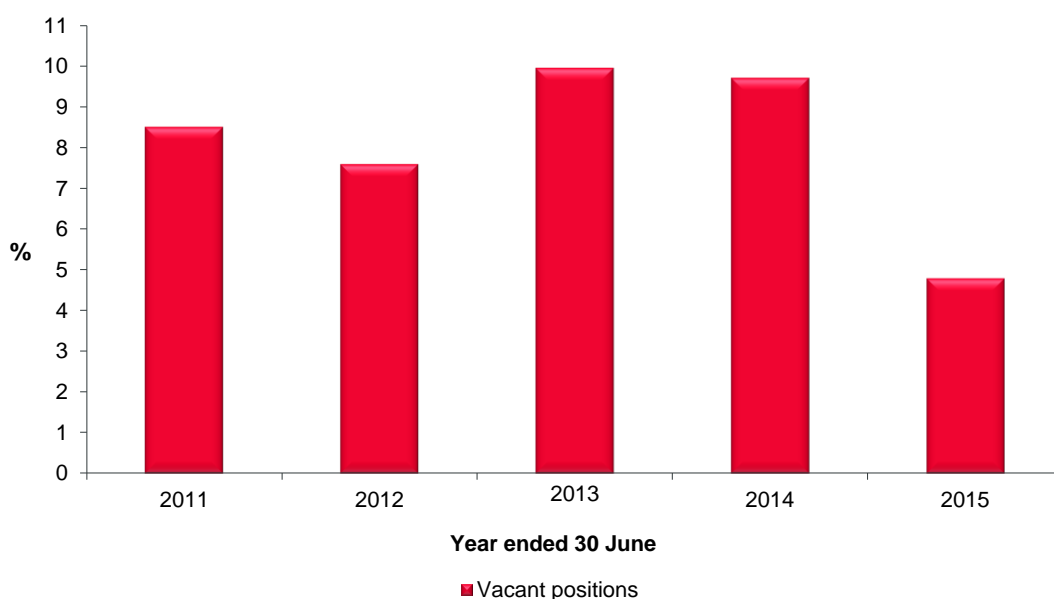
Caseworker Vacancies

Caseworker vacancies have decreased with 95 per cent of funded positions filled

For the last few years, the Auditor-General's reports to Parliament have highlighted the ongoing challenge the Department faces in filling caseworker vacancies. The strategies implemented showed positive results in 2014-15 with 2,026 of the 2,128 funded full-time equivalent caseworker positions were filled (1,867 of the 2,068 positions at 30 June 2014).

The graph below shows the percentage of caseworker vacancies fell in 2014-15. Actual caseworker numbers were 4.8 per cent less than the funded full-time equivalents (FTE) (9.7 per cent in 2013-14).

Analysis of Caseworker Vacancies



Source: Department (unaudited).

Actual caseworker numbers are monitored with regular monthly reports provided to the Districts who help meet the targets. Of the 15 Districts, Southern NSW had the highest vacancy rate of 18.0 per cent, a shortfall of 12 caseworkers.

Social Housing

The Department is responsible for developing social housing policy and manages the contracts with community housing providers. The NSW Land and Housing Corporation (LAHC), owns the government's social housing assets. The Aboriginal Housing Office (AHO) was established to ensure Aboriginal and Torres Strait Islander people have access to affordable, quality housing. Both agencies report to the Secretary of the Department of Family and Community Services. Social housing covers public housing, aboriginal housing and community housing.

Over the past 20 years, governments in New South Wales and other Australian States and Territories have transferred public housing to the community housing sector through either the transfer of management or ownership.

Community Housing Strategy

Over 6,000 properties have been transferred to community housing providers

In 2009, the Australian Government provided funding to construct around 6,000 new social housing dwellings in New South Wales under the Nation Building Economic Stimulus Plan (NBESP). In 2011, the NSW Government agreed to transfer ownership of most of these dwellings to community housing providers. Since then, 6,116 properties valued at \$1.5 billion have been transferred from LAHC to community housing providers under the NBESP and the National Rental Affordability Scheme programs.

The table below shows the number of properties transferred to community housing providers over the last five years.

Transfers at 30 June	2015	2014	2013	2012	2011
Properties transferred to community housing providers	296	2,721	--	--	3,099
Value of properties transferred (\$m)	71	461	--	--	946

Source: NSW Land and Housing Corporation (unaudited).

Performance Audit on Community Housing

The 2015 performance audit '[Community Housing](#)' concluded the Department had worked collaboratively with community housing providers and industry groups to develop the sector over the past eight years. Although there were some delays, it managed the transfer of public housing to the community housing sector reasonably well and improved the sustainability of the sector.

The audit recommended the Department:

- publicly release its asset portfolio framework so community housing providers could better align their asset management plans with the Department's strategy for its social housing portfolio
- ensure contracts included performance measures that clearly link to the outcomes set in the social housing policy
- ensure contracts were for a long enough period to enable community housing providers to deliver the outcomes it set in the social housing policy
- ensure the performance of providers was monitored against the outcomes set in the social housing policy.

Social Housing Portfolio

Demand for social housing continues to exceed supply

Social housing tenants increased by one per cent in 2014-2015, while the supply of social housing remained relatively stable. There were 59,035 households waiting for social housing at 30 June 2015 (59,534 households waiting at 30 June 2014).

The table below shows the number of households living in and the supply of social housing.

Social Housing at 30 June	2015	2014	2013	2012
Households living in public housing	108,732	109,371	110,059	111,622
Households living in community housing	27,249	25,624	25,973	25,844
Households living in aboriginal housing	4,550	4,528	4,469	4,398
Total	140,531	139,523	140,501	141,864
No. of public housing properties	116,249	116,436	117,802	na
No. of community housing properties	28,577	27,773	27,450	27,392
No. of aboriginal housing properties	5,600	5,479	5,291	5,154
Total	150,426	149,688	150,543	32,546

na Not available.

Source: Department (unaudited).

Sale of Millers Point

The sale of Millers Point properties is expected to provide for 1,500 new dwellings

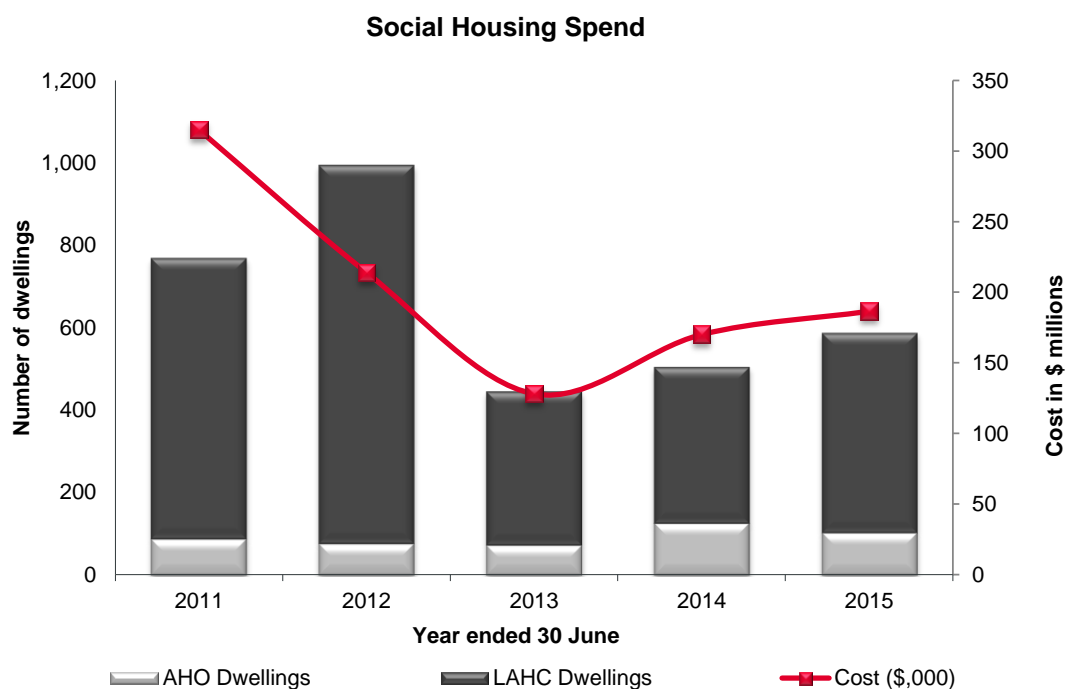
LAHC expects over 1,500 new dwellings will be funded from the sale of Millers Point properties to meet demand for social housing.

The Millers Point Accommodation Plan resulted in net proceeds from the sale of properties of \$40.9 million in 2014-15. These proceeds have been reinvested in constructing new dwellings. At 30 June 2015, \$46.0 million to date has been spent on new dwellings as part of this Plan. Millers Point properties continue to enter the market.

Social Housing Spend

LAHC acquired or completed construction of 486 properties in 2014-15 (380 properties in 2013-14). New Aboriginal housing declined 18.4 per cent in the same period, from 125 properties to 102 properties. The decline is mainly due to the peak in 2013-14 when the National Partnership Agreement Remote Indigenous Housing program was operating.

The chart below shows the cost and number of dwellings acquired and constructed over the past five years.



Note: 2011 and 2012 data included dwellings constructed under the National Building Stimulus Plan.

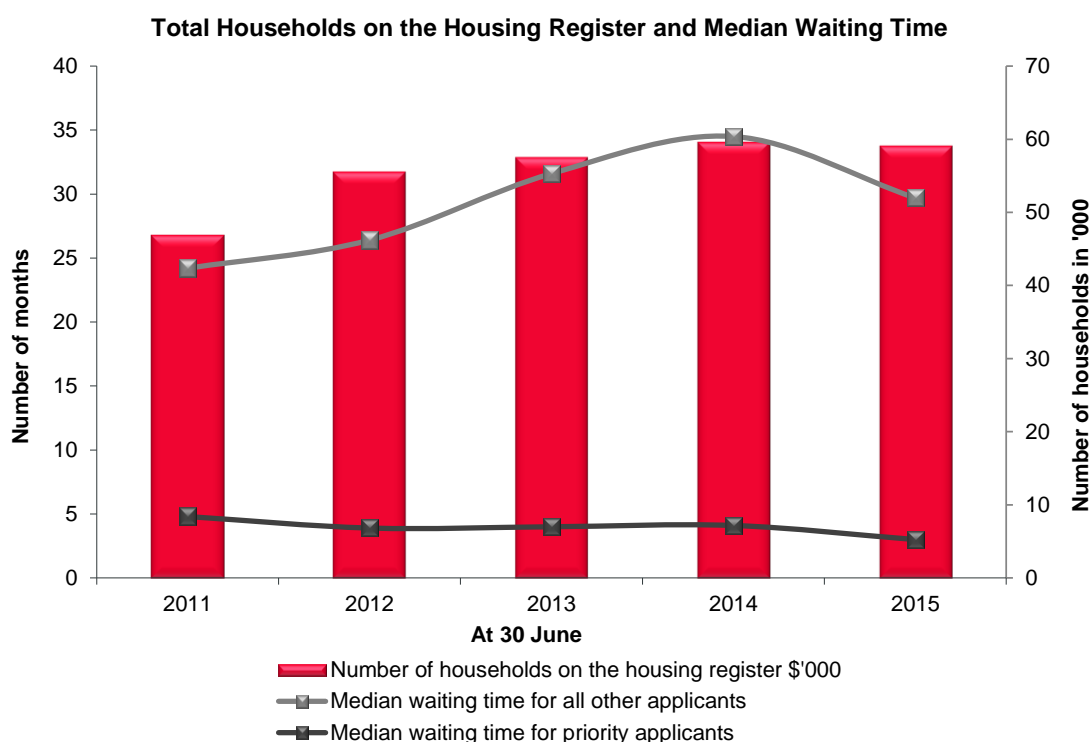
Social Housing Waiting List

Waiting time for social housing applicants has improved

At 30 June 2015, 59,035 households were waiting for social housing, a slight decline of approximately one per cent from 2013-14. The NSW Legislative Council Select Committee on Social, Public and Affordable Housing (Select Committee) anticipates the waiting list will increase to 86,000 by 30 June 2016.

The median waiting time for non-priority applicants improved by 14 per cent to 29.7 months at 30 June 2015 compared to 34.5 months at 30 June 2014. Applicants on the priority list have a relatively shorter median waiting time, which has been around three to four months since 2011.

The chart below shows waiting time and the number of households since 2011.



Source: Department (unaudited)

Follow up of 2013 Performance Audit on Public Housing

Not all recommendations from the 2013 performance audit on 'Making the Best Use of Public Housing' have been implemented in accordance with the timetable.

A key activity of the Public Accounts Committee (PAC) of Parliament is to follow up on how agencies are progressing with implementing Auditor-General's Report recommendations twelve months after the reports are tabled.

In November 2014, the PAC followed up recommendations from the 2013 'Making the Best use of Public Housing' performance audit and its findings are published in [PAC Report 19/55](#). The PAC recommended:

- the Government release its new social housing policy as soon as possible
- the Government release its asset portfolio strategy, including its strategy for management of housing estates, by June 2015
- the Department of Family and Community Services complete the review of its business plans as soon as possible after the social housing policy is finalised
- the Treasurer suggest the Auditor-General conducts a performance audit of social housing no less than 18 months after the commencement of the new contract or by 31 March 2017, whichever is earlier, and report on the cost effectiveness of and tenant satisfaction with the new arrangements.

People with Disability

Disability support costs and demand continue to grow

Disability support is provided in the form of community support, short term intervention and supported accommodation.

Funding for the three disability support categories has increased to match increased demand and cost of these services.

The table below shows the number of people being supported and the cost of disability support over the past three years.

Disability support for the year ended 30 June	2015	2014	2013
Community support			
No. accessing skill development and day programs	16,000	15,000	13,000
No. receiving respite services	25,000	25,000	25,000
No. receiving personal assistance	35,000	35,000	33,000
Community support cost (\$'000)	850,161	709,318	662,012
Target spending - budget (\$'000)	853,407	781,362	743,327
Short-term interventions			
No. of families and children receiving support	16,000	15,000	14,000
No. accessing transition to work	2,500	2,300	2,100
No. receiving therapy and interventions	36,000	35,000	35,000
Short-term intervention cost (\$'000)	319,981	387,517	404,102
Target spending - budget (\$'000)	408,420	392,598	399,103
Supported accommodation			
No. accessing supported accommodation services	10,604	10,300	9,900
Clients managed by the department	2,545	2,575	2,475
Clients managed by NGOs	8,059	7,725	7,425
Supported accommodation cost (\$'000)	1,610,440	1,506,453	1,410,568
Target spending - budget (\$'000)	1,630,570	1,506,763	1,390,613

Source: Department (unaudited).

A portion of the annual budget allocated to the Department includes the National Disability Specific Purpose Payment (SPP) from the Australian Government. This payment was \$446 million for 2014-15 (\$426 million for 2013-14).

National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) provides support for people with disability through a national social insurance framework. NDIS aims to provide long-term, high quality support for almost half a million people across Australia with permanent disability affecting their communication, mobility, self-care and/or self-management.

In December 2012, all states signed an Intergovernmental Agreement with the Australian Government for the NDIS trial. The NDIS was launched on 1 July 2013 in New South Wales with the Hunter region trial. Over three years, some 10,000 people with disability from the Newcastle, Lake Macquarie and Maitland local government areas will transition to the NDIS.

According to data published on the NDIS website, from 1 July 2013 to 30 June 2015, New South Wales had 4,946 people participating in the trial. This represents 98.7 per cent of the expected participants under the Agreement.

NDIS trial expands to the Nepean Blue Mountains Region

From 1 July 2015, the NDIS was launched in the Nepean Blue Mountains region for children and young people under the age of 18. This follows the success of the trial in the Hunter Region.

On 16 September 2015, a Bilateral Agreement between the Australian and NSW Governments was signed, which sets out how all eligible persons will access the NDIS between 1 July 2016 and 30 June 2018.

Home Care Service of NSW

Home Care Service of NSW will be transferred to Australian Unity in 2016

On 28 August 2015, the NSW Government agreed to transfer the Home Care Service of NSW to Australian Unity.

Under the agreement, all staff and clients will transfer to Australian Unity with no impact expected on service delivery during the transition period.

A key objective of this arrangement is to prepare for national aged care reforms and NDIS.

Section Two

Appendices



Appendix One – Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Net result	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cluster lead agency										
Department of Family and Community Services	2,052	1,710	644	452	5,465	5,215	5,368	5,144	97	71
Controlled agencies of FACS										
Home Care Service of New South Wales - Parent	95	89	49	48	239	235	234	236	5	(1)
Home Care Service Staff Agency	45	42	45	42	174	175	174	177	--	(2)
John Williams Memorial Charitable Trust	10	9	--	--	--	--	--	--	--	--
Other related agencies										
Aboriginal Housing Office	1,618	1,476	27	45	157	175	108	124	49	51
NSW Businesslink Pty Ltd*	--	--	--	--	--	207	--	198	--	9
Office of the Children's Guardian	9	11	3	4	26	30	27	29	(1)	1
NSW Land and Housing Corporation	39,658	35,613	903	920	1,120	1,057	1,359	1,684	(239)	(627)
Home Purchase Assistance Fund	285	298	--	--	10	12	1	--	9	12
City West Housing Pty Ltd	526	449	2	2	41	59	10	9	31	50

Source: Financial statements (audited).



















Appendix Two – Financial Sustainability

Cluster agencies	Underlying result %	Liquidity	Expense growth rate %	Capital replacement	Government funding %
Department					
Department of Family and Community Services	1.8	1.2	4.1	2.3	94.2
Other cluster agencies					
Aboriginal Housing Office	30.8	1.1	(11.3)	4.3	63.4
NSW Land and Housing Corporation	(19.0)	0.9	6.7	1.2	15.8
Office of the Children's Guardian	(4.6)	2.2	(6.6)	1.2	43.3
Home Purchase Assistance Fund	89.9	2,800.9	257.1	--	--
City West Housing Pty Ltd	75.9	56.7	13.1	10.9	--

Note: Department includes its controlled entities. NSW Business Link Pty Ltd not included as no transactions during 2014-15. Significant one-off revenue and expense items were excluded from these calculations.

Appendix Three – Performance Against Budget

Self-Funded

	City West		LAHC	
	2015 actual \$m	2015 SBI \$m	2015 actual \$m	2015 SBI \$m
Abridged statement of comprehensive income - year ended 30 June				
Total expenses	 10	10	 1,359	1,311
Total revenue	 41	17	 1,120	995
Profit before tax	 31	7	 (239)	(316)
Profit after tax	 31	7	 (239)	(316)
Total other comprehensive income/(expense)*	45	12	4,301	585
Total comprehensive income/(expense)	 76	19	 4,062	269
Abridged statement of financial position - at 30 June				
Total assets	 526	438	 39,658	36,043
Total liabilities	 2	3	 903	884
Net assets	 523	435	 38,755	35,159
Abridged statement of cash flows - year ended 30 June				
Purchases of property, plant and equipment	 53	73	 426	301

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited) and Statement of Business Intent (unaudited).

General Government Sector

	FACS Parent		HCS		AHO		OCG	
	2015 actual	2015 budget	2015 actual	2015 budget	2015 actual	2015 budget	2015 actual	2015 budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged statement of comprehensive Income - year ended 30 June								
Total expenses	● 5,368	5,531	● 234	223	● 108	116	● 28	24
Total revenue	● 5,465	5,704	● 238	226	● 157	166	● 26	25
Net result	● 97	173	● 4	3	● 49	50	● (2)	1
Total other comprehensive income/(expense)*	53	--	(1)	--	136	--	--	--
Total comprehensive income/(expense)	● 150	173	● 3	3	● 185	50	● (2)	1
Abridged statement of financial position - at 30 June								
Total assets	● 2,052	1,763	● 95	90	● 1,618	1,548	● 9	11
Total liabilities	● 644	308	● 49	43	● 27	24	● 3	4
Net assets	● 1,408	1,455	● 46	47	● 1,591	1,524	● 6	7
Abridged statement of cash flows - year ended 30 June								
Purchases of property, plant and equipment	● 206	198	● 1	3	● 64	68	● 1	1

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited).

Appendix Four – Financial Analysis

Indicator	Formula	Description
Underlying result %	Adjusted net surplus / total underlying revenue	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term. Underlying revenue does not take into account one-off or non-recurring transactions. Net result and total underlying revenue is obtained from the comprehensive operating statement and is adjusted to take into account large one-off (non-recurring) transactions.
Liquidity (ratio)	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities exclude long-term employee provisions and revenue in advance.
Expense growth rate (%)	(Total expenditure 2014-15) / (Total expenditure 2013-14)	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2014-15, compared to 2013-14. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to prior year.
Capital replacement (ratio)	Cash outflows for property, plant and equipment and intangibles / depreciation and amortisation	Comparison of the rate of spending on infrastructure, property, plant and equipment and intangibles with their depreciation and amortisation. Ratios greater than one indicate that spending is greater than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option. Cash outflows for infrastructure, property, plant and equipment and intangibles are taken from the cash flow statement. Depreciation and amortisation is taken from the comprehensive operating statement.
Government funding (%)	Government grants and contributions / total revenue	Indicates the proportion of total revenue which is contributed by State and Federal Government. A higher percentage means that the agency relies on the Government to fund its expenditure. This percentage is expected to be lower for self funding agencies.

Appendix Five – Cluster Information

Agency	Website
Cluster lead entity	
Department of Family and Community Services	http://www.facs.nsw.gov.au/
Controlled entities of FACS	
Home Care Service of New South Wales	http://www.adhc.nsw.gov.au/individuals/help_at_home/home_care_service
Home Care Service Staff Agency	*
John Williams Memorial Charitable Trust	*
Other related agencies	
Aboriginal Housing Office	http://www.aho.nsw.gov.au/
NSW Businesslink Pty Ltd	http://www.facs.nsw.gov.au/about_us/our_structure/nsw_businesslink_now_facs_business_services
Office of the Children's Guardian	http://www.kidsguardian.nsw.gov.au/
NSW Land and Housing Corporation	http://www.facs.nsw.gov.au/about
Home Purchase Assistance Fund	*
City West Housing Pty Ltd	http://citywesthousing.com.au/

* These agencies do not have a website.

Our vision

Making a difference through audit excellence.

Our mission

To help parliament hold government accountable for its use of public resources.

Our values

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

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