

# Report on Family and Community Services

8 DECEMBER 2017



# 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.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

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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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled  
**Report on Family and Community Services.**

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

**Ian Goodwin**

Acting Auditor-General  
8 December 2017

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## Family and Community Services 2017

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## **Section one**

# Family and Community Services 2017

This report analyses the Family and Community Services cluster for the year ended 30 June 2017.





# Executive summary

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## 1. Financial reporting and controls

### Quality of financial reporting

Unqualified audit opinions were issued for all cluster agencies' financial statements.

### Timeliness of financial reporting

Agencies completed mandatory early close procedures and all but one agency submitted financial statements by the statutory deadline.

### Internal controls

The 2016–17 audits reported 29 internal control improvements to cluster agencies' management. None of these findings were high risk. Eleven related to information technology control weaknesses in key financial business systems.



## 2. Service delivery

### Commissioning

Non-government organisations (NGOs) received \$2.6 billion in 2016–17 to deliver services.

### Children and young people

The Department of Family and Community Services data indicates that family preservation programs are reducing the number of children and young people entering statutory care.

The Department's data shows 86 per cent of children and young people in statutory care had their placements reviewed in the 12 months to 30 June 2017. Legislation requires all placements are reviewed at least every 12 months.

### Social housing

The Department's data shows waiting times for social housing applicants are longer than last year.

### People with disability

Under the current timetable for implementing the National Disability Insurance Scheme, the Department plans to transfer direct disability services to NGOs by 30 June 2018.



## 1. Financial reporting and controls

### More effective early close procedures would improve financial reporting

Unqualified audit opinions were issued on 30 June 2017 financial reports of all cluster agencies. Agencies completed mandatory early close procedures and all but one agency submitted financial statements to the Treasurer and the Auditor-General by the statutory deadline.

However, some agencies can improve the effectiveness of early close procedures by:

- assessing the impact of significant and complex transactions
- reconciling inter-agency balances and transactions with other government agencies
- reconciling and reviewing key account balances
- assessing the impact of new and revised accounting standards.

Early close procedures allow issues and financial reporting risks to be addressed early in the audit process.

### Control weaknesses expose financial information systems to unauthorised access

The Department of Family and Community Services provides financial services, including core financial systems, to eight cluster agencies. Multicultural NSW, NSW Aboriginal Land Council and City West Housing Pty Ltd have their own financial systems. The financial audit of the Department and other cluster agencies identified control weaknesses over password parameters, user access administration and system security.

#### Recommendation

Agencies should:

- ensure policies for creating, modifying and deactivating user access are documented
- enhance the current user access review process
- log and monitor highly privileged user account activity
- ensure timely removal of access to business systems for terminated and casual employees
- ensure password parameters comply with internal policies.



## 2. Service delivery

### The Department reviewed the placements for 86 per cent of children in statutory care

The *Children and Young Persons (Care and Protection) Act 1998* requires the Department to review placements of all children and young people in statutory care at least every 12 months. The Department reported that it reviewed placements for 86 per cent of children and young people in statutory care in the 12 months to 30 June 2017 (85 per cent at 30 June 2016).



### **Longer waiting time for social housing applicants**

The Department's unaudited data shows the median waiting time for both priority and non-priority social housing applicants increased in 2016–17. The Department advised the factors that influence waiting time include:

- the number of vacancies in the same area
- the number of approved applicants looking for the same type of property in the same area
- the length of time tenants remain in public housing
- the number of priority housing applicants in the same area.

### **The Department plans to transfer direct disability services to NGOs**

Full implementation of the National Disability Insurance Scheme is planned to occur by 30 June 2018. The Department is monitoring implementation timetables and some disability services may be transferred in 2018–19. The Department advised that staff who currently provide disability services will transfer to the new operators.

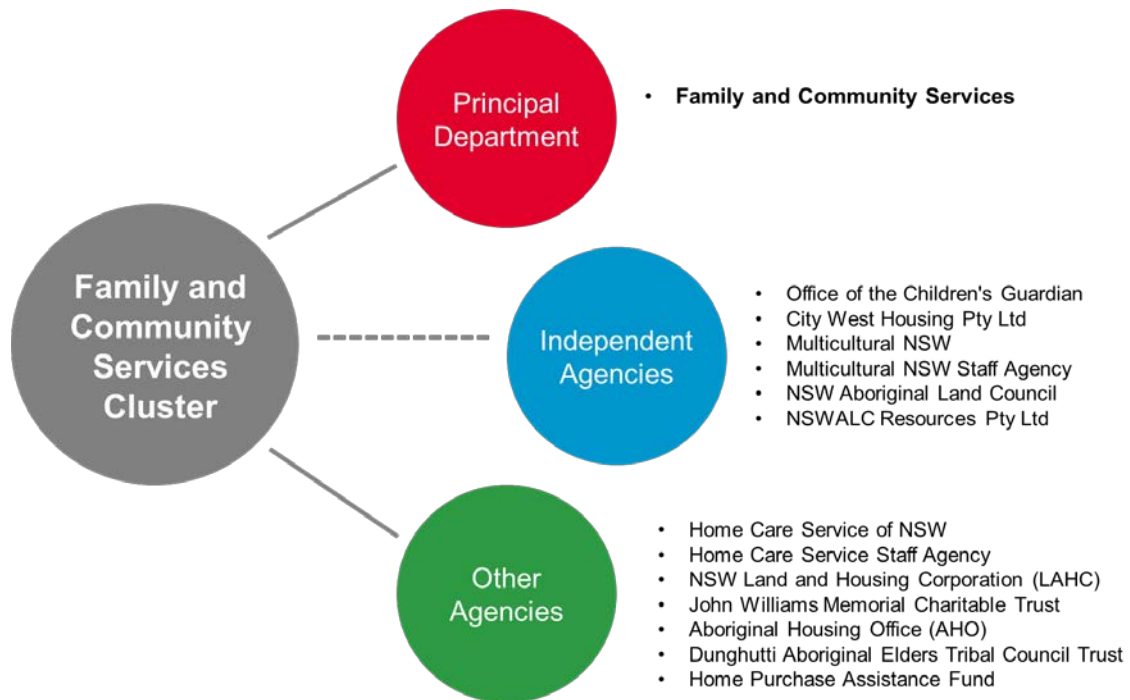


# 1. Introduction

This report provides Parliament and others with the audit results, observations, conclusions and recommendations for Family and Community Services cluster agencies. The report has been structured into two chapters focusing on financial reporting and controls and service delivery.

The Family and Community Services cluster works with children, adults, families and communities to improve lives and help people realise their potential.

## 1.1 Snapshot of the cluster



Note: NSW Aboriginal Land Council and NSWALC Resources Pty Ltd are included for reporting purposes but are not part of the Cluster.



Note: NSW Aboriginal Land Council and NSWALC Resources Pty Ltd are included for reporting purposes but are not part of the Cluster.

The Department of Family and Community Services (the Department), led by the Secretary, is the lead agency in the cluster. Most agencies report to the Secretary, except for the independent agencies listed above.

## 1.2 Changes to the cluster

### **Front line disability services will be provided by non-government organisations under NDIS**

Disability services are transitioning from the Department to non-government organisations (NGO) as the National Disability Insurance Scheme (NDIS) is implemented in NSW. During 2016–17, nine companies were established to allow transfers from the Department to occur. The Minister for Disability holds the membership of these companies, which will transfer to the relevant NGO nominee. Full implementation is planned to occur by 30 June 2018. This change is expected to reduce employee numbers of the Department by 5,000 as front-line services will be delivered by NGOs. These staff are expected to transfer to the NGOs or other public sector agencies.

From 1 April 2017, Women NSW was transferred to the Department from the Ministry of Health as required by the Administrative Arrangements (Administrative Changes - Public Sector Agencies) Order 2017. Women NSW aims to improve the lives of women in NSW by achieving justice and equality through policy, innovation and collaboration.

On 19 February 2016, the operations, staff, assets and liabilities of Home Care Service of NSW (HCS) were transferred to Australian Unity to prepare for national aged care reform and the NDIS. The *Home Care Service Act 1988* was repealed on 28 June 2017 resulting in HCS being dissolved and its net assets transferring to the Crown.

## 2016–17 Family and Community Services cluster activities



Number of Seniors Card holders reached 1.5 million



Provides over 60,000 Community Support services to approximately 54,000 people with a disability, their families and carers\*



Conducts over 390,000 'Working With Children Checks'



Provides more than 51,000 short-term intervention services to people with a disability, their families and carers\*



Provides over 325,000 instances of services under the Community Builders program. The Child Youth and Family Support program provides support to approximately 54,000 children, young people and families



Provides supported accommodation services to over 11,000 people with a disability\*



Assists over 139,000 households with social housing, 19,000 with rent assistance in the private market and 24,900 with temporary accommodation assistance



Provides approximately 152,000 social housing properties for people in need



Provides out-of-home care services for 18,800 vulnerable children and young people, excluding children on guardianship orders

Source – data supplied by the Department (unaudited).

\* Activities will be transferred under the National Disability Insurance Scheme



## 2. Financial reporting and controls

This chapter outlines audit observations, conclusions and recommendations related to the financial reporting and controls of agencies in the Family and Community Services cluster for 2016–17.

Financial reporting is an important element of good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate and timely.

Appropriate financial controls help ensure the efficient and effective use of resources and administration of agency policies. They are essential for quality and timely decision making.

| Observation  | Conclusion or recommendation   |
|--|--|
| <b>2.1 Quality of financial reporting</b>  |  |
| <b>Unqualified audit opinions were issued for all cluster agencies' financial statements.</b>  | The quality of financial reporting remains high across the cluster.  |
| <b>2.2 Timeliness of financial reporting</b>   |  |
| <b>Agencies completed mandatory early close procedures and all but one submitted financial statements by the deadline.</b>                   | Early close procedures continue to allow issues and financial reporting risk areas to be addressed early in the audit process. There are opportunities to improve effectiveness of early close procedures.   |
| <b>2.3 Internal controls</b>   |  |
| <b>The 2016–17 audits reported 29 internal control weaknesses. While none were high risk, the Department had five repeat issues.</b>         | Management accepted the audit findings and advised they are actioning recommendations. Timely action is important to ensure internal controls operate effectively.   |
| <b>Eleven of these internal control weaknesses were related to IT system user access administration and security over financial systems.</b> | Controls weaknesses may compromise the integrity and security of financial data.<br><b>Recommendation</b><br>Agencies should: <ul style="list-style-type: none"><li>• ensure policies for creating, modifying and deactivating user access are documented</li><li>• enhance the current user access review process</li><li>• log and monitor highly privileged user account activity</li><li>• ensure timely removal of access to business systems for terminated and casual employees</li><li>• ensure password parameters comply with internal policies.</li></ul> |

### 2.1 Quality of financial reporting

#### **Unqualified audit opinions were issued for all agencies' financial statements**

All agencies in the Family and Community Services cluster received unqualified audit opinions for their 30 June 2017 financial statements. In other words, sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement and users can rely on them to make informed decisions.

## 2.2 Timeliness of financial reporting

### Early close procedures were completed and most financial statements submitted on time

Timeframes for financial reporting are established through legislation and directions from the Treasurer. Agencies in the cluster completed mandatory early close procedures within the timeframes and all but one agency submitted financial statements to the Auditor-General by the statutory deadline.

The table below shows timeliness of financial reporting and the number of internal control weaknesses reported in financial audit management letters by risk level.

| Cluster agencies                                   | Timeliness of financial reporting |                      |              | Management letter findings |          |     |         |
|--|-----------------------------------|----------------------|--------------|----------------------------|----------|-----|---------|
| Principal Department                               | Early close procedures            | Financial statements | Audit report | High                       | Moderate | Low | Repeat* |
| <b>Department of Family and Community Services</b> | ✓                                 | ✓                    | ✓            | --                         | 11       | 5   | 5       |
| <b>Other agencies</b>                              |                                   |                      |              |                            |          |     |         |
| Home Care Services of NSW                          | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| Home Care Service Staff Agency                     | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| NSW Land and Housing Corporation                   | ✓                                 | ✓                    | ✓            | --                         | 1        | 1   | --      |
| John Williams Memorial Charitable Trust            | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| Aboriginal Housing Office                          | ✓                                 | ✓                    | ✓            | --                         | --       | --  | --      |
| Dunghutti Aboriginal Elders Tribal Council Trust   | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| Home Purchase Assistance Fund                      | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| <b>Independent agencies</b>                        |                                   |                      |              |                            |          |     |         |
| Office of the Children's Guardian                  | ✓                                 | !                    | ✓            | --                         | 2        | 1   | --      |
| City West Housing Pty Ltd                          | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| Multicultural NSW                                  | ✓                                 | ✓                    | ✓            | --                         | 1        | 3   | --      |
| Multicultural NSW Staff Agency                     | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |
| NSW Aboriginal Land Council                        | N/A                               | ✓                    | ✓            | --                         | 3        | 1   | --      |
| NSWALC Resources Pty Ltd                           | N/A                               | ✓                    | ✓            | --                         | --       | --  | --      |

✓ Statutory financial reporting deadline was met.

! Financial statements were one day late.

N/A Agency not required to complete early close procedures.

\* Repeat management letter findings have been classified within the 'High', 'Moderate' and 'Low' columns and form part of the total in each column.

The management letter findings noted in the table are discussed below in section 2.4 Internal Controls.

### **Early close procedures could be more effective**

Family and Community Services cluster agencies complied with Treasury's mandatory early close requirements by the due date. However, some agencies can improve the effectiveness of early close procedures by:

- assessing the impact of significant and complex transactions
- reconciling inter-agency balances and transactions with other government agencies
- reconciling and reviewing key account balances
- assessing the impact of new and revised accounting standards, such as the requirement to identify and disclose certain related party transactions.

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

## **2.3 Key financial information**

### **NGO's received \$2.6 billion from cluster agencies in 2016–17**

The Department provided grants and subsidies of \$4.1 billion in 2016–17 (\$3.8 billion in 2015–16), comprising:

- \$2.0 billion for disability services
- \$930 million for out-of-home care
- \$232 million for early intervention programs
- \$150 million for community care programs
- \$788 million for other grants.

A significant proportion of these grants and subsidies are paid to non-government organisations (NGOs), which received \$2.6 billion in 2016–17 (\$2.8 billion) from cluster agencies to deliver services to people in need.

### **Cluster agencies' assets increased by more than \$4.6 billion**

The Land and Housing Corporation (LAHC) revalued its property portfolio in 2016–17 resulting in a \$4.8 billion or 10 per cent increase in value, primarily impacted by the Sydney market. Revalued land and buildings of the Department, Aboriginal Housing Office, City West Housing Pty Ltd and the NSW Aboriginal Land Council added a further \$246 million to the asset position.

### **Expenses in the cluster decreased by \$166 million**

Total expenses across the cluster decreased by \$166 million in 2016–17 mainly due to Home Care Service of NSW winding up on 28 June 2017 after its operations, staff, assets and liabilities were transferred to Australian Unity in February 2016.

### **Land and Housing Corporation's deficit doubled**

LAHC's deficit increased from \$197 million in 2015–16 to \$402 million in 2016–17, mainly due to a sharp rise in repairs and maintenance expenses to \$408 million (\$296 million). The repairs and maintenance budget was \$301 million. This was the first full year of new maintenance contracts with service providers. As the property portfolio grows in age and value, maintenance and depreciation expenses are likely to increase.










Despite ongoing operating losses, net cash inflows of \$4.7 million and the liquidity ratio of 1.3 indicates LAHC can meet its obligations in the next 12 months.

Appendix two details key financial information for Family and Community Services cluster agencies.

## 2.4 Internal controls

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. We report deficiencies in internal controls, governance matters and unresolved audit findings. We do this through our management letters, which include our observations, related implications, our risk assessment and recommendations.

The table below summarises management letter issues across all cluster agencies by category and risk rating.

| Category   | Risk Rating  | Issue  |
|--|--|--|
| Information technology   |  Moderate: 5 new, 3 repeat<br> Low: 3 new        | <p>The financial audits identified opportunities for agencies to improve information technology processes and controls that support the integrity of financial data used to prepare financial statements. Opportunities were identified to improve:</p> <ul style="list-style-type: none"> <li>• user access administration</li> <li>• segregation of duties within information systems</li> <li>• access controls including password parameters.</li> </ul> |
| Governance and oversight                                       |  Moderate: 2 new   | <p>The financial audits identified opportunities for agencies to improve governance, including:</p> <ul style="list-style-type: none"> <li>• embedding risk management processes</li> <li>• developing risk appetite statements</li> <li>• having a signed service level agreement that outlines the nature and extent of services outsourced and key deliverables.</li> </ul>   |
| Internal control deficiencies or improvements                  |  Moderate: 3 new, 1 repeat<br> Low: 1 repeat | <p>The financial audits identified internal control weaknesses in payroll and expenditure business processes, including:</p> <ul style="list-style-type: none"> <li>• changes to vendor master files not being reviewed</li> <li>• the ability to make changes to the bank transfer payment files</li> <li>• weaknesses in segregation of duties</li> <li>• low use of purchase orders.</li> </ul>   |
| Non-compliance with key legislation or central agency policies |  Moderate: 1 new<br> Low: 2 new              | <p>The financial audits identified non-compliance with:</p> <ul style="list-style-type: none"> <li>• goods and services tax legislation</li> <li>• <i>Government Sector Employment Act 2013</i></li> <li>• <i>Government Information (Public Access) Act 2009</i>.</li> </ul>  |
| Financial reporting  |  Moderate: 3 new<br> Low: 5 new              | <p>The financial audits identified opportunities for agencies to improve the quality of financial reporting.</p>   |



High risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.



Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.



Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.



## Information technology controls

### Control weaknesses expose financial systems to unauthorised access

The Department provides financial services, including core financial systems, for eight cluster agencies. Other cluster agencies have their own financial systems. Our financial audit of the Department and other agencies focused on the information technology processes and controls supporting the integrity, availability and security of financial data. Control weaknesses were identified in the financial information systems of the Department, NSW Land and Housing Corporation, Multicultural NSW and New South Wales Aboriginal Land Council.

#### Recommendation

##### Agencies should:

- **ensure policies for creating, modifying and deactivating user access are documented**
- **enhance the current user access review process**
- **log and monitor highly privileged user account activity**
- **ensure timely removal of access to the business systems for terminated and casual employees**
- **ensure password parameters comply with internal policies.**

During 2016–17, the Department transitioned to a new SAP platform. The new SAP platform is supported by an outsourced vendor. Our audits identified and reported information technology moderate risk control weaknesses including:

- a lack of segregation of duties and access controls
- the outsourced vendor having too many users with highly privileged access
- a lack of regular and effective user access reviews
- weak password parameters in legacy systems.

Controls weaknesses may compromise the integrity and security of financial data. Our financial audits ensured no material misstatements occurred in 2016–17 due to these control weaknesses. The three repeat information technology weaknesses relate to legacy systems which are being replaced or will no longer be used past 30 June 2018.



## 3. Service delivery

Government outcomes can be improved by delivering 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 cluster for 2016–17.

| Observation  | Conclusion or recommendation  |
|--|---|
| <b>3.1 Commissioning</b>   |   |
| <b>Non-government organisations (NGOs) received \$2.6 billion funding in 2016–17 to deliver services.</b>  | Commissioning of service delivery can change the profile of risks that need to be managed. The Department has established a Commissioning Division and developed its 'Commissioning for Better Outcomes Framework'. |
| <b>3.2 Children and young people</b>   |   |
| <b>All the Department's Districts are accredited to provide out-of-home care services.</b>   | The Department is complying with out-of-home care service standards, but one District has an additional condition attached to its accreditation.  |
| <b>The Department's data indicates 66 more children and young people were in statutory care at 30 June 2017 compared to 30 June 2016. This contrasts to the previous year where 1,150 more children were in statutory care at 30 June 2016 than at 30 June 2015.</b> | Department's data indicates that family preservation programs are having a positive impact.   |
| <b>The Department's data shows 86 per cent of children and young people in statutory care had their placement reviewed at 30 June 2017.</b>  | The Department did not meet the legislative requirement to review the placement of all children and young people in statutory care annually.  |
| <b>The Department's data shows, at 30 June 2017, 41 per cent of children and young people with closed case plans for the 12 months ended 30 June 2016 were re-reported at risk of significant harm.</b>  | The number of children being re-reported at risk of significant harm is above the Premier's Priority target of 34 per cent by June 2019.  |
| <b>3.3 Social housing</b>  |   |
| <b>Waiting time for priority and non-priority social housing applicants increased in 2016–17, by 19 per cent and 3 per cent respectively.</b>  | Some factors impacting waiting time for social housing applicants are outside the control of the Department.  |
| <b>3.4 People with disability</b>  |   |
| <b>A Bilateral Agreement between the Australian and NSW Governments sets out how eligible persons access the National Disability Insurance Scheme (NDIS) between 1 July 2016 and 30 June 2018.</b>   | Under the timetable for the NDIS, the Department plans to transfer direct disability services to NGOs.  |

## 3.1 Commissioning

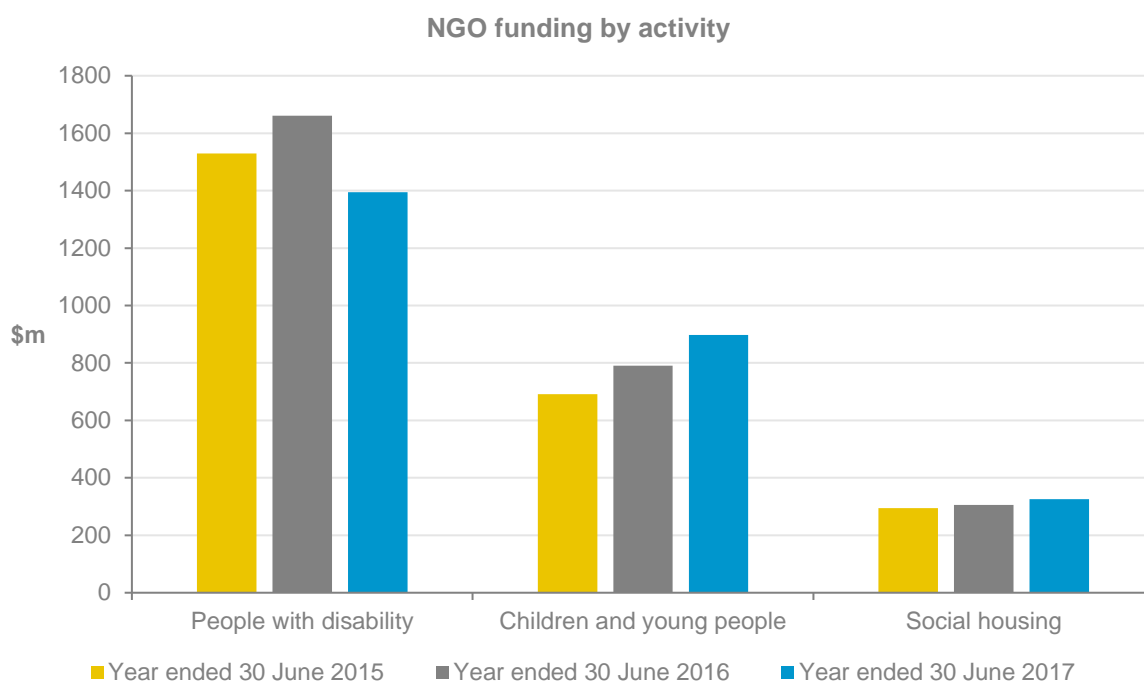
Commissioning is designed to promote innovation and create a more competitive and accountable environment leading to lower costs and improved services.

The Department has established a Commissioning Division led by a Deputy Secretary. It has also developed its 'Commissioning for Better Outcomes Framework'. The Department reports it commissions more of its services than any other NSW Government agency.

The 'NSW Government Commissioning and Contestability Policy' and the 'NSW Government Commissioning and Contestability Practice Guide' set out the requirements to be followed by NSW Government agencies when commissioning services.

### NGOs received \$2.6 billion from cluster agencies in 2016–17 to deliver services

The \$2.6 billion provided by Family and Community Services cluster agencies to non-government organisations (NGOs) in 2016–17 represented 33 per cent of total cluster expenses (\$2.8 billion and 34 per cent in 2015–16). The chart below details funding by activity over the past three years.



Source: Department and other cluster agencies audited financial statements.

In 2016–17, the Department and the Aboriginal Housing Office engaged with 1,719 NGOs across eight different programs. Funding to NGOs for disability services in 2016–17 decreased as \$757 million was paid directly to the National Disability Insurance Agency (NDIA).

Many services traditionally delivered by the Department and the Aboriginal Housing Office are being transferred in varying degrees to NGOs, along with substantial funding. Changing service delivery model can change the profile of risks that need to be managed.

Prior to changes in the cluster's service delivery model, the NSW Auditor-General could provide independent assurance to the NSW Parliament on the economy, efficiency and effectiveness on use of all government funds. The NSW Auditor-General's mandate does not extend to auditing the efficient and effective use of NSW government grants or contractual arrangements with NGOs providing government services.

The Department itself has the power to audit how well NGOs use funding provided. It advised it is improving its internal process for auditing NGO performance in 2017–18.

### **NGOs under investigation for misuse of funds**

In 2016–17 there were cases of alleged misuse of funds in two NGOs. In both cases the Department's acquittal processes detected and reported findings to the appropriate regulatory bodies.

### **Managing complaints against service providers needs to improve**

A June 2017 internal audit report on the Department's process for handling complaints against NGOs providing community and homelessness services identified opportunities to develop:

- a framework setting out governance arrangements and complaint handling procedures
- procedures on sharing complaints between Departmental business units
- data analysis to identify any systematic issues
- a mechanism to centrally monitor complaints
- a more comprehensive policy on responding to complaints.

Ineffective complaints management policy and procedures may impact the Department's ability to achieve desired benefits from its service providers and increases the risk that complaints are not investigated appropriately. The Department advised it is addressing these findings.

## **3.2 Children and young people**

### **Children's Guardian accredited all 15 Districts providing out-of-home care services**

In December 2017, the Children's Guardian granted five-year accreditation to three of the Department's 15 Districts which previously held provisional accreditation. However, one District, Western NSW, has an additional condition attached and further assessments will be conducted over the next 12 months.

Accreditation is achieved where services meet the 'NSW Child Safe Standards for Permanent Care'.

The Children's Guardian promotes and safeguards the best interests and rights of all children and young people in out-of-home care (OOHC). At 30 June 2017, there were 47 agencies accredited by the Children's Guardian to provide statutory OOHC. All accredited agencies have conditions attached.

### **Upper House recommends changes to the child protection system**

The recent Upper House Inquiry on 'Child protection' focused on the procedures, practices and systems operating in child protection. Its report on 16 March 2017 made 28 recommendations including:

## Upper house recommendations

| The NSW Government and others   | The Department   |
|---|--|
| <ul style="list-style-type: none"> <li>• make legislative amendments to extend the performance audit function of the NSW Auditor-General to include audits of all NGOs who have been provided with State funding to deliver child protection related services</li> <li>• commission an independent review of the Department's screening and assessment tools and processes, to identify how they can be improved to enhance objectivity within child protection assessments</li> <li>• the NSW Ombudsman undertake an annual audit of the Department's compliance with its obligations to provide strength-based evidence to the court</li> <li>• the Minister for Family and Community Services commission an independent investigation into the internal complaint mechanisms within the Department</li> <li>• the Minister for Family and Community Services provide a report to the NSW Parliament by the end of August 2018 on the NSW Government's progress in implementing the recommendations in the report.</li> </ul> | <ul style="list-style-type: none"> <li>• develop, in consultation with the NSW Ombudsman and stakeholders, a framework that focuses on the needs of vulnerable young people, to ensure they are not overlooked within the child protection system</li> <li>• in consultation with the Public Service Association and staff, set caseload targets for caseworkers, taking into account the complex nature of child protection work</li> <li>• in consultation with the Public Service Association, change workplace systems to improve the health, safety and wellbeing of its staff, given the challenging nature of child protection work</li> <li>• in partnership with stakeholders, develop a broader workforce training and development framework for staff working with vulnerable children, young people and families</li> <li>• develop a specific strategy to improve opportunities for children and young people in out-of-home-care to be restored to their families, where appropriate.</li> </ul> |

The Department advised the recommendations are currently being considered.

### Numbers of children in care have stabilised but costs rose by 12 per cent in 2016–17

The Department currently supports 18,780 children in care, a one per cent increase over the past year. The cost of caring for these vulnerable children and young people was \$1.2 billion in 2016–17 (\$1.0 billion in 2015–16), a 12 per cent increase.

The Department noted the increased costs are due to:

- reduced carer capacity in some areas including specialist care for high needs children and young people
- more children and young people requiring intensive placements
- children and young people with complex needs requiring additional services to be purchased outside the terms of the contract arrangements.

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

| Care arrangements  |               |               |               |
|--|---------------|---------------|---------------|
| Year ended 30 June                                       | 2017          | 2016          | 2015          |
| Children in statutory OOHC with the Department           | 6,218         | 6,267         | 5,811         |
| Children in statutory OOHC with NGOs                     | 8,183         | 8,078         | 7,525         |
| Children in statutory OOHC with others                   | 750           | 740           | 599           |
| Children in supported care                               | 3,619         | 3,560         | 3,612         |
| Other/not specified                                      | 10            | 14            | 38            |
| <b>Total number of children and young people in care</b> | <b>18,780</b> | <b>18,659</b> | <b>17,585</b> |

Source: Department website 'FACS Statistics' (unaudited).

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

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

The Department's unaudited data shows non-government organisations managed 54 per cent of the 15,151 children and young people in statutory care at 30 June 2017. Sixty-six more children were in statutory care at 30 June 2017 compared to 30 June 2016. In comparison, there were 1,150 more children in statutory OOHC at 30 June 2016 compared to 30 June 2015. The Department attributes the reduced rate of children entering care to its family preservation programs.

### **The Department reviewed the placements for 86 per cent of children in out-of-home care**

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.

Under the *Children and Young Persons (Care and Protection) Act 1998*, the Department must review placements at least every 12 months. The Department's unaudited data highlights that 86 per cent (85 per cent at 30 June 2016) of children and young people in statutory care had their placements reviewed in the 12 months to 30 June 2017.

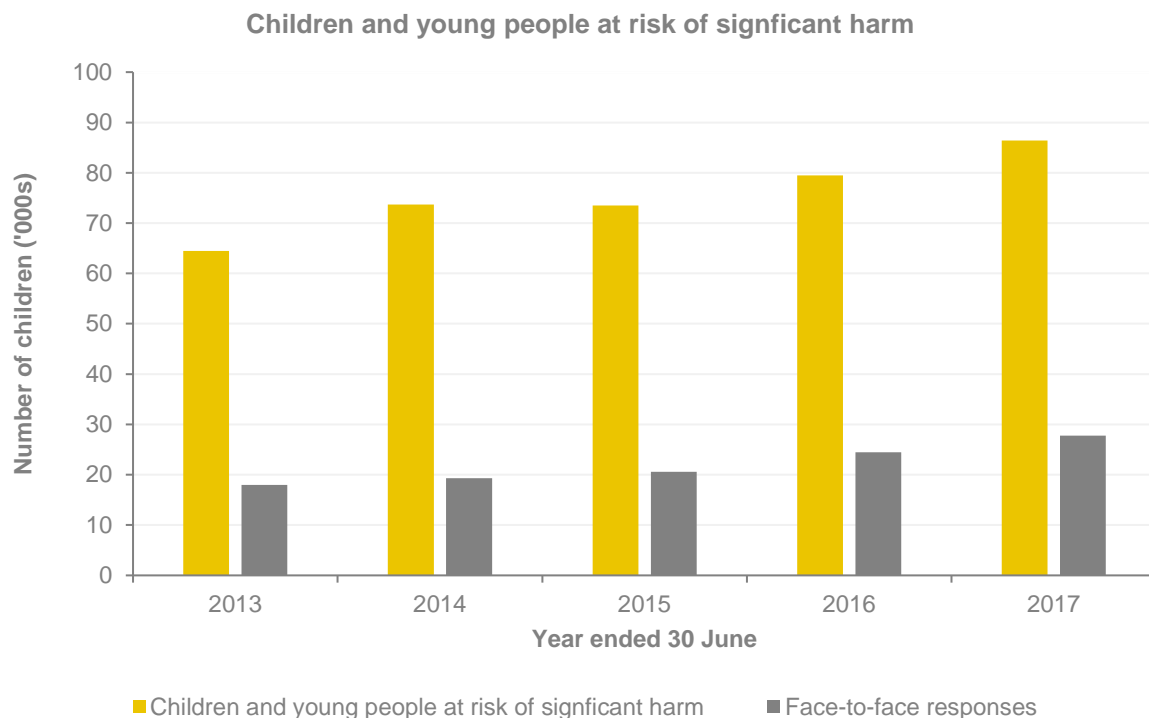
### **More children reported at risk of significant harm**

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.

The Department aims to provide more children at risk of significant harm with a face to face child protection response from a caseworker. The Department's unaudited data shows about 86,000 children were reported at risk of significant harm in 2016–17, about 7,000 more than the previous year. However, since 2013 the number of face to face responses increased from about 17,900 to over 27,000. The Department advised that increased media attention with the 'Royal Commission into Institutional Responses to Child Sexual Abuse' may have contributed to higher reporting of children at risk.

The chart 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 five years.





Source: Department website 'FACS Statistics' (unaudited)

### Re-reporting children at risk of significant harm remains above the target

One NSW Premier's Priority is to decrease the percentage of children and young people re-reported at risk of significant harm by 15 per cent to 34 per cent by June 2019. This refers to children and young people being re-reported at risk of significant harm within 12 months of having their case plan closed with the closure reason being 'plan goal achieved'.

At 30 June 2017, the Department's unaudited data shows 41 per cent of children and young people with closed case plans for the 12 months ended 30 June 2016 were re-reported at risk of significant harm. The Department's performance against the target is reported on the Department of Premier and Cabinet's (DPC) website. DPC is responsible for driving the implementation of initiatives to deliver the Premier's Priorities and supporting the delivery of the State Priorities.

The 2017–18 State Budget has allocated \$63 million over four years for additional child protection caseworkers and support workers.

Some of the initiatives the Department advised it is taking to reduce the rate of re-reporting are:

- training and intensive support
- State-wide rollout of group supervision
- setting local targets
- additional casework support workers over the next two years.

### Cost of implementing ChildStory IT project exceeds budget

The estimated cost to complete the ChildStory project was \$88.3 million at 30 June 2017, a 46 per cent increase from the original budget of \$60.3 million.

ChildStory will replace the Department's current IT systems for child protection and out-of-home care. The project commenced in July 2014 and is being delivered in stages over four years to June 2018. The project also aims to reduce administration time of frontline staff so they can spend more time with families in need.

There have been delays in meeting project milestones due to issues with the underlying IT platform and data migration. The IT systems went live at the Department's Districts and Child Wellbeing

Units in November 2017. The next phase will give access to non-government child protection service providers, police, and the health and education sectors, as well as children and carers.

### 3.3 Social housing

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

#### Programs under Future Directions are progressing

In January 2016, the NSW Government launched Future Directions for Social Housing in NSW to drive better outcomes for tenants, including help for those able to transition out of social housing. The following has occurred in the four program areas:

- **Social and Affordable Housing Fund (SAHF):** Phase 1 was announced on 10 March 2017 with five providers contracted to deliver SAHF service packages in metropolitan and regional NSW. Delivery commenced in May 2017 with 33 of 2,200 contracted properties now available for tenants. The remaining properties are expected to be available progressively over the next three years. Total expenditure to implement the program was \$10.3 million for 2016–17.
- **Communities Plus:** announced five major renewal projects in Waterloo, Riverwood, Arncliffe, Telopea and Ivanhoe, and three Neighbourhood Project releases in metropolitan and regional NSW. The Macquarie Park redevelopment is transforming the estate into a neighbourhood of 3,000 dwellings including at least 950 social housing units and 128 affordable rental dwellings. Total expenditure for Communities Plus programs for 2016–17 was \$273 million.
- **Social Housing Management Transfer program:** to transfer management of up to 35 per cent of all social housing properties to the community housing sector. In 2016–17, nine community housing providers were selected with transfers planned from October 2018 to December 2019.
- **Service Improvement Initiatives:** are being implemented with \$21.3 million spent in 2016–17 including:
  - expanding private rental assistance
  - extending the scholarship program to offer recipients assistance from Year 10 of high school until completion of further education and/or training with 255 scholarships awarded in 2017
  - completing partnership with the NSW Department of Industry to trial the CareerPathways training and support program for social housing clients at 15 sites
  - planning for other employment, education and health initiatives including programs being implemented in 2017–18.
- **Housing Connect:** improving tenant access to services including introducing email, SMS and social media as means of communication and allowing tenants to access and manage their own information through the MyHousing Account information portal and online services.

#### IPART recommends changes to the rent model for social housing

The Independent Pricing and Regulatory Tribunal (IPART) issued its final report 'Review of rent models for social and affordable housing' in July 2017 making 29 recommendations including:

- social housing tenants above the subsidy eligibility should pay market rent plus five per cent
- requiring inclusion of more benefits in the calculation of rent payable for social housing
- changes to the calculation of the annual subsidy paid to providers
- having a contracting out framework that delivers better outcomes for tenant and taxpayers by encouraging innovative arrangements to deliver services more efficiently



- policy, planning and purchasing for social housing being independent of asset delivery and tenancy management services
- changes to the priority for allocating properties to those on the waiting list.

The NSW Government has responded to IPART's final report and is currently considering the recommendations as part of its ongoing social housing strategy development.

#### **Progress made to achieve the State Priority target for transitioning out of social housing**

One State Priority is to increase the number of households successfully transitioning out of social housing by five per cent over four years till 2019. In 2016–17, the Department reported 1,980 households (1.4 per cent) successfully transitioned out of social housing (2,073 households in 2015–16).

#### **Proceeds from sale of Millers Point properties spent on new dwellings**

The Land and Housing Corporation expects over 1,500 new dwellings will be funded from the sale of Millers Point properties.

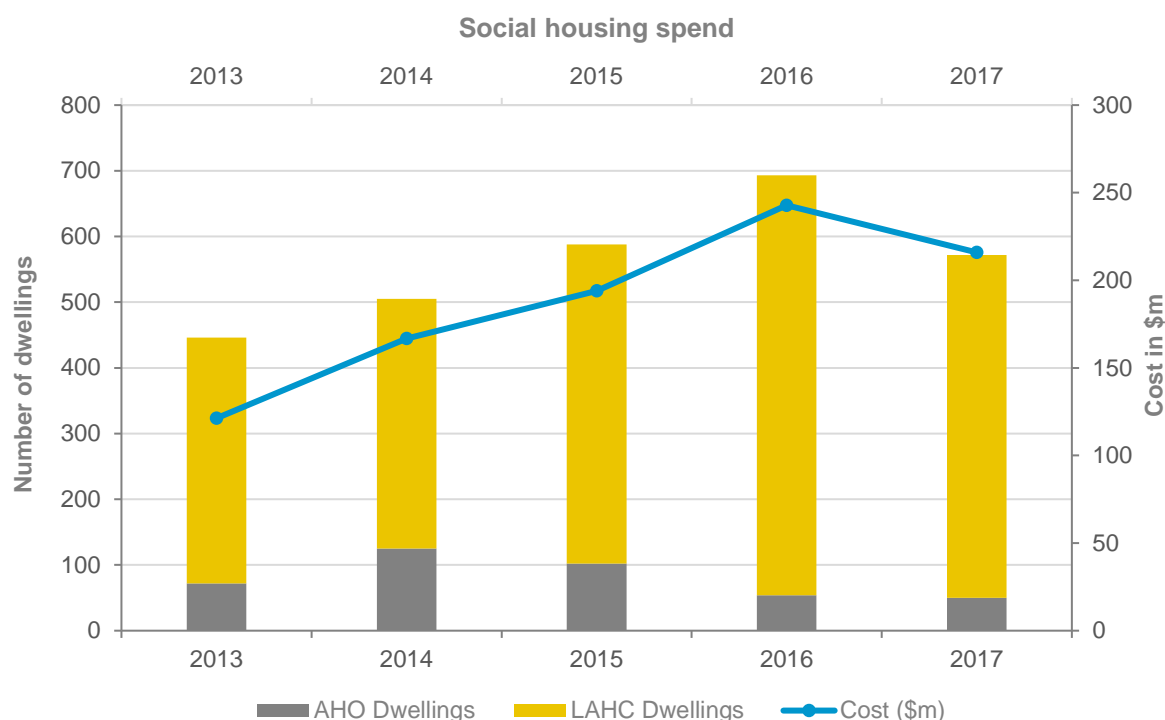
During 2016–17, the Millers Point Accommodation Plan resulted in net proceeds of \$125 million from the sale of properties (\$160 million in 30 June 2016). These proceeds have been used to construct new dwellings in the broader Sydney Metropolitan area. Over the life of the Plan, \$259 million (\$155 million) has been spent on new dwellings.

#### **572 more social housing properties**

Data supplied by LAHC shows it acquired or completed constructing 522 properties in 2016–17 (639 in 2015–16). Also, there were 50 new Aboriginal housing properties in 2016–17 compared to 54 in the prior year.

The completion of dwellings varies each year based on the timing of project commitments, planning approvals and tenant relocations. The Department advised that its focus this year was to deliver the Future Directions programs. In 2016–17, under the Future Directions programs including Communities Plus, private sector partners committed to provide 1,494 social housing properties in future periods.

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



Source: Department website 'FACS Statistics' and data supplied by the Department (unaudited).

The cost per dwelling increased by seven per cent in 2016–17 due to higher property prices for properties acquired.

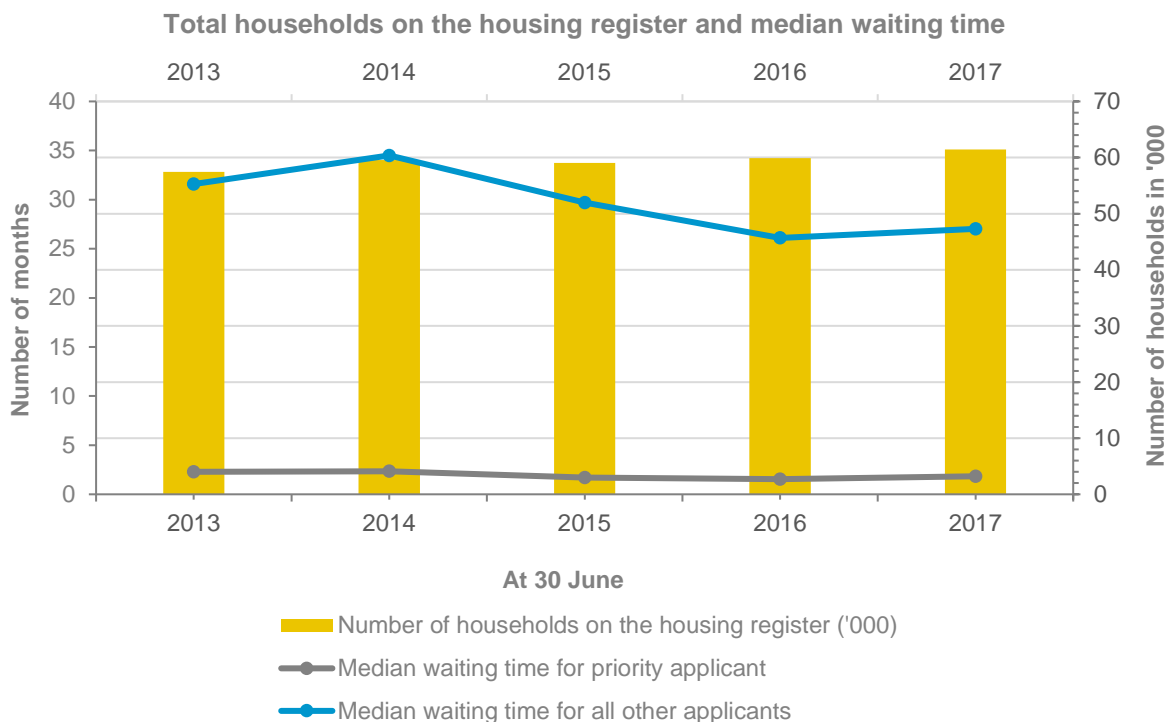
### Longer waiting time for social housing applicants

The Department's unaudited data indicates the median waiting time for applicants on the social housing priority list increased by 19 per cent to 3.2 months at 30 June 2017 from 2.7 months at 30 June 2016. The median waiting time for non-priority applicants increased by three per cent to 27 months in 2016–17 from 26.1 months in 2015–16.

The Department advised waiting times for applicants depends on the following:

- the number of vacancies in the same area
- the number of approved applicants looking for the same type of property in the same area
- the length of time tenants remain in public housing
- the number of priority housing applicants in the same area.

The chart below shows waiting time and the number of households on the housing register since 2013.



Source: Department website 'FACS Statistics'.

## 3.4 People with disability

On 16 September 2015, a Bilateral Agreement between the Australian and NSW Governments was signed, setting out how eligible persons will access the National Disability Insurance Scheme (NDIS) between 1 July 2016 and 30 June 2018. The NSW Government will pay \$2.7 billion annually to NDIS under this agreement.

The NDIS is a national social insurance framework to support people with disability. 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.

The Department's unaudited data shows 48,266 people with disability in New South Wales had transitioned to NDIS at 30 June 2017, representing 87 per cent of participants estimated in the Bilateral Agreement. Disability services should transfer to NGOs by 30 June 2018.

During 2016–17, nine companies were established to allow transfers to occur. The Minister for Disability holds the membership of these companies which will transfer to the relevant NGO nominee in due course.

In August 2017, three NGOs were selected to operate supported accommodation services in Sydney and the Central Coast.

### **The Department plans to transfer direct disability services to NGOs**

Full implementation of NDIS is planned to occur by 30 June 2018. The Department is monitoring implementation timelines and some services may be transferred during 2018–19. The Department, advised that direct service staff will transfer to the new operators and the NSW Mobility Pathway will assist in re-assigning part of the workforce across the public sector. This will minimise redundancy costs and maximise skill retention. Overall the changes will reduce the Department's workforce by over 50 per cent.

The Department will retain ownership of disability-related land and buildings worth \$1.4 billion and will enter into leasing arrangements with NGO providers.

The Audit Office completed a performance audit in 2017 on 'Building the readiness of the non-government sector for the NDIS'. The audit found the Department managed the risks of the transition effectively by increasing the overall capacity of the sector and investing in provider capability building initiatives. However, the audit identified more work is needed to build the sector's capacity to provide services to people with more complex support needs and to help existing providers complete the transition to the NDIS successfully.

## **Section two**

### Appendices



# Appendix one – Status of 2015 and 2016 recommendations

The current status of recommendations made in the past two year's Auditor-General's Reports to Parliament on the Family and Community Services cluster are detailed in the table.

| Recommendation  | Current status   |   |
|---|--|---|
| <b>The Department should:</b>   |  |   |
| 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'. | The Department has addressed this recommendation.  | ✓ |
| Include targets and benchmarks in its performance reporting, where appropriate (repeat).  | The Department has commenced clarifying internal operational targets for key programs. These targets will be based on trends, evidence and research.<br><br>Benchmarks and targets have been incorporated into external reporting dashboards and other reporting, with plans to fully implement targets in key priority areas by 2018. | – |
| Self-assess its contract management framework against the Audit Office's 'Better Practice Contract Management Framework'.   | The Department has:  | ✓ |
| Have a central contract register which is regularly updated.  | <ul style="list-style-type: none"> <li>used the Audit Office's 'Better Practice Contract Management Framework' to review and update its procurement management plans</li> <li>developed a central contract register</li> <li>implemented central monitoring of contract compliance.</li> </ul>   |   |
| Centrally monitor and report on contract compliance.  |  |   |
| Develop a consistent process for auditing NGO performance and report audit results to the Audit and Risk Committee.   | The Department advised it is improving its process for auditing NGO performance in 2017–18. Audit results will be reported to the Department's Executive and its Audit and Risk Committee.   | – |
| Continue with strategies to comply with its requirement to review placements of children and young people in statutory care (repeat).   | The Department advised its Practice Quality Review Tool, used to review casework file evidence against NSW Standards for statutory care, continues to improve annual placement/carer reviews.  | – |
| <b>Other agencies should:</b>   |  |   |
| Use the Audit Office's Governance Lighthouse - Strategic Early Warning System' to assess their governance frameworks.   | Agencies have assessed their governance frameworks.  | ✓ |
| Review compliance with the <i>Government Information (Public Access) Act 2009</i> and report results to their Audit and Risk Committee.   | The Department is reconciling contracts on e-tendering against its contract register each month to ensure compliance is maintained. Other cluster agencies should continue to implement this recommendation.   | – |
| Develop and regularly update a centralised contract register.   | This has not been completed by all cluster agencies.   | – |
| Centrally monitor and report on contract compliance and performance.  |  |   |
| <b>Fully addressed</b> <b>Partially addressed</b> <b>Not addressed</b>  |  |   |



## Appendix two – Summary financial information

|   | Total assets |        | Total liabilities |      | Total revenue* |       | Total expense* |       |
|---|--------------|--------|-------------------|------|----------------|-------|----------------|-------|
|   | 2017         | 2016   | 2017              | 2016 | 2017           | 2016  | 2017           | 2016  |
|   | \$m          | \$m    | \$m               | \$m  | \$m            | \$m   | \$m            | \$m   |
| <b>Cluster lead agency</b>                  |              |        |                   |      |                |       |                |       |
| Department of Family and Community Services | 1,877        | 1,753  | 565               | 527  | 6,113          | 5,912 | 6,115          | 6,187 |
| <b>Controlled agencies of FACS</b>          |              |        |                   |      |                |       |                |       |
| Home Care Service of New South Wales^       | --           | 35     | --                | 3    | 3              | 144   | --             | 165   |
| John Williams Memorial Charitable Trust     | 11           | 11     | --                | --   | 1              | 1     | --             | --    |
| <b>Other related agencies</b>               |              |        |                   |      |                |       |                |       |
| Aboriginal Housing Office^                  | 1,964        | 1,823  | 25                | 31   | 103            | 113   | 96             | 104   |
| Office of the Children's Guardian           | 5            | 4      | 4                 | 5    | 34             | 21    | 31             | 28    |
| NSW Land and Housing Corporation            | 50,133       | 45,715 | 837               | 806  | 1,100          | 1,200 | 1,502          | 1,397 |
| Home Purchase Assistance Fund               | 255          | 270    | --                | --   | 8              | 9     | 4              | 3     |
| City West Housing Pty Ltd                   | 668          | 597    | 1                 | 1    | 71             | 56    | 15             | 13    |
| Multicultural NSW^                          | 4            | 6      | 3                 | 6    | 26             | 20    | 25             | 26    |
| NSW Aboriginal Land Council^                | 676          | 654    | 8                 | 9    | 62             | 34    | 44             | 76    |

Source: Financial statements (audited).

\* Includes unrealised gain/(losses) on financial instruments.

^ Consolidated financial statements.

Note: NSW Aboriginal Land Council and NSWALC Resources Pty Ltd are included for reporting purposes but do not form part of the Cluster.



## Appendix three – Cluster information

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### Agency

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#### Principal Department

[Family and Community Services](#)

#### Executive agencies related to the Department

Home Care Service Staff Agency\*

Multicultural NSW Staff Agency\*

#### Separate agencies

[Office of Children's Guardian](#)

#### Other agencies

Home Care Service of NSW ^

John Williams Memorial Charitable Trust\*

[NSW Land and Housing Corporation](#)

[City West Housing Pty Ltd](#)

[Multicultural NSW](#)

[Aboriginal Housing Office](#)

Dunghutti Aboriginal Elders Tribal Council Trust\*

[NSW Aboriginal Land Council](#)

NSW ALC Resources Pty Ltd\*

Home Purchase Assistance Fund\*

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\* This entity has no website.

^ N/A this entity transferred to Australian Unity in February 2016.

Note: NSW Aboriginal Land Council and NSWALC Resources Pty Ltd are included for reporting purposes but do not form part of the Cluster.



## OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

## 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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